MAIN TRENDS OF DEVELOPMENT OF INTERNATIONAL COMPANIES IN THE CONTEXT OF GLOBAL CHANGES

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Annotation

The article deals with the nature of changes in the external environment of modern international business. It is observed that the external environment is becoming increasingly volatile, uncertain, complex and ambiguous. As shown, one of the ways of optimizing the operations of international companies is fragmentation of business operations, outsourcing and offshoring of various activities, transition to a geographically distributed network model of value chains known as global value chains, GVCs. The article provides insights into modern methods of GVC management, highlighting the importance of intangible assets of MNCs.

Keywords

International companies, globalization, multinational corporations, MNCs, global value chains, GVCs, intangible assets.

INTRODUCTION

The global economy has undergone dramatic changes over the past few decades, resulting in a rapid, constant, and unpredictable transformation of the external business environment. The development of the world economy is currently affected by a number of significant problems, including inflation and volatility in financial markets, growth of global debt, depreciation of currencies and goods, restructuring of global supply chains, decline in the tourism industry and international remittances, lower credit ratings, lack of food and potable water in poor countries, the emergence of structural unemployment, climate change, etc.

International companies determine the interconnectedness of different economies through their business operations. This is due to their capacity to shape and use complex network models and value chains on a global scale. Changes in technology, as well as the liberalization of world trade and the economic policies implemented, along with the active role of a large number of market players, have led to an even greater openness of the global market, increased competition and dynamic development of the entire world economy over the past 20 years. Multinational corporations (MNCs) are the main players and beneficiaries of the economic globalization process, they actively operate in various promising markets, which is confirmed by the volume of investments, cross-border mergers, and acquisitions, as well as strategic alliances. The largest corporations experience both positive and negative effects of globalization, mainly determined by differences in the nature of business operations, the characteristics of country-specific and industry-specific markets.

Thanks to rapid scientific and technological progress, a new business environment has been established in which, on the one hand, digital technologies determine the main vector for the development of economic sectors and all aspects of public life, and, on the other hand, such global events as the 2008 financial crisis, the COVID pandemic, and geoeconomic conflicts increase the sense of danger and unpredictability of all global processes.

A state of greater turbulence has replaced the sense of stability and predictability so important to international business. The external environment of international companies is becoming increasingly complex and ambiguous, characterized by constant, uncertain changes that are the norm in most industries and management and leadership that emerged in the pre-digital era. New, more flexible and pragmatic approaches to modern management technologies are based on advanced digital technologies and assume that the top management of companies in its practical decisions relies on a clear vision, foresight, flexibility and a good understanding of the company's development strategy.

Globalization, having a huge impact on the development trends of the world economy over the past 20-25 years, has led to significant changes in global markets. New environmental conditions associated with technological, demographic, social and economic changes have led to significant shifts in the production and economic activities of international companies, MNCs.

RESEARCH RESULTS

MNCs account for a significant share of the world industrial output and trade in most sectors of the economy. According to the AMNE database of the Organization for Economic Co-operation and Development (OECD), in 2016 the share of multinational corporations and their subsidiaries accounted for 36% of the global industrial output, which is about 2/3 of world exports and more than 1/2 of imports. This share is especially noticeable in the sector of knowledge-intensive goods and services, where MNCs generate up to 90% of exports. Digital transformation and globalization have allowed most MNCs to optimize production and marketing.

Over the past decades, global economy can be characterized by two new phenomena:

1. Emergence of a large group of high-tech companies.
2. Almost all MNCs have made a transition to a geographically distributed model of international production and management based on global value chains, GVCs.

Significant reduction in transport and communication costs, accelerated technological progress, and the removal of political and economic barriers to trade have increased the potential for international production fragmentation. Due to the growth of specialization and fragmentation of business, MNCs structure their global operations through outsourcing and offshore activities.

Many of them have become «network constellations», huge global value chains with blurred boundaries. For example, Microsoft's GVCs include more than 300,000 partners around the world. General Electric is introducing new ways to manage its massive supply chain of about 0.5 million suppliers in more than 100 countries with 14 languages spoken. GE's annual procurement spending with this global network is around 55 billion dollars.

Value chains include various activities: research and development, design, marketing, production, transportation and distribution, as well as customer support for the end consumer. If a value chain crosses national borders, i.e. value is added to a product in more than one country, it is referred to as a global value chain. At the same time, participants in

GVCs are not only subsidiaries, but also a large number of independent companies. If they follow the vertical integration model when creating foreign subsidiaries of MNCs, then different stages of the value chain are covered within the same company. For example, the share of intra-firm trade in the total exports of foreign subsidiaries of American MNCs in 2012 was about 50%; Swedish, more than 70%; German, about 50%; Japanese, more than 20%. Such integration is achieved through mergers and acquisitions (M&A) or investments in new projects. All this allows MNCs to gain control over most of respective GVCs.

Production decisions of MNCs are dominated by three main motives: reducing production costs, mitigating risks and increasing market power. The business strategies that MNCs use to achieve each of their goals are intertwined with the structural characteristics of the specific GVCs within which they operate. MNCs organize their production networks using three main methods: foreign direct investment (FDI), non-equity methods and market trade.

Research and development, product design and branding, marketing, and retail are key elements in global value chains for MNCs, as completing these tasks adds more value to products manufactured and marketed along the value chain. The strategy of MNCs in managing global value chains is to maintain control over the top level of value chains: final assembly, distribution and marketing of finished products, which, as a rule, are highly profitable. Proving this strategy to be effective is the largest American MNC, Apple Inc., which has established and manages the iPhone value chain, enabling Apple to receive the largest share of the iPhone's added value of 59%.

Global value chains serve as an important tool for exports of services associated with intangible assets of MNCs, an effective way to use their trademarks, patents and other intellectual property. The use of intellectual property in GVCs is a key element of their architecture, which greatly increases the incentives for MNCs to conduct R&D and introduce innovations in brands, unique designs, patented technologies, and supply chain management know-how. 90% of the value of the largest US MNCs in the S&P 500 international rating is intellectual property, which contributes twice as much to the volume of trade as tangible assets.

Most often, GVCs are found in industries where it is easier to distinguish between the stages of value creation, for example, in the electronics, automotive, or clothing industries. However, GVCs also exist in other sectors of the economy, including the service sector. GVCs cover many relationships between companies through investment, trade, people, technology, and information flows.

All this has a significant impact on world trade. Today, GVCs cover about 60% of world trade in intermediate goods or services, in particular more than one half of the goods imported by OECD countries and almost three quarters of the imports of large developing countries such as China and Brazil. 30% to 60% of G20 exports are intermediate goods traded under GVCs. GVCs coordinated by MNCs account for approximately 80% of world trade. From the point of view of the countries involved, trade between developing and industrialized countries primarily means an exchange of production services for services provided with intangible assets.

It should be noted that GVCs are usually considered as part of exports. Domestic sales of multinational corporations through their local subsidiaries and affiliates are defined as non-GVC activities, with sales of MNC subsidiaries and affiliates exceeding 32.9 trillion dollars per year in 2019.

At the same time, it is worth noting that local companies have an indispensable role in international production networks.

For example, in the United States of America, a typical MNC purchases 25% of its resources from more than 6,000 small and medium-sized enterprises (SMEs). Similarly, Japanese MNCs based in Southeast Asia get more than half of their resources from local companies. Local national companies participate in GVCs in four main areas: relations with suppliers in the GVC network, strategic alliances with MNCs, direct exports and outward FDI. These paths are not mutually exclusive and may build on each other. Local national companies can be more integrated into GVCs by expanding their interaction with MNCs and continuing to learn from them. Therefore, national domestic companies can obtain the necessary production capacities and knowledge of international markets in order to compete directly in them.

RCEP in the Asia-Pacific region. Since GVCs are managed primarily on the basis of intellectual property, MNCs greatly value regional and meta-regional complex, integrated trade agreements, which, along with trade, regulate issues of investment, services, intellectual property, etc. A new fundamentally important aspect of strategies as they make a transition to sustainable development and the current activities of the leading MNCs was the change in their strategies as they make a transition to sustainable development and global warming issues.

CONCLUSION

Expanding interaction with multinational corporations increases the probability of companies to become exporters. This process also strengthens the capacity of companies to produce better or more complex products and improve the company's overall performance. There are many examples of this.

According to a study of MNC suppliers in Costa Rica, four years after they had become MNC suppliers, local companies showed a 20% increase in sales, a 26% increase in staff count and a 9% increase in productivity.
A study in India showed that local companies that are part of joint ventures with MNCs are 30% more likely to export directly than local companies

that do not interact with each other.

The Russian company Askona, as part of cooperation with the Swedish MNC IKEA, started exporting its products in 2010 reaching more than 1 million mattresses exported in 2021. Global value chains have stimulated productivity growth and structural transformation in many developing countries, allowing them to specialize in certain activities and stages of production rather than waiting for entire industries to develop.

In order to succeed in their activities, MNCs largely rely on the established international division of labor and the specifics of modern international trade and other forms of international economic relations. Against the backdrop of the stalled multilateral negotiations within the WTO, MNCs are lobbying in every way for a revision of existing regional agreements, for example, USCMA in North America, as well as for the creation of meta-regional trade and economic groups, for example, RCEP in the Asia-Pacific region. Since GVCs are managed primarily on the basis of intellectual property, MNCs greatly value regional and meta-regional complex, integrated trade agreements, in which, along with trade, issues of investment, services, intellectual property, etc. are regulated.

MNCs are becoming less unwieldy, more flexible and maneuverable. The spread of globalization has ensured that the activities of the largest industrial MNCs are associated with the successful application of the distributed production model through the creation and skillful management of global value chains, as well as the formation of a positive image based on close interaction with global consumers.

The success of MNCs in the modern economy is increasingly dependent on accumulated intellectual capital, intangible assets, digital platforms and intellectual property, so MNCs are concentrating the activities of their divisions on R&D, technology, business analytics and investment decision making.

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