APPROACHING THE NEW COMPANY STRATEGIES
WITHIN THE GLOBALIZATION OF PRODUCTION AND SERVICES

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Abstract:
The retrospective of the theoretical approaches of the phenomenon of economic globalization in the last three decades emphasizes the movement of attention from the globalization of markets, from the'80s, to the globalization of production and services in the current decade. This trend is essentially the result of implementing new strategies by multinational companies. We try in this context to draw a line between the "globalization of markets" and the "globalization of production and services" and to adjust the typology of multinational companies to these realities. A feature of the globalization of production and services is the implementation of the arbitrage strategy in respect of one or more production factors. But the "globalization of production and services" gains a new content due to the new possibilities offered by the "modularization" of production. Following, the arbitrage strategies began to address new factors, as for example the "functions" of production resulting from the restructuring of the value chain of a "product" (in its broadest sense from conception to postsales analysis).

We believe that, in the context of the emergence and development of the globalization of production and services, it is the time to define a new category of world economy players, the category of the "globally integrated company / business". Within this new framework, the company strategies acquire features that exceed the classic approach and have to be thereafter analysed distinctively.

Key-Words: globalization of markets, globalization of production and services, “functional” specialization, global value chain, globally integrated companies, reorganization and relocation strategies, outsourcers and integrators of “functions”
1 Introduction

Regarding the conceptual delimitations of the economic globalization phenomenon one can easily observe the vast controversies that started from the phenomenon of globalization in its historic evolution. It highlights the large diversity of opinions among scientists regarding, on the one hand, the unfolding of the globalization phenomenon, and, on the other hand, its definition and its difference from internationalization.

Consequently, for those agreeing on the unfolding of the process of economic globalization today, the polemic mainly focused around the explanation of whether globalization is just an advanced stage of the internationalization of relations between companies and states, or is an altogether different qualitative stage.

In the second case, we can witness two different scenarios: that of quantitative accumulation which generates a new quality, and the other of the appearance of new factors which created an original aggregate, which could not be reached by previous accumulations. Some authors, through their methodological enterprise, come closer to the second model of defining globalization, others dwell on sequential aspects or effects of international relations that they assimilate to globalization, from an approach that is not necessarily scientific.

The economic globalization was considered by different authors as:
- a process of establishing production facilities around the world in order to obtain scale economies (F. Livesey, 1993, “Dictionary of Economics”)
- a process of creating a worldwide market as a result of a certain alignment of consumer needs, of the standardization of goods and of the development of communications and mass-media, through the flexibilization of companies (De Luca G., MinieriS., Verrili A.,1998)
- a specific stage of capital internationalization everywhere there are resources and markets (C.A. Michalet, 1985, “Le capitalism mondial”)
- A system of interconnected markets, the globalization of markets implying their integration and the development of “global strategies” by those companies seeking a worldwide presence (A.P. Rhoen, 1996, “International Trade”)
- The increased interconnections between countries and societies which lead to the fact that events, decisions and actions taken in one part of the world have a sizable effect on people and communities situated faraway from one another. Globalization has two features: the sphere and the intensity of action (Dunning J.H. “The Advent of Alliance Capitalism” and “The New Globalizm and Developing Countries” –1997).
- The unavoidable integration of markets, states and technologies (Th. L. Friedman, 1999, Lexus and the olive tree)

Finally, this diversity of opinions leads to three different perspectives on the globalization process and three groups of researchers:
- the optimists, who accept the positive outcomes of globalization (A. Giddens, D. Harvey, R. Robertson G. Barraclough, J. H. Dunning, D. Moberg, Bimal Gosh, etc.)
- the pessimists, who stand against the globalization process (J. Mander, J. Stiglitz, D. Korten, etc.)
- the moderates, with a balanced view on globalization (Paul Hirst and G. Thompson).

One thing is certain, though. The fact that the topic of globalization is approached by so many authors indicates that globalization is not yet a well-defined, well-structured
concept, and any new scientific contribution is welcome.

2. Implications and opportunities arising from the “functional” specialization

Like other researchers who have studied the global evolution of companies in the past years, we have noticed that both the theoretical model of convergence (Ricardo/Samuelson) and the model of the national diversity of capitalism (Michel Albert, P. Hall-Harvard and D. Saskice-Duke, with the German: Japanese and American-British models), while having their share of truth, are much too generalised. Starting from the macroeconomic level of the functioning of national economies, it is more difficult to infer the concrete reaction of companies to the different limitations and opportunities.

The conclusions of a study completed in 2005 by researchers from MIT, regarding the real strategies of companies, were very different from the predictions of the two models. These elements determined us to approach globalization as well from a microeconomic perspective, as a sum of strategies of restructuring and relocation of the international activities of the companies.

Next, we wanted to get closer to our view on the particularities of the actual globalization processes through a comparative analysis of the characteristics and implications of the “old globalization” and those of “the new globalization”. We thought that Richard Baldwin’s scientific approach was interesting enough to be mentioned here. He tried in 2006 to clarify the paradigms of the old and the new globalization, seeing the phenomenon as a process characterised by two important decouplings.

The first decoupling, brought about by the rapid drop of transport costs, ended the necessity to manufacture products close to the areas of consumption, allowing the spatial separation between the manufacturers and the consumers.

The second decoupling was brought about by the significant reduction of the international communications and activity coordination costs in the last decade, which ended the necessity to have almost all the production stages in the immediate proximity. In addition, in more recent times, the decoupling of some activities and functions happened through the off shoring of business services. In this way, the second decoupling spatially dissociated factories from offices and leads the global competition to the level of the functions hosted by these structures.

The differences between countries and the various economic activities, in the context of semi-globalization, still matter in the elaboration and optimisation of foreign strategies, and the gravitational theories on trade and other forms of economic interaction are still valid.

A retrospective of the theoretical approaches to economic globalization in the past three decades stresses the shift of attention from the globalization of markets of the 80’s to the globalization of production and services of this decade. We have to define these hypostases of globalization against the three categories of strategies that transnational companies apply in a certain mixture: adjustment, aggregation ant arbitrage. We suggest several terminological delimitations, considering that these can better reflect a certain reality. Thus, when placing the company within the strategies of “markets globalization”, we deem as realistic the categories of “multinational companies”, “semi-globalised companies” and “global companies”.

Within the “ globalization of production and services”, we have to distinguish between the “modern” component - the strategies of the arbitrage of functions resulted from the “functional” specialization, as opposed to the “classic” component - the strategies of the arbitrage of those production factors that are usually taken into consideration in economic analysis, which ignores the opportunities of
the “functional” specialization.

The traditional forms that international specialization has taken until now are well-known: inter-sectorial, inter-branches and intra-branches, as well as intra-product (or organologic). Each of these specializations has the merit of creating new trade flows between different regions and countries and thus generating development.

Nevertheless, in the past 10-15 years we have witnessed the appearance of a new specialization which takes place at the level of the distinct functions of the process of the creation and offer of a new product, which we think we can call as “functional” specialization. This new wave of functional specialization already generates new and qualitatively different dimensions of the phenomenon of economic globalization.

On the basis of the new strategies of arbitrage, we propose the definition of some structurally and functionally new types of economic actors: “the globally integrated companies”, which require a conceptual delimitation from the “global companies”.

“The globally integrated companies” reflect the integration in a certain formula of the components of the “product” value chain and the distribution of their fulfilment in at least two countries. Integration also implies, on an ever larger scale, the functional inter-dependence of at least 2 independent companies which realize in conjunction the “product” global value chain, and through this symbiosis generate a “globally integrated business”.

Under the category of “globally integrated companies” we have to define two types of companies:

a. “The functions outsourcers”, which can be:

- big companies (national companies, multinational companies-MNC, transnational companies-TNC), which undergo a process of vertical disintegration, by retaining the basic function(s) (in which their competencies are maximal) and the distribution of other functions to third parties (outsourcing to functions integrators selected through the arbitrage of their competencies and advantages)

- New companies that design and structure from scratch a “globally integrated business” by assigning functions to “integrated” participants.

b. “the functions integrators”, which can be:

- companies that directly perform the contractually undertaken function(s) (design, R&D, manufacturing, assembly, distribution, marketing, post-sales analyses or a combination of these)

- Companies that build and use (orchestrate) supplier networks. This kind of integrator becomes in its turn a functions outsourcer, while the network itself becomes a “globally integrated business”.

A typology of the latest strategies of these companies in the context of the new phenomena of the “globalization of production” sends us to the strategies of reorganization and relocation of companies on the basis of the arbitrage of “functions” of the global value chain of the “product”. The “product” should be understood like a sum of all the functions which shape the entire value chain, like design, R&D, manufacturing, assembly, distribution, marketing and post-sales analyses.

The analysis should be divided along the strategies of reorganization and relocation of companies and simultaneously along the strategies of the outsourcers and integrators of “functions”.

It should go deeper into the aspects related to the decision of retaining/outsourcing of “functions”, to the factors of structuring the global value chain and to the strategies of structuring the global value chain. We think it is an appropriate moment for such an analysis considering the fact that the new evolutions in corporate management, in the context of the
“functional” specialization, are not yet conceptually assimilated. Beside that, studying a large number of company strategies, we can argue that there is a diversity of success models.

The analysis of the relocation strategies of companies on the basis of the “functions” arbitrage shows us also that there is an entirely new list of opportunities that globally integrated companies have at their disposal starting with the present decade.

Another level of the analysis has to approach the strategies of reorganization and relocation of companies in the context of business services off shoring. We first have to analyze the content and premises for the service off shoring and the factors in the decision of outsourcing and off shoring of services. There are sufficient motives to claim that the modularization of services is faster than the one in the sphere of production. At the same time, the new technologies often simplify the “production” of those services, facilitating even more their relocation.

Based on the analysis of the foreign direct investments market related to the services off shoring and the impact of services off shoring on the hosting countries, one can find that, paradoxically, on the whole, off shoring generates more advantages for the importing countries, mainly the developed ones, than for the services exporters, which belong to the developing or emerging countries.

On the other hand we cannot speak about globalization without taking into consideration the special economic development of emerging countries, their development at paces that are twice as high as that of developed countries, and the rising of a growing number of companies from emerging countries to the status of global companies.

Antoine van Agtmael takes into consideration the following three waves in the commercial relationships between the industrialized and the emergent countries: the first wave – defined by foreign direct investments in overseas production facilities, the second wave – defined by outsourcing and offshoring, and the third wave – defined by the peer-to-peer competition between the transnational companies from developed countries and the world-class multinationals from emerging markets.

Starting from the fact that we are already in the first years of the third wave, we tried to figure out the range of strategies implemented by emerging companies to date, in their effort of becoming global players in an ever more globalized world. Their spectrum is quite large and can be grouped, in our opinion, into classical and modern strategies.

The main classical strategies implemented by emerging companies are:
- The building of global brands
- The development and worldwide offer of “niche” products
- The non-organic growth
- The switch of business flows towards the south-south and south-north directions

The main modern strategies implemented are:
- The integration of “functions” followed by the effort of climbing the steps up the global value chain of the “product”
- The building of global supplier networks
- The strategy of reverse outsourcing.

Within this new framework, the company strategies acquire features that exceed the classic approach and have to be thatfore analysed distinctively.

3. Conclusions

The quantitative axis of the globalization analysis that shows the evolutions to date and points to the prospects for the flows that statistically define globalization, and the qualitative axis meant to trace the intrinsic content evolution of globalization, by revealing the characteristics of the “old globalization” and of “the new globalisation” and the detailed analysis of corporate strategies which define
the new content of economic globalization, have to be fulfilled, in our opinion, by a **conceptual axis** – meant to refresh the classical conceptual aspects of globalization.

Based on our study on the present state of economic globalization, there are some concepts and economic mechanisms that need to be reconsidered or reformulated in the context of the new aspects of globalization in order to reflect the new realities of the world economy.

There are aspects regarding:
- The new division of labour based on the “functional” specialization;
- The definition, on the basis of the new strategies arising from the arbitrage of “functions”, of new structural and functional types of economic actors: “the globally integrated companies”;
- The appearance of a new type of management that we can call “the management of a globally integrated business”;
- The redefinition of such concepts as “the product” and “the producer”;
- The new aspects of domestic and international competition, and so on.

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