

INTERNATIONALIZATION OF BUSINESS: REASONS, FORMS AND RESULTS

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***Abstract.** Интернационализация предпринимательской деятельности считается двигателем экономического развития. Интернационализация бизнеса означает выход компании на международный рынок. В рамках этого исследования автор предложил сравнить процесс интернационализации в развивающихся странах и странах с переходной экономикой. Автор определил конкретные примеры мировых компании, которые уже вступили на путь интернационализации.*

Особое внимание в работе было уделено анализу китайской компании Huawei и Молдавской Ассоциации компаний Информационно-коммуникационных технологий.

***Key words:** internationalization of business, internationalmanagement, entrepreneurship, cost-effectiveness*

JEL CLASSIFICATION: M13

INTRODUCTION. The relevance of the chosen study is due to the interest in company's operations in international markets increased sharply in the second half of the twentieth century.

In the Republic of Moldova and China, the topic of international economic relations has gained momentum in the last decade of the twentieth century, when the scientific study of the processes of internationalization began.

Objectives of the research:

- Study on the concept of internationalization;
- Reveal the differences of the process of internationalization in developing and transition countries;
- Exemplifying successful strategies for the company to penetrate foreign markets.

The object of the study is the characterization of the internationalization of business of the China and Moldovan economies.

As the main study method, the conceptual analysis / conceptual approach was used, when the notions of internationalization and international management were analyzed by consulting the sources from the specialized literature.

It will also include statistical or empirical analysis, when analyzing the evolution of innovation at the country level.

1. OVERVIEW OF THE BIBLIOGRAPHY SOURCES USED

The internationalization of the world economy involves processes of further growth in social production and the socialization of relations. So, any modern enterprise is equipped with technical equipment from different countries, and thanks to the development of telecommunication systems, business contacts are established in a minute from different parts of the world.

Oviatt and McDougall confirm that internationalization of business is the production relationship that develops between a particular company and its business partners abroad regarding the organization and implementation of foreign business economic activity in the form of export of goods, services and foreign direct investment [1, p.4].

Dunning approve that internationalization of business activity of the enterprise a process of developing sustainable economic relationships between countries (primarily on the basis of the international division of labor) and reproduction beyond the national economy [2, p.9].

Araya wrote : the main methods of internationalization include: export and import of goods and services, foreign direct investment, joint venture, licensing, franchising, turnkey contract, management contracts [3, p.18]

The reason for the growth of scientific activity in this area was immediately many different factors, the main of which is the desire of firms to make international operations more efficient in a competitive global environment.

Buckley explain that entering the international market allows you to quickly improve the production process, ensure a higher profitability of turnover, and also reduce the share of fixed costs in the cost of production. When you transfer production to a foreign country, you can reduce costs due to cheaper production resources.[4, p. 36]

Thomas and Eden state : the enormous role is also played by the desire to gain the fame of the exporter and provide advantages over competitors in their country, the possibility of obtaining foreign currency, the desire to obtain valuable "know-how" [5, p.98]

Buckley, Thomas and Eden have the common views, and the topic of internationalization is not contradictory.

1. RESULTS OBTAINED IN RELATION TO SOME ASPECTS RELATING TO INTERNATIONALIZATION OF BUSINESS AT THE INTERNATIONAL LEVEL.

Enterprises in developing countries have specific advantages, such as assets such as low labor costs, but cannot be distinguished by innovation, high productivity, market power, technology or brand. The internationalization of such companies is mainly aimed at acquiring the missing assets for quick access to the foreign market and strengthening the company's position in the domestic market. For example, Chinese enterprises seek global research to improve their knowledge and create opportunities for development abroad, to overcome the limitations of national legislation and the business environment of the country [6].

Huawei is a leading global provider of equipment and systems that enhance the quality and cost-effectiveness of telecommunications. After two decades of development, many Chinese technology enterprises have taken their first step in internationalization. In 2019, the global economy experienced a slowdown and remained sluggish. Huawei stayed focused on ICT infrastructure and smart devices, and continued investing to create value for their customers, deliver better experiences to consumers, and improve the quality of their operations. Annual revenue reached CNY 858,833 billion, up 19.1% year-on-year.

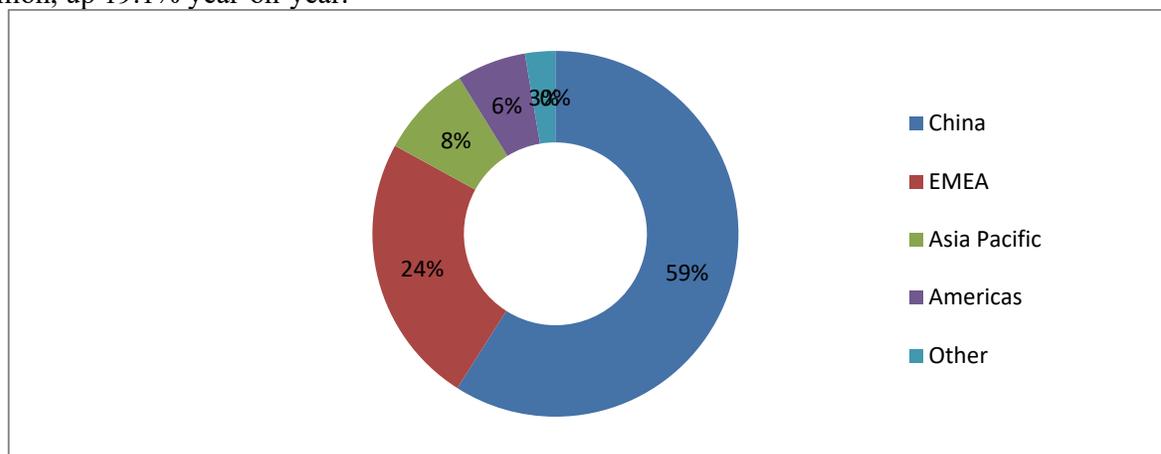


Figure 1. Huawei's Revenue information in respect of geographical segments in 2019
Elaborated by the author using the source: Huawei Investment & Holding Co., Ltd., 2019 Annual report.

The competitive advantage of Chinese enterprises was the production of a high-tech product at a relatively low price. Costs for manufacturing companies in the 2000s were 70% lower than operators operating on the world market [7]. The struggle for leadership in the smartphone market is no longer just a confrontation between Apple and Samsung: according to IHS and Strategy Analytics, over the period from April to June 2018[8]

**Table 1. Top 5 Company Shipments, Market Share, and Year-over-Year Growth, Q2 2018
(shipments in millions)**

Vendor	2Q18 Shipments	2Q18 Market Share	2Q17 Shipments	2Q17 Market share	Year-over-Year Change
Samsung	71.5	20.9%	79.8	22.9%	-10.4%
Huawei	54.2	15.8%	38.5	11.0%	40.9%
Apple	41.3	12.1%	41.0	11.8%	0.7%
Xiaomi	31.9	9.3%	24.1	6.2%	48.8%
OPPO	29.4	8.6%	28.0	8.0%	5.1%
Other	113.7	33.2%	139.5	40.1%	-18.5%
Total	342.0	100.0%	348.2	100.0%	-1.8%

Elaborated by the author using the source: IDC Worldwide Quarterly Mobile Phone Tracker, July 31, 2018.

<https://www.idc.com/>

Huawei is at the last stage of the evolution of the internationalization process. The company has achieved world leadership in the ICT industry, has become the largest producer of telecommunications infrastructure in the world.

There are three different views on internationalization process of companies from countries with emerging economies: resource-based concept, industry-based concept, institutional concept.

The Moldovan Association of ICT Companies follows the industry-based theory that states that companies' activities and performance are largely determined by the industry in which the company operates. Structure of the industry, its characteristics and competition within each industry influence the probability of gaining the success on international market.

Moldovan Association of ICT Companies promotes the development of the ICT sector in the Republic of Moldova through viable partnerships between the private companies, similar organizations, state institutions, international organizations in order to enhance the competitiveness and development of the sector and company capacities, enlarge the market, attract investments in the country and participate in the decision making and regulatory process on the national and international level. The ATIC has a lot of international programs that are the tool for the company's internationalization: Tekwill project, Partnership for Quality and Relevance in Vocational Education in Moldova (VET II), Robotics Program, and UN Women Program.[9]

According to the public survey the ATIC activity is very important for the companies that operate in the National Association. The results are presented on the **Figure 3**.

ATIC is very important for Republic of Moldova internationalization process because the organization promotes the development of the ICT sector in the Republic of Moldova through viable partnerships between the private companies, similar organizations, state institutions, international organizations in order to enhance the competitiveness and development of the sector and company capacities, enlarge the market, attract investments in the country and participate in the decision making and regulatory process on the national and international level.

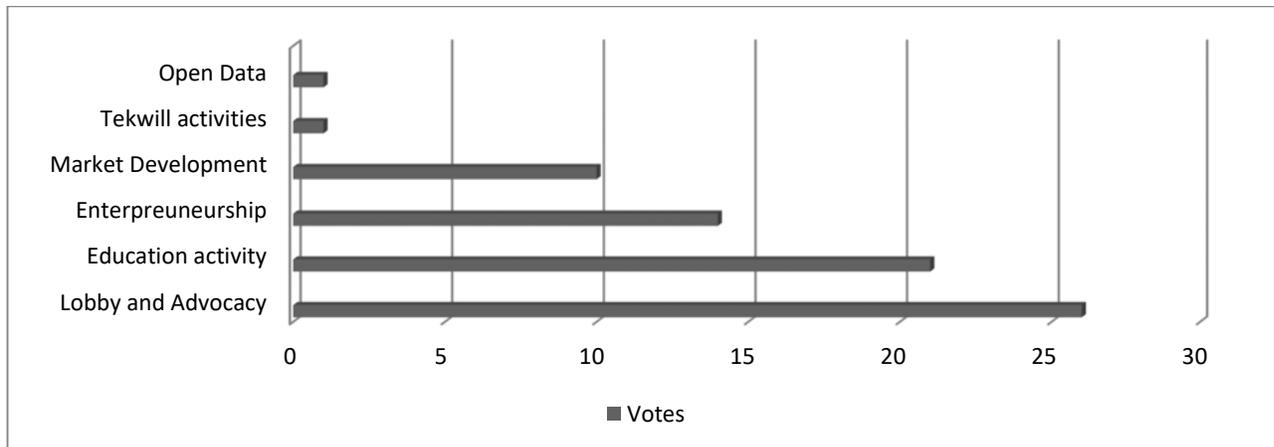


Figure 3. Survey about the importance of ATIC activity for the companies

Elaborated by the author using the source: Annual Report, National association of ICT companies from Moldova 2017-2018, p.13

CONCLUSIONS

In today's world, where the ability to innovative development is becoming increasingly important in global competition, entering the international arena gives the participants of this struggle another invaluable advantage. It allows them to gain access to the most advanced technologies and know-how, which is ultimately crucial for the main task - improving the efficiency of both the company itself and the economy of the country it represents. That is why I evidence that Huawei has achieved world leadership in the ICT industry, has become the largest producer of telecommunications infrastructure in the world. This level was achieved only due to the right chosen - the decision to start the internationalization process. I showed that ATIC is very important for Republic of Moldova internationalization process because the organization promotes the development of the ICT sector in the Republic of Moldova.

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