

TRANSNATIONAL CORPORATIONS AS ENTITIES OF INTERNATIONAL ENTREPRENEURSHIP

**Hanna Andrushchenko, Kryvyi Rih Metallurgical Institute of National Metallurgical Academy of Ukraine
Viktor Alkema, "KROK" University
Pavlo Hryenko, Kharkiv State University of Food Technology and Trade
Oksana Portna, V. N. Karazin Kharkiv National University
Tetiana Koliesnik, Kharkiv State University of Food Technology and Trade**

ABSTRACT

The large-scale and diversified activities of TNCs, the rapid growth of their capital, their monopolization of key industries and spheres of economic activity, lead to a significant increase in their impact on the quantitative and qualitative parameters of the world economy functioning. This is reflected primarily in the impact of their bankruptcy at the same time on several sectors of the world economy, as well as the specific mechanism of its emergence, development, prevention and overcoming. Objective conditions for the functioning of the market mechanism are among the priorities of corporate management to improve both the methods of conducting business practices and methods of financial and economic analysis of TNCs.

Keywords: Entrepreneurship, Multinational Corporation, Strategic Alliance, Networking, World Economy.

JEL Classifications: M5, Q2

INTRODUCTION

Concentrated expression of globalization processes, which at the beginning of the XXI century acquired considerable scale and forms of manifestation, there is a systematic transnationalization of national economies dominated by TNCs in all spheres of economic activity. Formed in the process of evolution of microeconomic structures on the basis of diversified mechanisms of capital and production internationalization, transnational corporations have become not the only key subject of the global economy, but also active providers of economic, financial, scientific and technical and innovative transformations.

According to international experience, the effectiveness of the national economies integration into the world economy depends, on the one hand, on the degree of their connection to the fragmented TNC production networks, and on the other - on the dynamics of countries forming their own competitive transnational structures.

However, in the case of cyclical global instability, exacerbation of competition for markets and sources of raw materials, systemic post-industrialization of the world economy and its corporate networkization by the implementation of qualitatively new market criteria are able to meet only the most capable and competitive corporations. This substantially actualizes the

issue of financial and economic corporate analysis and updating of its existing methodological approaches in order to prevent the bankruptcy of TNCs.

REVIEW OF PREVIOUS STUDIES

Analyzing the current theories, it should be noted that the internationalization of production is available only to those corporations that have a monopoly on advanced technology, unique resources and raw materials, well-established production of similar products for different markets, profitable sources of funds, etc.

But the emergence of TNCs cannot be attributed to this. This manifests a limited concept, because the movement of financial resources exists not only within TNCs, but also outside them (Drobyazko et al., 2019a; Drobyazko et al., 2019b).

Summarizing the results of the analysis of the evolutionary development of TNCs, it should be emphasized that the current (fourth) stage of transnationalization is unconditionally linked to the acceleration of globalization, not only its economic aspect, but also to the globalization of information, technological, financial and other (Serrat, 2017; Durmanov et al., 2019).

At the beginning of the XXI century the TNC's worldwide network of controlled entities has reached a level where production in host countries operates on the world market, new factories are being created that produce the same products with the same technology, and production unify internationally (Tjemkes et al., 2017). TNCs have become a truly integrated world system of international production, this way, transnationalization is becoming global. In the modern economic science much attention is paid to the phenomenon of TNCs, including the definition of this subject (Hilorme et al., 2019a; Hilorme et al., 2019b). However, it is so complex and dynamic that there is no particular approach to defining the terms "*transnational corporation*" and "*transnationalization*", as well as, there is no description of the links between them and other economic categories.

One group of economists are considering transnationalization at the production level, linking it to the international industrial capital cycle (Kleymann & Seristö, 2017). Others attribute transnational production only to those processes, that take place in the field of production, but although they are mediated by the purchase and sale of the necessary raw materials, materials and intermediates (Li et al., 2017).

Thus, it is typical for transnationalisation of production (Russo & Cesarani, 2017): presence of branched vertical and horizontal flexible connections between production, trade and commercial enterprises, credit and financial institutions; emergence of new integral properties (synergistic effects from joint functioning); constant transformation of the internal structure under the influence of the external environment.

Transnational entities belong to the open components of economic systems, because they contain links through information, financial, material and other flows. At the same time, the heterogeneity of the socio-economic environment and the deep asymmetry of global economic development, serve as powerful drivers for the growth and development of transnational units, and the coordination of their activities, increases the potential for competition in the market and for the market.

METHODOLOGY

The research is based on the usage of the principle of theory and practice unity, forecasting the development of economic processes based on the method of scientific abstraction. The following methods were used: scientific abstraction; system-structural analysis of economic processes and phenomena; analysis and synthesis.

RESULTS AND DISCUSSIONS

Characterizing the key directions of global TNCs expansion, it is impossible to miss the active introduction of qualitatively new forms in organizational activity and expansion of transnational leadership functions. This is influenced by the expansion of the corporations activities that have evolved from exporting goods to exporting capital in various forms, creating large monopolized financial industry and trade associations. Such associations are active practically all over the world and accumulate considerable financial resources and production facilities.

The latter is associated with the continuing complications of both internal and intercompany relationships. Traditional forms of TNC connections are taking on new features, complemented by new legal norms that correspond to a higher level of productive forces development.

Agreements of large companies became more widespread, on the basis of which first industrial groups within individual branches arose, then financial-industrial complexes uniting legally independent industrial, banking, trade, transport, insurance companies, and then mergers of financial companies, which are something like "*union alliances*"-giant financial empires.

A characteristic feature of modern TNCs is their wide participation in strategic alliances. A strategic alliance is a long-term collaboration of two or more companies in a research, production or market activity. The main characteristics of strategic alliances by the author are summarized in Table 1.

Spheres of activity	RTD	Production	Distribution
Types of agreements			
Intercompany agreements	<ul style="list-style-type: none"> • Licensing • Cross-licensing • Initial attempts to commercialize state • scientific developments 	<ul style="list-style-type: none"> • Sub Contracts • Original equipment manufacturer agreements • Absorption • Common ventures 	<ul style="list-style-type: none"> • Franchising
Strategic alliances	<ul style="list-style-type: none"> • Consortia for scientific developments • Networks of consumers and suppliers • Inter-firm technological cooperation • Partnerships between universities and firms 	<ul style="list-style-type: none"> • Common production • Usage of common components • Manufacture of common modules • Common ventures 	<ul style="list-style-type: none"> • Corporate marketing • Standardization of appearance

They have three main features that distinguish them from traditional types of inter-company agreements:

- Provide for bilateral relationships based on co-creation and sharing of knowledge for such purposes as the development of new technologies, production processes, marketing strategies;
- They are basically contractual agreements that do not provide for shareholder ownership of the participants;
- Are the part of the company's long-term planning of operations.

The purpose of strategic alliances can also diverse: penetration into new markets; risk reduction through its distribution; association of complementary knowledge and assets, that neither company can develop on its own; making savings, reducing costs, overcoming trade and investment barriers, sharing research and technology; development of common technical standards; expansion of product assortment, etc.

The main motive for concluding strategic agreements is to improve the efficiency of the transnational enterprise network:

- Research and strategic alliances increase efficiency by reducing costs for each partner, opening up new opportunities for economies of scale through pooling financial resources, also, they open access to new sources of funding, and broader risk sharing;
- Strategic alliances (in terms of cooperation and common production of components) increase the efficiency of manufacturing end products by reducing production costs;
- Strategic partnerships in marketing and distribution contribute to efficiency gains due to economies of scale, reduced costs associated with the mutual use of distribution networks and retail outlets, common advertising campaigns.

It is well known, that in recent decades, under influence of following factors: growing internationalization of economic life, progress, improving the world production and marketing system, the growing needs of people, penetration of new competing firms into the world market, not only from industrialized countries but also from developing and transition economies, FDI growth, export of licenses, technical experience and other intellectual services, competition in the world market has taken the form of a fierce struggle between different companies for leadership.

And, of course, TNCs are the main participants in this fight. They view competitiveness issues as a key factor that determines in many cases the effectiveness of their economic expansion. The main aspect of this expansion is the selection of TNCs preferred price foreign markets, the terms of supply and demand that are most relevant to the needs and capabilities of the corporation. Many special studies focus on the fact that every corporation, when choosing policy and economic expansion, always copes with the following key issues: identification of potential markets and definition of market entry strategies and tactics; defining requirements for consumers with the cost characteristics of the product; decision on the level of marketing efforts to promote products over time and its distribution between different markets.

Competition is becoming increasingly pervasive throughout the range of international economic transactions. Firms seeking ways to remain competitive, have to maximize efficiency using three main sources: portfolio of own (or specific company) assets; portfolio of assets related to production placement; management experience required to use these portfolios to transform global resources into global products for maximum profit. TNCs also use the communication system they have created.

With a wide network of subsidiaries, affiliates and controlling companies worldwide and maneuvering resources, the largest TNCs have the ability to quickly adapt their product range and advertising to the specific conditions of different markets.

Increases the competitiveness of TNCs and the fact that one of the main engines of activity is the interdependence and complementarity of the national economies and industries to the level of different TNCs enterprises, are closely interconnected. As a consequence, TNCs are increasingly fighting for markets not only for their goods, but also for goods from other TNCs within the trade and manufacturing empires, with their research and financial base, with their option of international labor division.

RECOMMENDATIONS

In our opinion, the activities of TNCs cannot be unequivocally assessed, at least because sometimes their interests may not overlap with those of the native country, or those of the host country, or both. Without claiming a comprehensive description of all the positive and negative effects of TNCs, we note that in this work, the effects of such corporations for host countries are the main. In doing so, we assume that TNCs are objectively, economic entities in all three "dimensions" simultaneously: in the native country, in the host country, and in the global economy as a whole.

CONCLUSIONS

The newest phenomenon of transnational activity is its networkization, which enables TNCs in a global context to ensure the efficient integration of geographically dispersed industries into a single complex, based on their specialization and complementarity for the production of final products and services, as well as the diversification of generation sources providing financial flow. Modern multinational corporations are highly integrated entities that incorporate, on a network basis, enterprises of all legal forms and activities, operate in, at least, six countries, and implement a single policy and overall strategy through one or more management decision-making centers, on the basis of close cooperation in industrial, commercial, investment-financial and scientific and technical spheres.

Key parameters of global positioning of multinational corporations are qualitative and quantitative diversification of their investment, production, commercial and financial activities; expanding the product range and improving the tools of expansion into the world markets; modernization of organizational forms and functions of TNCs with their focus on capital export in various forms, formation of vertically integrated structures, establishment of regional innovation clusters and world centers of capital accumulation on the basis of foreign divisions of TNCs, etc.

Global TNCs have monopolized the process of capital and production transnationalization the most, giving them the status of economic agents, independent from national jurisdictions, capable of directly influencing the management decisions of national governments, while laying down the main trends in world economic development.

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