

Answer on Question #51305, Management, Other

Briefly explain the term internationalization of a firm's value chain?

Explanation:

Market conditions are pushing sales activities among the activities of the enterprise that are crucial to determining the effectiveness of modern management.

Sales activity is one of the most important activities of the enterprise as a whole and includes the development and implementation of a set of measures to promote optimal distribution network for effective sales of products (creation of a network of wholesale and retail shops, warehouses intermediate storage, routing of merchandising, organization of transportation and provision efficiency of goods movement). In fact, it can be defined as an activity for the implementation of the products of labor.

On the other hand, firm's value chain is a two-way process of implementation of contacts in order to achieve certain results, and, above all, increasing the sales of products in a particular market segment. Sales activities can be interpreted as the process of moving the finished product on the market and the organization of commodity exchange in order to extract business profits. Here, under the finished products means products, services and activities that can be offered now as commodities. Thanks to sales the main intermediate stage between production and consumption - the user has to his disposal products and services in a certain place at a certain time.

Due to the growing internationalization of the economy activity of an increasing number of companies unwittingly begins to acquire an international focus. Internationalization may be subjected to any part of the economic activity of the company. Of particular importance in this regard is the sales area, as it is, it is usually a bottleneck in the strategic planning.

Systematic internationalization of enterprises should depend on the result of the analysis of the market environment and its resources. It can not be regarded as an automatic process of strengthening the involvement of firms in international markets. In practice, for many companies, it starts with exports, but a model that could describe schematically the process is not yet available. Planning market entry covers the problems, including the following questions: what markets, what speed, what time and by what strategies need to handle. This means that decisions are interrelated and, for example, decisions on the market, which need to be processed, and output it forms breaks impossible.

Among the many studies on the internationalization of the company value chain, there are two basic approaches to this concept - economic (or static) and dynamic related to internationalization as a process.

Among the economic schools, addressing issues of internationalization, the most popular are the eclectic paradigm of John Harry Dunning, the theory of internationalization and transaction costs theory of competitive advantage of nations Porter. The eclectic paradigm of Dunning attempts to explain the various forms of internationalization of production, as well as

the selection of countries for foreign direct investment. The author argues that the internationalization is implementation-defined three groups of advantages, allowing to answer three sets of questions - why, how and where. Advantages of property rights (why?) Are invisible to the accumulation of assets (technology, know-how, etc.), technological capabilities and innovation; benefits of internationalization (how?) - the ability of firms to manage and coordinate the activities in order to increase value added (competent management of the value chain); advantages of location (where?) - institutional and production factors, represents a certain geographical area.

The theory of internationalization, based on the theory of transaction costs, explains the cause of the development of multinational companies and their international operations (costs within the organization below cost in foreign markets).

M. Porter, analyzing the impact of national conditions on the competitive advantage of firms in international markets, has identified four main aspects to be taken into account when making decisions about internationalization: 1) resources - the degree of development of the company's resources affects the firm's competence in a particular type of environment; 2) firm strategy, structure and competition - the intensity of competition in each host country largely affects the competitive advantages and innovative capabilities of the company; 3) demand - its characteristics in the host country seriously affect the competitive position of the company; 4) support (support) the resources and activities - the existence and development of supporting industries (banking) in the host country also act as a factor influencing the position of the firm.

Dynamic approach to the internationalization of research represented by different phasic models, among which the most well-known and widely used model is Uppsala, where appeared in the mid-70s of the last century. This model demonstrates the internationalization as "growing" process, depending on the company's experience and knowledge of foreign markets. The authors of the model argue that in his early companies prefer to use the least risky forms that do not require a significant transfer of resources to foreign markets (export), and then gradually move to more risky. In one study, was allocated four stages of the internationalization process: no regular export activities; exports through independent intermediaries (agents); trade missions; production activities abroad (foreign direct investment).

According to this theory, a company involved in the process of internationalization, starting as close as possible "physically" (not only in terms of geographic location, but also on the similarity of the characteristics of the business environment) to the country and with a small transfer of resources. With the increase of commercial experience and, consequently, a better understanding of the foreign market, the company organizes production in the country, it is absolutely not similar to her own, and is willing to invest more abroad.

In order to decide of the entry into the market the task of economic enterprise units is reduced to estimating the impact of relevant factors that speak for or against the corresponding form. The most convenient starting point for the analysis is the so-called strategic triangle "own strengths and weaknesses - the possibility of actual and potential competitors - the customer's needs", as only knowledge of these key points ensures the development of an adequate strategy.

In addition, it is important to take into account the uncertainty related to the evaluation of these factors, as well as the experience of a business entity, its accumulated in international transactions

Market entry strategies for each business unit and at this level for each of the market should be planned as far as possible independently of each other, as the intra-environment and market characteristics in many cases are very specific. From this it follows that certain "safe" strategy of entry into the market can not be reused in any market with the same effect, and therefore it is imperative to develop an individual strategy.

Most companies have a number of important economic units. One important category of economic units at a specific moment can make a significant contribution to the overall success of the company, the other - is still in its infancy. The first group should be maintained and even strengthened in terms of profitability. In this regard, there is a need to concentrate resources on the most powerful stations, in the second case - on the development of future potential, thereby achieve efficient distribution.

If to follow the strategy of resource oriented, long-term success is ensured by the presence of its own tangible and intangible resources and specific abilities to combine their businesses properly. Investment in the development of the original resource "package", as a rule, leads to the creation of core competencies, which, however, with great difficulty can be transferred to other plants. In the future, efforts to eliminate potential competitors lag may jeopardize the sustainability of the enterprise core competencies. So they and their related investment can be effectively used primarily within the enterprise-initiator. The initiative in this case, on the one hand, involves the choice of form of entry into the market, which is characterized by autonomy (internal use), and on the other - is associated with the introduction of large-scale resources (investment in capacity building with the future).

Market entry should be conducted in an independent manner. Since the heterogeneous requirements in many cases are associated with significant time-consuming maintenance personnel, then upon entry to the market is also a need for relatively large resources. If an entity is required to have large our marketing resources, they should be used in such a way that the target market customers have a wide choice of options for intensive care. Initiated in this way the needs of the market can turn into a real competitive advantage. In the absence of such competence is necessary to choose the form of entry into the market, envisages the involvement of beneficial cooperation partner.

If we agree with the thesis that different marketing system (in this case, market entry strategy) should be used with the expectation of an optimal adaptation to different situations of uncertainty, it can be assumed that when entering the international market with increasing uncertainty should reduce the amount of resources used. Thus, be able to limit the loss of firm resources and avoid suboptimal allocation. In addition, in the same market may be other, more experienced company that creates the conditions that justify forms of non-self-entry into the market.

Internationalization of the firm's value chain, particularly its sales activity, plays an increasingly important role in the daily business of the company, including small and medium-sized enterprises. Adequate policy of the company in order to entry in the market has a strategic nature, since it can be changed only with considerable expenditure of time and financial resources.