

INTERNATIONAL PATHWAYS ON APPROACHING THE DILEMMA: LOCAL OR GLOBAL WHEN COMPETING TO BECOME TRANS-NATIONAL

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Resume

Any action is being developed to achieve a certain purpose, to get a certain target. This is what differentiates the rational world from the irrational one. The success depends on lots of factors and of the established objectives. If the objectives are realistic the success may get along, but if not any target plan will be compromised. The new world global economy is characterized by a new technological basis, by extending and diversifying the business environment relations and a new way of interdependent when talking about national and international.

Key words: trans-national, competing, internationalization, local, global, cultural diversity, values.

The process of internationalization

We are witnessing an unprecedented transfer of power from people and their governments to global institutions whose allegiance is to abstract free-market principle, and whose favored citizens are soulless corporate entities that have the power to shape and break nations."

Joel Bleifuss

The process of internationalization of the business environment shows the great diversity of the nowadays world and imposes the approach of a corporation strategy that should take into account these realities.

One of the major characteristics of the nowadays business environment is the tendency to become international in order to emphasize the economical life. The process of internationalization entered in the phase of emergency, based on a strong system of trans-national interdependencies in commerce, production and in the financial field.

There are some aspects of the economical and social life that reflects the results of the internationalization. Among these can be noted the followings: the global marketing – the marketing strategies answer the requirements of the globalization and promote this process, the global science and technology – even if the sources are in the developed countries, the global research is based on global resources and the target is also global, the world financial global system – the economy is based on a network that implies banking and capital, national and international bodies and regulations, the infrastructure I communications – the technical process perfect the transport, mass media and a global sending and receiving information.

The main economical processes that sustain the tendency of internationalization is present in all the productivity and services fields and the promoting factor of this attitude and way of living is the trans-national company.

The internationalization of the company is an objective process. The reality shows that on the way of their development, the company tends to overcome the local limits first, then the national and regional borders are being crossed over and finally to extend their activity in the global environment, and this action is being accomplished by moving towards the exterior, by crossing the limits. This has as a basis the expansionism of the market forces, their tendency to invade the environment and to include them as a whole. The process of the company's internationalization is a gradual one that has many stages to come, stages that define the specific motivations to the global market.

When talking about trans-national there are some reasons why the companies want to become international – trans-national in their development process they are looking for some important devices in order for their company to be a global successful one.

Here in this paper we note some of them.

Looking for the efficiency - in the main time there is the complementary one of reducing the costs. The main idea is to reduce the costs of production, low level of payment of with the working force, with the tools and the production materials. In this process there are integrated also the research and development procedures.

Looking for resources is probably the most important issue. Here, mainly, the problem is about finding and exploring the natural resources. And, if these natural resources do miss into the original country the company is forced to look for them into other areas, so the development and the enlargement of the company takes place.

The company can also look for other stimulus, for example the financial ones, because there are some Governments that offer some stimulus for the corporations that invest in the countries that are being on their development process. In these areas there are also different partners, local partners that are willingly to work together, using the joint-ventures in order to explore and to use the resources. For the countries, mainly companies, that uses the joint-ventures methods. There is also a very important issue to take into account, and thus being the access to technology, to high-tech technology or to the possibility of developing some new technologies. Looking for the efficiency is the main motivation of the companies and in the process this dephragmentates geographically the production on stages, according to the resources on which the area has, things that differ upon the local levels.

There are some inputs that are considered to be common, but are capable to be introduced in separate productive units, when talking about the geographically position.

Looking for the new markets may be considered also a very important one that goes hand in hand with the part of looking on the efficiency. The companies want to extend their markets on countries where there are a great number of consumers or where the buying force is greatly held by the consumers. Here an important issue is the analysis of the market and a way that the country may become attractive for the Mother company. An issue to be taken also into account is the money problem involving the transportation costs, the costs on the costumers, the costs of the working force, the quality of the infrastructure and the institutional development.²⁴¹ These companies whose main purpose is to look for the new markets, produce, mainly, global standardized goods.

A trans-national company offers great benefits to its actioners by diversifying their own portfolio. These companies are more protected by the international diversifications risks. And there is all about the equilibrium between the risks in the areas they extend and the diversification because the fluctuation in the host country may be predictable. The extension of the company towards the exterior is accomplished in a well defined business environment by using a great cultural diversity where the national cultures coexist with the subcultures. These companies that become trans-national function on a certain mentality and a certain way of understanding things. The cultural approach depends on the dominant mentality, on the management attitude connected to the final product, to the market issues and to the financial problems.

Considering the business global, business environment a market, “these trans-national companies think global and actions local”.²⁴² On the way of the experience growing on the internationalization process the companies adopt and perfect the methods of approach in the business environment, the tendency is being imposed by the requirements of assuring the competitiveness and efficiency at a global level.

The business management in a global economy bears the title of a real challenge, the challenge of internationalization and cultural diversity.

²⁴¹ Enright, M., *The roles of regional management centers*, Management International Review, Special Issue, 45 (1), forthcoming, 2004, p.78

²⁴² Fatehi, Kamal, *International Management. A cross cultural and Functional Perspective*, Prentice Hall, 1996.p.67

Is it a dilemma? Local or global?

Globalization through the increased mobility of people, economic liberalization, new communication technologies, and industry consolidation means the emphasis the importance of cultural diversity within and between states.²⁴³ The potential trend towards trans-nationalization is raising concerns for the ability of the global communities to note and mingle the differences in all aspects of cultural expression including language, creative expression, values, ideas and histories. The importance of cultural diversity to social, economic, and political agendas is gaining field for the moment in international discussions and has been recognized as so. However, recognition and understanding is at varied levels. For some industrialized countries, trade and the vulnerability of national cultural models in a rules-based environment is the driving force. For other organizations and nations, interest arises from social cohesion, human security and prosperity objectives. For the most part, international discussions have yet to result in concerted action. One thing is clear – the current global environment will require a global approach to cultural diversity initiatives.

It is important to emphasize the growing importance of cultural diversity in the international policy agenda, and to highlight the varying levels of discourse in efforts to stimulate discussion on building international consensus on the importance of cultural diversity.

Organizations around the world has been realizing the cultural diversity within organization is not a negative aspect, rather can facilitate organizational stalk for glory. However it is not an easy task to manage employees with different cultural backgrounds. Nevertheless there are many policy guidelines that can make task easy. On a broader perspective, cultural diversity can be manage through communicating - creating awareness among all employees about diverse values of peers through communication, cultivating - facilitating acknowledgement, support and encouragement of any employee' success by all other workers, and capitalizing - linking diversity to every business process and strategy such as succession planning, reengineering, employee development, performance management and review, and reward systems strategies. There are many different innovative ways that organizations have adopted to manage diversity. If cultural diversity can be managed effectively, there is a potential to use diverse workforce for organizational benefits.²⁴⁴

The international business literature note several reasons why global diversification and firm performance should be positively related. First, markets are not perfectly integrated, thus involvement in more than one national market serves to balance out regional macroeconomic trends that are less than perfectly correlated. As a result, the trans-national companies should experience greater market performance since investors recognize and reward performance stability. The greater spread across international markets reduces the risk profile of the corporation's overall portfolio of business units, which in turn should have a salutary effect on corporate performance. Second, international diversification may yield cost advantages by allowing the firm to expand in its domain of distinctive competence and boost production economies without resorting to product diversification. This also allows cross-subsidization between markets. Third, market imperfection theory suggests that trans-national can exploit their home monopoly advantage (e.g., intangible, firm-specific assets such as technology and brand name recognition) by increasing their international presence. Finally, international diversification can boost market power by allowing the firm to arbitrage tax regimes, obtain more accurate environmental information, and raise barriers to entry.

The hypothesis that international diversification and firm performance should be positively related has been tested in numerous ways such as tracking company performance longitudinally as global expansion occurs comparing the performance of two or more groups of firms differing in their international involvement, and examining the regression effects of foreign involvement on firm performance. Unfortunately, research findings have been contradictory, suggesting that other factors may be responsible for the observed results.

The trans-national company considers the global market as being essential for the cultural development; the company sees the entire world as a unique market. The practices of multinational strategies offer new standardized products and it addresses to a much extended global market. The trans-national company

²⁴³ Bartlett C., Sumantra, *Managing Across Borders: The Trans-national Solution*, Boston: Harvard Business School Press, 1989, p.112.

²⁴⁴ Enright, M., *The roles of regional management centers*, Management International Review, Special Issue, 45 (1), forthcoming, 2004, p.79

coordinates the subsidiaries in the world in order to have maximum benefit of the economies by choosing also to be fit for the local requirements. The control of the Mother company on the subsidiaries is more emphases and is being accomplished by using the planning and information centralized actions.

Success in the next twenty years will stem from successful joint ventures and alliances. Where once a global company simply sold its product or imposed a taste and multinationals geared the names or colors of identical products to the results of market research, the survival of trans-national will depend on flexibility in managing cultural diversity. Primarily, this entails the successful management of a multi-cultural workforce in a global context. But it also means being able to vary services across cultures: not simple marketing ploys imposed from outside, but an understanding of how culture drives differences from within. These differences may appear trivial, but they are profoundly culture-driven. The development of genuinely trans-national business organizations therefore requires managerial approaches and systems which allow for variations deriving from such diversity. This might be 'national' cultural diversity between nations, races or ethnic groups (eg. in a two-nation joint-venture), intra-national diversity involving the range of cultures within a single nation (eg. in the USA), or internal cultural diversity where managers need to deal with foreign-owned trans-national companies in their own country (eg. a British manager dealing with a Korean manufacturer in the UK). All this is well known, and there is indeed a burgeoning literature on the management of cultural diversity. But the problems go deeper than is often appreciated: it is not simply a matter of minding manners or learning to deal with varying attitudes to punctuality. These are the surface manifestations of much deeper differences in mental structures.

In the management of cultural differences the multicultural aspects are less important outside the company and more important is the overcome of the multicultural diversity inside the corporation. And this is because the trans-national company hires leading personnel and working personnel in and from the entire world. The multicultural approach is being built from outside to inside.

The creation and the forming of the organizational structures are influenced by a complex of factors. Factor that are objectives such as: the economical conditions, technological and political conditions and subjective like: the options of the management. One of the major factors that determine the organization procedures is the cultural value system, mainly the national culture. In the context of the internationalization and globalization of the economical life, the cultural diversity becomes an essential premise regarding the institutional system. In the stage of the internationalization means also the integration of the subsidiaries in a multinational corporation system. The subsidiaries lose a big part of their decisional autonomy, the strategy decisions will be taken by the superior manager from the headquarter. The trans-national company sees the world as a strategy of planning, organizing, framing the personnel and controlling the actions as being a global perspective.

As noted in another paper there are 3 stages of the company's becoming trans-national:²⁴⁵

- The initial internationalization phase, the so called fist landing, when the company values on the international level its own specific advantages, the competences and the abilities that made possible the entrance on exterior, the technological marketing and financial power.
- The implantation in the third country, the so called go-negative phase, here are valued the local abroad advantages, the company starts to develop the commercial and production capacities on the local markets and adopting the strategy on the local level. The way and methods of thinking and acting depends on the specific local measures.
- The final globalization phase is based on the advantages of the global strategies that present the market as being an entire, unique economical entity.

The global-local dilemma is in the centre of the relation between the Mother Company and its subsidiaries. On one side the global integration means the development of the actions in a similar way in all the world and markets, and on another side means to particularize the business on each market where the corporation functions.

The trans-national corporations represent the main reason and agent of the contemporary economy globalization. The phenomenon seen as an economic one is that of fully developing. This entity is formed of a Mother company, as I said it before in the paper, and its subsidiaries, that is being characterized by the

²⁴⁵ Lemaire, J.P., *Developpement international de l'entreprise, strategies d'internationalization*, Dunot, 1997, p.204-228.

production internationalization, that is based on a set of information and a set of international human resources, material and financial resources that promote at a global level a certain network of own values. These values offer to the company power and unique features. I consider these values to be the individualism for the companies; the things that individualize one company from another.

The trans-national corporation is for sure an organization where dominant is the hierarchical character in talking and implementing he decisions.

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