



UDC 339.92

ZHYLENKO Katherine, Ph.D., Assistant Professor  
Dniprovskiy National University by Oles Honchar

## DETERMINANTS OF GLOBALIZATION PROCESSES

*The essence of the concepts "globalization", "transnationalization" are explored. Analyzed the genesis of integration processes of international business under the influence of globalization. The hypothesis is advanced on the mutual influence of transnational corporations and the globalization of the world economy. Basic vectors are represented territorial diversification of subsidiaries of TNCs. The factors of formation of competitive advantage are formulated and the stability of TNCs functioning under the influence of globalization processes.*

*Keywords:* world economy, globalization, transnationalization, international business, transnational corporations, competitive advantage.

*Жиленко Е. Детерминанты глобализационных процессов. Исследована сущность понятий "глобализация", "транснационализация". Проанализирован генезис интеграционных процессов международного бизнеса под воздействием глобализации. Выдвинута гипотеза о взаимном влиянии транснациональных корпораций и глобализации мировой экономики. Представлены основные векторы территориальной диверсификации дочерних подразделов ТНК. Определены факторы формирования конкурентоспособности и стабильности функционирования ТНК под воздействием глобализационных процессов.*

*Ключевые слова:* мировая экономика, глобализация, транснационализация, международный бизнес, транснациональные корпорации, конкурентоспособность.

**Background.** For the world economy, the permanent process of system transformation, during which its base changes, is characteristic in new terms. The world economy is transformed in globalized, and in the end – in global. Within the framework of global economy, not a single national economy is able to avoid international integration; it necessarily will be involved in international economic relations, even in unprofitable undefined form. These processes create new terms in which multinational corporations develop today.

**Analysis of recent researches and publications.** Such founders as Harold J. Berman, Vernon Lomax Smith, R.C.O. Matthews, Perlmutter, Howard V., etc. have studied an economic nature of multinational corporations for the first time. According to L.S. Vernon's approach, the "institute of such complication and scalene, as multinational corporation, cannot be described as having clear outlined intentions. A similar enterprise presents coalition of interests, the members of which co-operate in a number of cases to achieve common aims, and in other conflict concerning different priorities" [1]. From such positions, presumably, in principle it is impossible to select the category of TNCs as such and to set, whether the concrete examined corporation belongs to TNCs.

American economist J. Fayerweather uses a term "multinational corporations" in wide sense, characterizing "all corporations which directly carry out the business operations more than in two countries thus". According to his opinion, "participating of corporation in such international operations, as an export, transmission of licenses and control of activity of enterprises abroad, is, essentially, unique criterion" [2]. This approach also does not enable expressly to define the category of TNCs, as concentrated only at one limited aspect.

In his turn, R. Robinson has attributed to transnational a corporation, in which a foreign enterprise in the aspect of both organizational structure and conducted business operations becomes equivalent activity of maternal corporation in the country of its origin (country-donor) [3]. In this case, TNCs' management have aimed at distribution of corporation's resources without the account of national scopes for providing of maximally possible achievement of the set aims of all corporation. However almost all accepted decisions serve interests of only country-donor, because management and domain assets of a head corporation continue to remain national.

There are many concepts and definitions of globalization process in the modern research works. Joseph Stiglitz, an economist and winner of the Nobel Prize defines Globalization as follows: Globalization "is the closer integration of the countries and peoples of the world ...brought about by the enormous reduction of costs of transportation and communication, and the breaking down of artificial barriers to the flows of goods, services, capital, knowledge, and people across borders". Thomas Friedman, political reporter for the New York Times, defines Globalization in terms of PARADIGM SHIFTS (*table 1*) [4].

Table 1

**Paradigm Shifts from the Cold War to the Age of Globalization**

Cold War	Globalization
Division the Wall	Integration (of nations, markets and technologies) the Web
8% of world's countries have free markets	28% of world's countries have free markets
Different cultures	Global culture
Weight (megatons)	Speed (megabits)
Power of nations	Power of individuals, markets

Charles Oman has defined the globalization as "Globalization" is the growth, or more precisely the accelerated growth, of economic activity across national and regional political boundaries. It finds expression in the increased movement of tangible and intangible goods and services, including ownership rights, via trade and investment, and often of people, via migration. It can be and often is facilitated by a lowering of government impediments to that movement, and/or by technological progress, notably in transportation and communications. The actions of individual economic actors, firms, banks, people, drive it, usually in the pursuit of profit, often spurred by the pressures of competition. Globalization is thus a centrifugal process, a process of economic outreach, and a microeconomic phenomenon"[5].

"People around the globe are more connected to each other than ever before. Information and money flow more quickly than ever. Goods and services produced in one part of the world are increasingly available in all parts of the world. International travel is more frequent. International communication is commonplace. This phenomenon has been titled "globalization" [6].

In spite of deep research and considerable interest to the phenomenon of multinational corporations and globalization process, a row of problem is unsolved. In modern economic science single theoretical conception, allowing explaining the mechanism of influence of multinational corporations on functioning of other subjects and subsystems of the world economy, is practically absent, intercommunication and cross coupling of TNC and globalizations have not been studied in detail.

The **aim** of the study is profound research and analysis of modern tendencies of correlation of transnationalization and globalization processes, and level of their influence on TNCs' competitiveness and stable development.

**Materials and methods.** Methodological base of research was works of Ukrainian and foreign scientists. Statistical and analytical materials of international organizations legislatively are legal documents and normative acts were used. In the process of research the following methods were used: mathematical, analytical, abstractly logical.

**Results.** Because of globalization an economy acquires new distinguishing features: there is more close connection and interlacing between its components, the processes of international motion of production factors, commodities and services, international division of labor intensifies. There is a great number of determination of categories of globalization and transnationalization. In our research we have understood that globalization is the process of growth of economic interdependence of countries of the whole world. It's the result of increasing volume and variety of the transfrontal moving of commodities, services and international streams of capital, and also due to more rapid and wide diffusion of technologies, because of what transformation of separate national economies is integrated in the economic system (common economic space).

As agents, stimulant development of globalization, select international financial, trade, economic organizations; multinational corporations and banks; regional integration groups; leading countries of the world. Globalization is the personal touch of modern world economy. Its key feature is that production process acquires an international form (transnationalization). The economies of most countries begin to be oriented on common standards; there are over national control structures; there is mutual penetration of different forms of capitals and countries (mainly due to strengthening of process of transfrontal confluences and absorptions); institutional barriers that impede an international economic exchange go down.

Globalization gradually integrates the national states in the single world economic system, that is a threat to sovereignty of the states because it (especially developing countries) increases the degree of mutual dependence and cross coupling of the separate states on each other. Consequently, there is a necessity of co-ordination of their activity in the field of international economic relations. To research of what is going on in a modern world economy processes of globalization it is necessary to select a concept of "global economy", which can be considered as the modern stage of development of world economy. A global economy is characterized with intensification of international connections, strengthening of cross-coupling and mutual dependence of subjects of international economic relations (countries, integration groups, TNC etc.).

Thus, a global economy is the evolutionary development of the world economy. Such phenomenon as transnationalization is closely related to globalization. It means that becoming TNC is in the process of expansion of activity of national companies in a world economy. Transnationalization is forming of the transfrontal system of production, sale, financial relations with the purpose of effective mutual addition of external and internal economic resources of national economies, what will be realized in the TNC organizational form.

It could be supposed that transnationalization is process of adaptation of production attitudes toward the international level of development of productive forces (on the basis of the diversification of monopoly), and also to that the concentration of production and capital of a country outgrows national scopes and becomes the financial base of world economy in general. TNC, aspiring to transnationalization of the activity for the receipt of specific competitive edges of global activity intensifies the process of globalization of world economy.

Extending the sphere of the activity to the scales of all world economy, multinational corporations objectively affect integration processes, strengthening them. However, exactly TNC is considered to be a product of globalization, as arose up based on moving abroad production and capital, active participation in the processes of IDW and international migration of production factors. Therefore, TNC is the result of globalization of world

economy, but here, arriving at the abovementioned corporate aims, they render the reverse affecting on the world economy, strengthening globalization processes.

It conditions a hypothesis about the cross coupling of multinational corporations and process of globalization of the world economies on each other. For this reason, a multinational corporation is of ambivalent nature: on the one hand, it is a part of national economic complex of basing country and accepting country, and on the other hand, it is a component of world economy, inferior to its laws of development and rendering reverse influence on a world economy.

From our point of view, globalization of economy is an objective process, which is related to deepening of interdependence and mutually beneficial of different spheres of functioning of the states, international regions, firms, markets of economic resources etc. in the conditions of converting of world economy into global (globalized). A global (globalized) economy possesses the single market of the economic goods, resources and information. It features general liberalization, deregulation of markets, modification of role of the national states and their associations, sharp development of transport, communications, information technologies, high rates of transnational production and capital. The main feature is active strengthening of role of multinational corporations and them achieving dominant position as independent subsystem.

One of key trends of globalization of the world economy is financial globalization (forming of single outer financial space), globalization of activity of the largest international companies, intensification of world trade, revivifying of economy, and passing to the informative economy. Thus, globalization shows up simultaneously on all levels: micro-, mezzo- and macroeconomic. We emphasize that exactly on a micro level globalization results in modification of strategy, tactic and model of organization of TNCs' activity. At the same time, multinational corporations, modifying an external environment in the process of the development, influence as catalysts on the process of globalization already on a macro level, becoming an independent world subsystem.

TNCs occupy almost all dominant industrial positions in the modern world economy. Practically all TNC-leaders belong to the capital of the largest developed countries (a "triad" is the USA, EC and Japan). For the last twenty years, the number of multinational corporations and their subsidiary subdivisions has grown sharply. For example, in 2014 nonfinancial TNCs controlled activity of approximately 860 thousands of subdivisions in different countries; more than 2/3 of international companies belong to the production sphere, 37 % to the sphere of services and 3 % to extractive industry and agriculture. The dynamics of approximate number of multinational corporations in the world economy after a twenty-year period is presented in a *table 2*. This table allows making conclusion that for

indicated period of development of the world economy in the conditions of globalization amount of TNCs' operating has grown more than 2 times, and their foreign subdivisions more than 5 times.

Table 2

**Dynamics of TNC amount and their subsidiary subdivisions in 2008–2015**

Period	Amount of the associated companies, units.	Amount of filial companies (branches), units.
2008	35 000	150 000
2009	39 000	270 000
2010	52 000	510 000
2011	63 000	630 000
2012	64 000	670 000
2013	77 175	773 019
2014	79 000	790 000
2015	82 000	860 000

*Source: it has been made by author on the basis of UNCTAD World Investment Reports (2009–2015). World Investment Report 2015 Investing in and low-carbon economy. UNCTAD, UN. N. Y., Geneva, 2016.*

The main specific development of multinational corporations in new terms is their transformation in global (planetary) corporations, aspiring to overcome the increasing degree of risk of entrepreneurial activity in the swiftly modified world economy, being in the process of system transformation. TNCs modify an organizational and economic structure and strategy of activity with that to become more flexible and adaptive to the changes of external environment, and at times and independently to modify the functioning environment. The characteristic feature of modern global economy is sharp growth of role of countries' TNC in the emerging markets (China, India, Brazil, Russia, South Korea, Singapore and other) into separate industries. Their active foreign expansion is frequently accompanied with the conflict of interests with the national subjects of economies of countries-recipients, and fierce competitive activity with TNC of countries-leaders of the world economy.

In spite of active growth of developing countries' TNCs, TOP-100 of TNCs of the developed countries (less than 0,2 % from their general amount of TNCs' in the world economy) to date are controlled by 15 % combined foreign assets of TNC. Their stake is more than 18 % of combined volume of foreign sales of TNCs and 14 % of personal are employed in TNCs. The TNCs' world distribution is presented in the *table 3*.

The organizational and economic forms of multinational corporations change after system transformation of the world economy. The international diversified business consortiums, holding companies and diversified conglomerates predominate today. The TNCs' associated companies remain brain centers to all the production, economic and functional TNCs' activity; however, a role of foreign filial subdivisions is modified. In particular, the

value of TNCs' foreign filial subdivisions increases with creation and withholding of global competitive edges, namely, in countries-recipients global corporate brands move up actively, outsourcing develops, local intangible assets are used, innovation products are developed and moved up.

Table 3

**World distribution of the associated companies and TNC's foreign filials**

Country/region	Amount of the TNCs' associated companies, units	A share of country/region in the general number of the TNC's associated companies, %	Amount of foreign filial companies (branches), units	A share of country/region in the general number of the TNC's foreign filial, %
Developed countries	58 783	71.6	366 881	45.4
EU-27	43 492	53.0	335 577	41.6
USA	2418	2.9	5 664	0.7
Developing countries	21425	26.1	425 258	52.7
Africa	726	0.9	6 084	0.8
Republic of South Africa	261	0.3	769	0.1
Latin America,	3 533	4.3	39 737	4.9
Brazil	226	0.3	4 172	0.5
Asia and Oceania	17 146	20.9	379 437	47.0
China	3 429	4.2	286 232	35.5
South Korea	7 460	9.1	16 953	2.1
South-East European countries and UIC	1845	2.3	15 224	1,9
Ukraine	–	–	1 176	–
The whole World	82 053	100.0	807 363	100.0

Source: it has been made by the author using the World Investment Report 2015. UNCTAD, UN. N. Y., Geneva, 2016.

System transformation of economy renders destabilizing influence on competition positions of multinational corporations. It means that a competition between TNCs and other subjects of world economy becomes tougher; it moves from the national level to the global one.

A result is the change of the behavior function of practically all subjects of global economy, forming of new markets, emergence of the intergovernmental adjusting and affecting multinational corporations, increasing aggressiveness and diversification of competitive activity.

Thus the characteristic feature of markets on which multinational corporations is operating is their monopolization, and in most cases, oligopolization. System transformation of economy has resulted in the sharp growth of the value of small group of top-TNCs in the global markets.

A negative moment here is that multinational corporations, aiming to minimize competition in the conditions of oligopolized markets, provoke own stagnation and decline of adaptation, that exposes to the threat of their

stability in periods of the global crisis phenomena. Swift globalization in all industries of world economy induces TNCs to modify the strategies towards the capture of maximally possible global market share in the long run and innovative products, without depending on a particular branch or regional specialization.

Formation of globalized enterprise environment results in greater value of global macroeconomic events and progress trends, in particular case global economic crisis, for development of multinational corporations. During all period of existence of multinational corporations, their quantity has a tendency to increase. According to international statistics data, distributing structure of TNCs gradually changes in the world. Information on TNCs' distribution in 2010 and 2015 is shown in *table 4*.

Table 4

**A structure of multinational corporations' location in the world economy**

Region	Amount of the associated companies, units (% from an incurrence)		Amount of foreign filial companies (branches) in the region, units (% from an incurrence)	
	2010	2015	2010	2015
Developed industrial countries	45 077 (73.19)	58 783 (71.6)	102 560 (11.06)	366 881 (45.4)
Developing countries	14 192 (23.05)	21425 (26.1)	580 638 (62.64)	425 258 (52.7)
Central-East European countries (CEC)	2313 (3.76)	1845 (2.3)	243 750 (26.30)	15 224 (1.9)
The whole World	61582 (100)	82 053 (100)	926 948 (100)	807 363 (100)

Source: UNCTAD World Investment Report 2010: *The Shift Towards Services*, 2011. – Annex table A. 1.2; World Investment Report 2015. UNCTAD, UN. N. Y., Geneva, 2016.

From *table 2* and *3* it is possible to see the unevenness of distribution of the associated companies and TNCs' foreign subdivisions on the groups of countries. Thus in the last few years there is a sharp reduction of TNCs' stake of transitive economies, that is conditioned by many countries of CEC becoming the developed ones after they have joined the European Union.

In the number of all multinational corporations the so-called "Selected 500 Club", in which 500 largest TNCs are included, control up to 90 % of all lines of foreign investments. They have produced the greatest share of TNCs' products; having control of above 80 % of countries and 25 leading TNCs of CEC countries.

Total assets of 100 largest TNCs made up 6.9 billion USD at the end of 2015. About half of them (48.1 %) is concentrated outside the basing countries of the associated companies. It is necessary to mention that both total and foreign TNCs' assets grew by about 12 % compared to a previous year.



The combined employment by 100 largest corporations was 14.3 million workers in 2015 (49 % in foreign branches), and total volumes of sales of corporations were 4.7 billion USD, 57.5 % of sales were carried out by foreign subdivisions. There was an increase of all TNCs' indices in relation to a previous year, except for insignificant (by 2.8%) reduction of workers number in TNCs' foreign branches.

Overall, in the nineties of the 20<sup>th</sup> century and at the beginning of 21<sup>st</sup> century a steady tendency is noticeable to increasing of assets volumes, sales and workers number in TNCs, thus it is possible to draw a conclusion about the constantly increasing role of multinational corporations in all spheres of the world economy.

**Conclusion.** Due to taking advantage of the global scale of TNCs' activity stability is provided to the crisis phenomena in the world economy and national economy (recipient country or basing country). TNCs' stability implies a long-term achievement of stable result of activity (absence of sharp vibrations of indexes of profitability, to profitability etc.).

International commercial operations promote stability of corporation. The mechanism of this phenomenon consists in coverage of losses of subdivisions of corporation in one countries by the income of subdivisions in other. Thus, due to an income got in one foreign subdivision, TNCs can minimize losses of other branches or the associated company in the basing country.

Globalization is one of the most difficult economic processes. It is stipulated by the development of transnationalization in the world economy. The process of communication between transnationalization and globalization of the world economy has stipulated the process of geoeconomization, so all national economies, without an exception, have been drawn into the modern transformation processes.

#### REFERENCES

1. *Vernon R.* Economic Sovereignty in Bay. Foreign Affairs. 1968. Oct. P. 114.
2. *Fayerweather J.* International Business Management : A Conceptual Approach. N.Y., 1969. P. 13.
3. *Robinson R. D.* International Management. N.Y. 1966. P. 153–154.
4. *Dr. Nayef R.F.* Al-Rodhan Definitions of Globalization: A Comprehensive Overview and a Proposed Program on the Geopolitical Implications of Globalization and Transnational Security. Geneva Centre for Security Policy Ambassador Gérard Stoudmann Director Geneva Centre for Security Policy. 2006. June 19.
5. *Charles Oman.* The Policy Challenges of Globalisation and Regionalisation. OECD Development Centre, Policy Brief. 1996. № 11. P. 5.
6. *Marketing,* 21 web resource accessed. 2006. March 21. URL : <http://www.emarketing.ie/resources/glossary.html>.

*The article submitted to editor's office on 08.11.2017.*

**Жиленко К. Детермінанти глобалізаційних процесів.**

**Постановка проблеми.** Для світової економіки характерний постійний процес системної трансформації, що змінює саму її основу відповідно до нових умов. Одним з прикладів такої трансформації є глобалізація. В рамках глобальної економіки не існує жодної національної економіки, яка може уникнути міжнародної інтеграції; кожна обов'язково буде включена до неї, нехай навіть у збитковій або невизначеній формі. Ці процеси і створюють нові умови, в яких розвиваються транснаціональні корпорації (ТНК).

**Метою** дослідження є поглиблене вивчення та аналіз сучасних тенденцій кореляції процесів транснаціоналізації та глобалізації, їх впливу на формування рівня конкурентоспроможності та стабільності розвитку ТНК.

**Матеріали та методи.** Методологічну базу дослідження становили наукові праці вітчизняних, зарубіжних вчених та провідних фахівців, статистичні й аналітичні матеріали міжнародних організацій, законодавчо-правові документи та нормативні акти. У процесі дослідження використано математичний, аналітичний, абстрактно-логічний методи.

**Результати дослідження.** Розширюючи сферу своєї діяльності до масштабів світового господарства, транснаціональні корпорації об'єктивно впливають на інтеграційні процеси, підсилюючи їх. Проте саме ТНК вважаються продуктом глобалізації, оскільки виникли на основі переміщення виробництва і капіталу за кордон, активної участі в процесах міжнародного розподілу праці та міжнародної міграції чинників виробництва. Отже, ТНК є результатом глобалізації світової економіки, але при цьому, досягаючи поставлених корпоративних цілей, вони здійснюють зворотну дію на світову економіку, підсилюючи глобалізаційні процеси.

**Висновки.** Завдяки використанню переваг глобального масштабу діяльності забезпечується стійкість ТНК до кризових явищ у світовій та національній економіці (приймаючої країни або країни базування).

Під стійкістю ТНК розуміється довгострокове досягнення стабільного результату діяльності (відсутність різких коливань показників прибутковості, рентабельності тощо).

Саме міжнародні комерційні операції підвищують стійкість корпорації. Механізм цього явища полягає в покритті збитків підрозділів корпорації в одних країнах прибутком підрозділів в інших. Таким чином, завдяки прибутку, отриманому одними зарубіжними підрозділами, ТНК можуть мінімізувати збитки, які зазнають інші або материнська компанія в країні базування.

**Ключові слова:** світова економіка, глобалізація, транснаціоналізація, міжнародний бізнес, транснаціональні корпорації, конкурентоспроможність.