

## THE ASSESSMENT OF THE DEVELOPMENT PHASES OF TRANSNATIONAL CORPORATIONS

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*The present study is focused on the analysis of the particularities of the development of the transnational corporations starting with their appearance, which from the historical point of view has passed through several phases. Generalizing the scientific literature study that has been done, was identified the consecutiveness development of the transnational corporations in five major phases. Thus, all large companies are treated as international companies, because by increasing the liberalization of international economic relations is triggered the process of opening the global market and international division of labour. Along with financial capital and technology, TNC transfer through the entrepreneurial capital of the receiver economy and managerial-organizational skills, influencing the competitiveness of firms and the economic performance of host countries.*

**Key words:** *transnationalization, international companies, transnational corporations, development phases.*

*Prezentul studiu este axat pe analiza particularit ilor de dezvoltare a corpora iilor transna ionale începând cu apari ia acestora, care din punct de vedere istoric, a trecut prin mai multe faze. Generalizând studiul literaturii de specialitate efectuate, a fost identificat consecutivitatea dezvolt rii corpora iilor transna ionale în cinci mari faze. Ast zi, toate companiile mari sunt tratate ca i companii interna ionale, deoarece prin cre terea liberaliz rii rela iilor economice interna ionale, se declan eaz procesul deschiderii pie ei globale i a diviziunii interna ionale a muncii. Al turi de capitalul financiar i tehnologie, corpora iile transna ionale transfer economiei receptoare prin intermediul capitalului antreprenorial i competen ele sale managerial-organiza ionale, astfel influen ând hot rător competitivitatea firmelor i performan a economic a rilor-gazd .*

**Cuvinte cheie:** *transna ionalizare, companii interna ionale, corpora ii transna ionale, faze de dezvoltare.*

**JEL Classification:** D2; D40; D45; F14; F30; F5; F6.

**Introduction.** Transnationalization as a part of the contemporary economy shows a heightened interest from the national economies, the scientific community and practitioners. The tendency of penetration the territory of neighbouring States by large companies, favours the transferring of the capital of transnational corporations (TNC) to countries which have a high potential of production factors (labour, land, minerals). However, for the world economy the transnationalization process implications are ambiguous. On the one hand, this favours the rationalisation of global reproductive processes and equalization of the economic conditions from different countries. On the other hand, transnationalization is beneficial to the countries of origin, where corporations make direct investments and for the countries in which they invest.

Another quality of transnational corporations consists in preventing the protectionist policy of the Governments of the countries of origin, through the implementation of protection measures, of investments and minimizing the risks. Therefore, on the position of the countries of origin the transnationalisation process can often be perceived as the export of capital from the country of expansion of TNC and reducing its national economic opportunities.

**Basic content.** Thus, the activity of transnational corporations, in spite of the favourable influence on the economy of the host countries and of the countries of origin is often influenced by the economic, social and political specific of the host countries. The scientific literature treats this as a fundamental contradiction of the modern period between the interests of transnational capital and host states. However, perhaps in this battle of interests is a contradictory dialectical unity which becomes the main force of the world economy.

Along with financial capital and technology, TNC transfer through the entrepreneurial capital of the receiver economy and managerial-organizational skills, influencing the competitiveness of firms and the economic performance of these countries.

As a key productive resource, managerial and organizational practices represents the multiplicity and diversity of strategies, methods and techniques, retrieved at the level of the various coordinates of the company activity as economic structure in the following areas [1]:

- In the field of internationalisation strategies, which have a tendency to increase the degree of integration of the parent company's activities with those of the subsidiaries. From the subsidiary's strategy with functional autonomy, companies pass into an ever-growing measure to simple and functional integration strategies. In the case of the latter is produced a decentralization of the activities of transnational complexes, subsidiaries abroad being able to locate the most important functions within it, from financial management to the juridical function, if they prove to be able to conduct them optimum. Accordingly, the degree of integration deepens and acquires a new dimension, being achieved not at the level of some segments of the production process itself, but at the level of functional compartments, including the strategic ones:

- In the field of production process itself, flexible production transformations at the expense of techniques and specific methods of mass production;

- In the field of labour relations and human resources is practiced various formulas: payroll direct proportional to the work result, payroll based on the duration of the presence in the same place of work and the characteristics of the post, not of the person, teamwork, job rotation etc.;

- As regards the decision-making process, made all the more space the idea of decentralization of the decision, of adopting it at the functional level directly targeted, no matter how down this is in the hierarchical plan;

- In the sphere of relations with suppliers tend to retrieve both: the classic reports determined by mass production system, in which the selection of suppliers is done primarily by price and the network type relationships that are in full development.

Thus, all large companies are treated as international companies, because by increasing the liberalization of international economic relations is triggered the process of opening the global market and international division of labour. At present, the share of TN C in international trade according to the estimates of the specialists in the field, represents more than half, while in some developed countries is up to 80%. Thus, almost all modern international corporations are presented in the form of transnational corporations [2].

From historical point of view, the development of the TNC has gone through several phases or stages of development. Since the first attestation of appearance of TNC (late 19th century) they have registered a growing trend. Generalizing the scientific literature study made by author, I maintain that the development of the transnational corporations till now can be phased in five major phases.

The first phase of the occurrence and development of the TNC (beginning of the 19th century - the beginning of World War I, 1914-1918) was mainly engaged in the development and production of raw materials from colonial countries in Asia, Africa and Latin America, as well as their processing in proprietary countries of these colonies. At the core of the early forms of TNC were cartels and syndicates.

The second phase is determined by the fact that TNC were developing in the period between the two world wars (1918-1939) and have largely produced arms and military equipment to meet the military needs of the leading countries in Europe, America and Japan.

The third stage in the development of the TNC has started to take shape after the Second World War and especially after the collapse of Empires and colonial system (1950-1960). The third generation of the TNC are considered generators and distributors of innovations (nuclear energy, electronics, aerospace, tools, etc.). This generation has contributed to the spread of techno-scientific achievements in outlying areas of the world economy and most importantly, they created economic conditions to emergence the single capital market and workforce with information space. Due to the fierce fight for sales markets TNC lodged effort to obtain benefits in price competition, with emphasis on economic competitiveness [3].

The fourth generation of TNC (phase IV) began to be formed gradually in the 1970s-1980s, in the conditions of intensive development of the techno-scientific progress, under the influence of an increasingly competitive global market. Namely in this period was given the start of an accelerated process of mergers and corporate takeovers, which has contributed to a concentration of capital and the development of the production of the most successful TNC. Distinctive features of this period are:

1. Definition of competitiveness as part of the global market;
2. Sectioning the world market according to existing global TNC;
3. Coordination of the network of enterprises-daughter of TNC according to the informational network by flexible organization of each separate production units, the adaptability and flexibility of the entire organizational structure of the corporation, the uniform organization of the accounting and auditing, etc.
4. Integration of subsidiaries, factories and enterprises in a single international management network which in turn is integrated with other networks of the TNC.
5. TNC have tendency to influence on economic and political level the State where they develop their business.

The TNC of the fourth generation are prevailing by an upsurge of innovational activity, continuous improvement of internal corporate structure, determination and selection of new directions and fields of activity. The renowned American scientist M. Porter characterizes transnational corporations as follows: "TNC are capable of implementing in practice a truly global strategy: they sell products worldwide; they are searching for raw material or its components across the globe; distributes its own production in most countries; form unions and associations with similar companies in other countries" [4].

During the boom of the fourth phase in the economic activity were extensively requested the strategic alliances and were held multiple mergers and corporate takeovers. This process was triggered in large part by the emergence and development of new financial instruments on the international market.

Transnational corporations accept and are guided in the managerial activity by certain principles and general economic concepts. I support the vision of the great American economist Philip Kotler, referring to the fact that the formation of such big companies is conditioned by the following factors:

- ✓ Consumers from all over the planet at the time of the choice of certain kinds of products are guided by the common criteria;
- ✓ Consumers appreciate the high level of products and services;
- ✓ Indifferent to the type of the market, competition is based on competitiveness;
- ✓ Mass production based on competitiveness and quality ensures reduction of costs and visible savings.

When elaborating their own strategies, TNC rely on advanced technologies in launching the production processes and getting finished production. Thus, are created unique global systems of communications and transport [5].

As a result of the related, it is possible the emergence of a new economic entity- the global company, which conceives the world economy as a whole. For each new enlargement it chooses the optimal place of business, making a series of entrepreneurial capital investments. New organizational structures of production sowed the seed of a new industrial era, to which multinational enterprises have had to adapt. The TNC tendency to form global companies is explained by the fact that it relies on optimizing the expenditure on account of the volume of production at the vast scale and by using the advantages of the different regional areas.

The need of presence on global markets of great importance, favours fast-growing cost compensation for the research-innovation activity of the companies. In most cases, the internationalization of firms and production was a strategic necessity, dictated or by the objectives they proposed regarding the development, either by remaining competitive with other companies situated in different countries. Thus, it is well known that the implantation of production abroad is carried out with the aim to weaken the competition and increase the competitiveness. Multinational enterprises are very strong at home.

Therefore, in order to weaken a dangerous competitor it is needed to trigger an offensive on its territory, to reduce the margin of action. Consequently, it is possible the formation of international production systems managed by means of the most advanced information technologies [6].

The fifth stage in the development of the TNC is noted at the beginning of the 21st century, starting with the second half of the 1990s and continues till the present day. It is characterized by accelerating the process of regional economic integration. Trends of global integration and the emergence of common economic zones in some regions, offers great opportunities for international business. This phase of development of the TNC differs from previous through the increased economic strength and the affirmation in the global economy as an entity independent of States where it take birth.

Global companies increasingly clearly express the tendency for the formation of conglomerates, groups and holdings that include commercial industrial and financial companies. Consequence of global strategies-the mergers and corporate takeovers leads to the formation of an integrated international industrial system, in comparison with which the national territories and States express themselves as secondary values.

The permanent development of trade, financial-currency, scientific-innovative and production relations within the contemporary TNC, make us to conclude over the global character of the activity of transnational corporations. For the current generation of TNC it is identified the safe confidence that they show towards the techno-scientific activity and innovational business. In this context, I maintain that the contemporary TNC are generators of ideas, concepts and innovative elaborations.

The evolutionary development of the TNC phases can be systematized according to the table:

**Phases of the development of transnational corporations  
and their competitive advantages**

Stage of development of the TNC	Characteristics of TNC phase	The field of activity of the TNC (forms of organisation of the economic activity)	Competitiveness in advantage
1. beginning of the 19th century - the beginning of World War I, 1914-1918	The formation and development of the TNC activity began from zero, this required large investments which often was detrimental to the national interests of many countries	The creation of colonies that were supplying raw material (Cartels, syndicates, trusts)	The availability of the enlarged possibilities for production and outlets
2. the period between the years 1918-1939	TNC were respecting the priority of the national interests and were cooperating with the Governments of countries of origin	Ensuring the military industry (trusts, strategic alliances)	The availability of the enlarged possibilities for production and outlets
3. the period between the years 1950-1960	Creating the assembly-lines of TNC in the host countries	Fostering widely the implement of innovations in the economic activity (concerns, conglomerates)	The support of the price competition through intense development of the assembly-lines of the TNC in host countries
4. the period between the years 1970-1980	TNC puts the basis of the modern global economy and of the economic processes through domination of important economic sectors	The merger of all production departments (beginning with the elaboration of innovations and ending with the commercialization of finished goods) within TNC (strategic alliances, mergers)	Widely use of global strategy
5. starting with the second half of the 1990s and continues till the present day	TNC are recognized as basic economic entities that have the power of influence on decisions of the world States.	The TNC activity spreads in all areas of the economic activity (conglomerate, holdings, financial and industrial groups, etc.)	Widely use of the opportunities offered by the financial and the informational market

Source: Elaborated by the author.

At the beginning of the 21st century transnationalization of production and of capital becomes the primary condition for functioning and development of big companies. Also, TNC are private as the factor that determines to a large extent the pace and proportions of the global economic system, because the scope of the activities of the TNC has increased significantly as a result of the opening of the European economic area and the post-Soviet and reducing the commercial barriers by the World Trade Organization.

**Conclusion.** Summarizing, we note that currently for TNC national identity, from the economic point of view is considered a conventional category because it sells its production outside the country of origin. However, the financial resources they invest in countries that are juridical, financial-fiscal and political favourable. TNC also benefit from certain exemptions much more favourable that State creates for its regions development, than those of national companies.

In conclusion, I can mention that the development of transnational corporations is a natural process of evolutionary change of the global economy. The main threat in the development of TNC is global monopolisation of certain market segments. At the same time, we must recognize that most of the concerns related to the risks of globalization are often exaggerated and contradictory. However, State Governments where follows to take place the expansion of transnational corporations must be aware that the TNC activity brings a surplus value to national economies.

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