

## ***DIRECTIONS AND ARGUMENTS ON THE INTERNATIONALIZATION PROCESS OF ENTERPRISES***

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*Abstract: The internationalization process is closely related to the degree , constantly increasing integration of national economies into the global economy. This trend can be observed at both the macroeconomic and the company's activity. Therefore we can say that globalization , as a process of deepening economic interdependence , covering both macroeconomic structures and on the microeconomic companies.*

*Orientation companies , whatever their size , to seek new business opportunities outside the national perimeter , even large geographical distances , is widening. The motion tracking trends in international trade scene become indispensable business successful management of any company .*

*The concept of internationalization of the business of an has acquired multiple meanings, as understood in various ways: from the entry ways of a company in a foreign market, the relationship between company management "mother" on the domestic market, and companies "daughter" from abroad and to the abstract concept of economic activities undertaken at a company across national borders.*

*Keywords: international business, transactions, internationalization, competition, enterprises, monopoly market.*

### **1. Introduction**

The internationalization process is closely related to the degree, constantly increasing integration of national economies into the global economy. This trend can be observed at both the macroeconomic and the companies' activities. Therefore we can say that globalization, as a process of deepening economic interdependence, covering both macroeconomic structures, and those micro firms. Orientation companies, whatever their size, to seek new business opportunities outside the national perimeter, even large geographical distances, is widening. The motion tracking trends in international trade scene become indispensable successful management of any business enterprise.

There are numerous definitions of internationalization.

Understood as a function of marketing, the concept of internationalization of businesses responding to the question of alternatives penetration of foreign markets. This meaning, however omits significant areas involved that process, as supply and research - development, production and funding to support economic activity abroad.

The purpose integrator, business internationalization is the body of methods, techniques and tools in the service of the company's strategic approach to active abroad.

Affairs were defined as "all transactions involving two or more countries." Business relationships can be private or governmental<sup>1</sup>.

Another definition considers that international business is "business whose activities involve crossing national borders<sup>2</sup>." Affairs have been defined and as "those business activities of public or private companies involving movement across national borders resources, goods, services and skills." Resources involved in the transfer are the raw materials, capital, labor and technology. The assets transferred include semi-finished and finished products, and services transferred include activities such accounting, legal advice, banking, etc. Skills refers to the managerial and technical skills<sup>3</sup>.

The internationalization of firms can be defined as a "process of increasing involvement in international operations company."

- **Firstly**, the definition suggests a distinction between inward business strategy (for local businesses) and business strategy oriented towards the external environment (environment outside the company, global); domestic orientation is conservative, closed, specific national economy, "unmarketized" the second orientation towards the external market is open and the market economy, capitalist.

- **Secondly**, the definition implies a frame of reference - the national economy; global business environment is defined in terms of national space policy; therefore, from this point of view, interior orientation requires firms conduct their business in the national business; outward orientation characterize firms operating in the international environment that is more diversified compared to the national meeting; conditions within the external environment - physical, social, competitive - affects how business functions are performed.

Based on this definition we can determine the degree of internationalization of a firm, the ratio of the value of sales abroad and turnover. In terms of the pace and direction of the internationalization process in the literature opinions were divided, with many controversies and scientific controversy.

Has been much discussion whether firms internationalize their activities through a gradual process, covering a specified number of stages of development and that this pattern of "internationalization stages" available to large companies, operating well established markets, or only for companies small, not much international experience. Also, the question arose whether companies using their experience may avoid certain stages of the internationalization process. These are just some of the questions that arose during the study of the internationalization process.

The difference in approach to internationalization is caused by the different ways of understanding the nature of this process: as an evolutionary process and that one accident, undetermined factors. Between these two theories, one that seems to be required in the literature is evolutionary, but within it there are several approaches. Some authors consider that all companies follow the same process of internationalization and that it is possible to return to the succession stages of development (evolution theory Unilin).

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<sup>1</sup> Pop Nicolae, Al. Dumitru, Ionel, "Marketing internațional", Editura Uranus, București, 2001.

<sup>2</sup> Besancenot D., Vranceanu R. – „Macroeconomic consequences of voucher privatization in a model with incomplete information”, Policy Reform, 2000.

<sup>3</sup> Cazan E. – „Managementul producției”, Editura Universității de Vest, Timișoara, 2002.

Others think that the internationalization process of evolving stable periods alternate with those in which, in order to further develop the company, necessary transformations of business strategy. Firm internationalization process is not strictly determined, organized linear stages known beforehand (cyclical theory of evolution). Internationalization is a reversible process. Once company engaged in the internationalization of its activities, there is the inevitability of continuing the process.

Reverse internationalization - or "de-nationalization", namely decreasing involvement in international operations - can occur at any stage of the process. Most approaches tend to recognize this side flexible and comprehensive internationalization and interdependence between environmental factors and the strategy adopted by the company for the deployment and maintenance of this process.

## 2. The context of internationalization of companies

Motivations of internationalization of firms can be grouped into two categories: reactive and proactive. Reactive motivations are a response to internationalize the company at various pulses and pressures coming from the business.

- **Minimize risk of competition** - the contemporary economy, companies are constantly under pressure from local competitors and generally locals as well as foreign ones. Statements that a company may face are diverse: loss of market share in favor of a competitor who has the advantage of economies of scale due to international activities or loss of foreign markets for competitors who specialize in these markets.

Companies that exhibit passivity declines sooner or later. Companies that operate internationally switch to defensive reasons related to competition trying to counteract the advantages that competitors or potential competitors might gain from operations abroad, advantages that can be used, then against them internally<sup>4</sup>.

For example, a company believed that another company could get big profits in a given foreign market, if left to operate alone in the market. These profits could then be used in various ways (for example, additional advertising or for developing better products in terms of quality) to improve competitive position. The company that manifest this fear can enter foreign markets primarily to prevent a competitor to gain such advantages<sup>5</sup>.

- **Reduction in domestic sales** (measured as sales volume or market share form) or reducing their perspective - if the products sold on the domestic market is declining stage of their life cycle, rather than extend the lifecycle domestic product, companies can opt concurrently or not this effort to extend the life cycle through market expansion.

Overproduction usually occurs when the domestic market is in a decline and then the foreign market is the key to selling existing stocks due to over-firm internationalization is not usually the involvement of management, but a solution security company, because when demand returns to previous levels, international activities are restricted or even abandoned.

- **Proximity to customers in neighboring countries** - sometimes the distance to them is much lower than from buyers in the country. Most European companies are internationally

<sup>4</sup> Moise Simona, „*Risk management versus corporate governance – Control, communication and transparency*”, European Research Centre for Business Administration and Managerial Studies, Editura Reprograph, Craiova, ISBN: 978-973-671-162-6, 2011

<sup>5</sup> Băbeanu M., Stănescu D.C – „*Piața. Principii și sistem*”, Editura Universitaria, Craiova, 2002

because their customers are located in geographically close countries. Proactive motivations involve voluntary engagement in international affairs firm, in order to capitalize and create comparative advantages and competitive strategy.

- **Access to resources** is a common motivation for internationalization decision. It is the possibility of supply, on a stable, natural resources: minerals (especially zinc, copper, bauxite), raw materials (especially oil), agricultural products (eg rubber, tobacco, sugar, bananas, pineapple, oil palm, coffee, tea, etc.) and also the possibility of access to intermediate goods (materials, parts, assemblies) resources and technological know-how, managerial, organizational and marketing and financial resources by harnessing opportunities offered by the global market or governments where businesses are located.<sup>6</sup>

This rationale is based on commercial operations (eg long-term contracts), and some forms of strategic alliances and cooperation, as well as subcontracting, joint ventures etc.

Creating competitive advantage through cost reduction is another motivation for internationalization very common. This can be achieved through a favorable balance between the costs and labor productivity in different countries where they are located assembly or production units also cost reduction can be achieved through economies of scale and scope, which contributes to lower costs production and reduce transaction costs<sup>7</sup>.

- **Facilities granted to certain countries for foreign investment and production located in those countries** exert a favorable influence on costs (reduction of customs duties for products imported under industrial cooperation agreements and production development in the host country, reducing or eliminating income tax reinvested etc.).

Example can be taken Disney relying on cheap production bases in China, Taiwan, which provides clothing to souvenirs markets. The potential benefits of this practice are obvious: profit margin can be increased and cost savings can be passed on to consumers (through lower pricing), consumers who in turn buy more products, leading to increased profits, through a higher volume of sales.

- **Using comparative advantage** to expand business and increase profits by capitalizing on technology benefits, salaries, endowment of natural resources, know-how commercial advantages due to brands.

For example, technological advances available to the company can be better exploited by internationalization (especially technical innovation capability of the company in the production, which allows the company to launch the market superior products in terms of quality and functional products that can be better capitalized on various international markets over their whole life).

Also internationally may be better capitalized and the company's ability to have a diversified and can adapt to different markets (capacity obtained all through advanced trading technology and production flexibility).

- **Reinforcement of the company**, both in foreign markets and the internal and export becoming a business card recognition prestige of a firm. Also permanetizarea foreign trade activity, increasing the share of the world market in one area or another allows companies to

<sup>6</sup> Cazan E. – „Managementul producției”, Editura Universității de Vest, Timișoara, 2002

<sup>7</sup> Cistelean Lazăr – „Economia, eficiență și finanțarea investițiilor”, Editura economica, București, 2002.

set the tone in price thrive to become the characteristic markets, benchmark, which is beneficial for those units.

- Another motivation is the **attitude prointernationalization, proactive management of internationally oriented entrepreneurship**. To explain this rationale, must be considered promoters of internationalization forces. Some authors talk about the "material determinism" (he considers internationalization are based on objective factors outside the firm, which requires the company to adapt to survive and grow), while others adopt the principle of behavioral determinism "(these authors believe that internationalization is a product of the decisions they adopt the company's management in order to develop it, the opportunities available, adaptation to the environment).

Both visions stresses, however, the necessity of internationalization and that this process is the result of a complex set of objective and subjective factors. The two approaches differ in the importance they attach to the role of the two categories of factors: material (environment) and behavior (the decision).

External market orientation of management (export - import) can be explained by the fact that, using international experience, companies can develop strategies for diversification and hedging, which is of great importance for the stability and business development<sup>8</sup>.

- **Extension of information and communication** in the context of globalization is another proactive internationalization motivation, but at the same time a condition of international expansion.

A communications network tidy allow faster development of business, establishing contacts with market participants, enabling contact deepening business relationships and improving them, especially the need to consider the current phenomenon of globalization, the information becomes a true source of power<sup>9</sup>.

Also be considered and the benefits obtained monopolistic multinational companies to "newcomers" who have not developed network of information technology and does not have control spending must be important to study the existing environment in the countries where they want to work, to know the needs and preferences of consumers and to impose products in new markets.

At the same time, it is impossible to more complex stages of internationalization process with continuous accumulation of information (learning by doing), without the development of knowledge concerning the characteristics of the international business environment, efficient methods of operation, etc. Also, in the later stages of increasing internationalization and the need for control over the process control can not be achieved in an efficient manner with a developed network of information.

### 3. Cooperation and international alliances

The internationalization of business activities can be achieved through various forms of strategic alliances and international cooperation, which can be framed in terms of internationalization intensity between commercial operations and foreign implantation<sup>10</sup>.

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<sup>8</sup> Ciucur D., Gavrilă I., Popescu C. – „*Economie, manual universitar*”, Editura Economică, București, 2001;

<sup>9</sup> Voinea L. – „*Corporațiile transnaționale și economiile naționale*”, Editura IRLI, 2001

<sup>10</sup> Dăianu D. – „*Inter-enterprise Arrears in a Post-command Economy*”, Polirom, Iași, 2000

Alliances and cooperation aimed at establishing sustainable relationships in order to achieve a common strategy in the areas of asset management. These relationships may have an informal (managerial level agreements) may be based on contracts or cooperation can be achieved within institutional structures.

In relation to commercial operations, alliances and cooperation to customize the subject of complex, cooperative spirit and character of the stability of relations between partners, creating and developing complementarities technical, commercial, financial, between the parties.

On the other hand, in relation to the forms of implantation abroad, alliances and cooperation has a lower degree of integration and institutionalization, preserving the partners and decision-making autonomy and legal identity. The main forms of alliances and international cooperation are:

- working on a contractual basis, which may include licensing agreements, franchising, subcontracting, etc., all are forms of international transfer of production technology (licensing, subcontracting) or marketing (franchising);
- strategic alliances in the form of associations, consortia, etc. on building common goals, turnkey, consulting - engineering etc .;
- institutionalized cooperation, represented by joint ventures;

#### **4. Operations technology transfer**

In relation to the international sale of these operations do not involve export of manufactured, but use a strategic advantage resulted in marks, patents, technical expertise. It follows that the relationship between the parties no longer stands, or lies not only in the sphere of trade, but they involve production systems of the partners.

Therefore, we need another approach to business cooperation issues (based on the common interests of the partners) tend to overlap with specific elements relations debtor - creditor. Licensing is selling the right to use patented technical knowledge by an exporter to a foreign customer, at a price to be paid in a lump sum, in periodic payments (royalties) or by combining the two formulas.

The licensor - owner licensing law - less risk penetrate foreign markets and exploit their strategic advantage, and the licensee - the owner the right to use - benefit from the experience of production or product, but also a learning process, which permitted to provide or to increase their competitiveness.

Unlike export, if the license product or service is done abroad and not in the home. By using the license as a form of entry into foreign markets, a company can ensure the presence in certain markets without capital investment in these markets.

We can therefore say that the license transfer has advantages, but it has also some drawbacks. Thus, the assignment of licenses in high-tech industries has a double advantage: rapid penetration strongly competitive environment, which allows the licensor to define technology standards and driving rapid return on research expenditures - development (Japanese company "Motorola" for example, has licensed the technology to achieve its microprocessors company "Toshiba" precisely for this reason).

Assignment of license can be used successfully by companies that do not have the knowledge required active involvement in the international market. Also, licensing is an

appropriate strategy in those markets that do not have a high enough potential to justify the actions of scale or have not been tested enough. In this way, the license provides a good opportunity to test those markets without capital investment.

In some countries the political and economic situation seems uncertain license agreement avoids the potential risks associated with foreign investments. In some countries where domestic markets are highly protected, license transfer may be the only form of penetration in those markets, thus, as many countries have imposed monopoly on tobacco company "Philip Morris" could not get in six European countries such West and four in Eastern Europe by the governments of these countries licensing the production and sale of its marks<sup>11</sup>.

Also, licensing creates the possibility for the licensor to negotiate parallel agreements that are not directly related to the supply of custom license materials and components, thus expanding market presence. Assignment of License has some drawbacks. One of these is the strong dependence of activity licensor has not always able to successfully run their businesses.

What fees are usually charged as a percentage of sales, the licensor may suffer financial losses. Also, licensed product quality may suffer. And licensor image may be affected if the product deviates quality standards. License agreements usually ends for a period of time. While the assignment may be extended, some governments do not allow this. Licensee may become, in this case, the competitor of the licensor. This is the reason why Japanese companies, for example, are reluctant to enter into license agreements with Chinese companies. Because of lower wages in China, the Japanese license transfer would create strong competitors not only in China but in markets which Japanese companies are currently present.

A special form of licensing is the franchise. The franchise is a commercial technology transfer, the beneficiaries receive the right to carry out economic activities (manufacturing and services) under a recognized brand belonging to the exporter. As with licensing, business success for both parties depends on whether they manage to establish lasting relationships with cooperative character. The franchise is a growing form of licensing in which the franchisor provides a standard package of products, systems and services management and franchisee providing market information, capital and management personnel. Combining abilities allow flexibility in dealing with local market conditions and at the same time provide a degree of franchising firm control. The franchisee can track marketing process, which runs until the final point of sale. This is an important form of vertical integration marketing. The franchise can be achieved effectively combining centralization with decentralization of operations capabilities and become an important form of international marketing.

Underproduction or subcontracting goes primarily to the requirements of creating a competitive advantage by enhancing complementarities between partners: the exporter transfers the production of a final product (underproduction of capacity) or of components and subassemblies (underproduction specialist ) the importer company benefiting from more favorable production conditions (lower costs of labor, access to material resources, facilities investment); access importer exporter manufacturing technology (technical documentation, personnel training, etc.), and may assert inputs.

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<sup>11</sup> Negrițoiu M. – „Salt înainte-Dezvoltarea și investițiile străine directe”, Pr&Expert, București, 1996

## 5. Strategic alliances

The 90s were characterized by using a new way of internationalization listed as competitive strategies. Thus, one of the most significant trends in this area is the development of strategic alliances established between various multinational companies operating in the global market, strategic alliances are a component of marketing strategies aimed at entering the market and represent agreements between two or more companies that intend to compete in a particular market or foreign. Partners of such an alliance convinced combine their efforts to achieve a common goal. One of the essential conditions for the conclusion of such an agreement is that companies have the resources and forces comparable<sup>12</sup>. The objectives of companies by creating strategic alliances are:

- maintaining global competitiveness by bringing together research efforts aimed at development by several companies, which reduces individual costs considered very high in contemporary economy;
- economies of scale resulting from increased production, possibly obtained through such a partnership;
- the experience, technology and know-how of each company, joint service strategic alliance.

Factors that may make the success of strategic alliances are generated by: purpose, strategy to achieve the objectives, decision making position equal to participating companies, subject to a set of cultural values mutual proper organization of management structures.

Depending on the purpose, strategic alliances can be divided into three categories:

- alliances formed to develop production, which aims at improving the efficiency of production or recovery advantages held by each company (e.g., the "General Motors" - USA - and "Toyota" - Japan - have signed an alliance in which they made the point producing small capacity cars for the American market: those from "General Motors' successful Japanese experience in manufacturing small cars," Toyota "making penetration much easier on the American market);
- alliances formed to develop distribution through which experience is used in the distribution of one of the firms (e.g., the alliance concluded between the companies "Hitachi" - Japan - and "Fiatallis" - Italy - Italian company allowed to sell Japanese excavators exchange possible use distribution network of Japan); this form of strategic alliances is called piggy-back and can have many forms, depending on the range of products accepted by the partner to be distributed and the number of foreign markets that are contained in that agreement;
- alliances formed to develop technology for reducing costs and risks of scientific research; These alliances are based on technology transfer (this was the case of companies "Phillips" and "AT & T" which have concluded such an arrangement that allowed mutual transfer of digital technology, with direct effects on the expansion of markets).

Outside this group, one can form strategic alliances and develop marketing mix components for one of the target markets. As part of the category strategies penetrating foreign markets, strategic alliances, joint ventures may be mistaken.

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<sup>12</sup> Moise S., "Strategii holistice de atragere a investițiilor străine în industria de automobile din România", 2014, Editura Sitech, ISBN 978-606-11-4169-2

Characteristic elements of strategic alliances, joint ventures which separates are:

- strategic alliances ends usually between companies that have close economic power and part of industrialized countries, unlike joint ventures in which it is performed and agreements between partners situated at different stages of development;
- companies that make strategic alliances are at the same time, partners and competitors in certain markets;
- to joint ventures where there is a gap between capital contribution component firms, strategic alliances equity participation is substantially close;
- an essential purpose in establishing strategic alliances harnessing knowledge partners intended not covered, usually in joint ventures.

In addition to the benefits they generate, to create a strategic alliance involves a number of potential risks:

- safety alliance may be endangered cultural and organizational differences between firms;
- making decisions in a strategic alliance is difficult because it is a process involving a large number of factors involving the top management of companies and causes a slowdown in decision-making flow operation;
- disputes may arise in relation to the sharing of profits;
- can create a dangerous addiction for companies involved: if one company has trouble, they are sent to the alliance.

Consortia are similar to joint ventures and can be classified and distinguished by two features:

- involves a large number of members;
- operate in a country or market in which none of its members is not present.

Consortia are developed for the purpose of financial and managerial resources together, but also to reduce risks. Often construction projects are achieved through understanding the type consortium, the Contracting Parties, who come from different fields, forming a separate company to make a deal. Usually, the head is one of the companies, but the new corporation can exist independently of those who founded it.

Exports of industrial facilities - contracts "turnkey" - have features that distinguish them from simple exports, even if the basic contractual relationship is one such creditor-debtor.

When an international company is committed to achieve export of industrial, it is responsible for the design and construction of the entire operation, and once the project, depending on the company that taught the entire management staff. In return for the project, international company receives an amount of money that can be quite substantial. International companies are involved in the construction of electric power stations, the construction of streets, and the complex of factories, and oil refineries, chemical plants, automotive plants.

The joint venture is a form of cooperation between the parties, by which two or more partners from different countries jointly conducted under an independent entity with legal personality, production activities, marketing and distribution, financial etc., by sharing the benefits and risks of the business.

Features cooperation through joint ventures are:

- relations between the parties are long-term partners jointly participate in management affairs and jointly liable;
- cooperation is organic in nature (institutionalized) in the sense that partners hold parts of a society, which can be newly created or resulting from the conversion of an existing company (the acquisition of shares by one of the partners);
- cooperation is a complex object and evolutionary in that it can refer to both marketing activities and marketing (marketing joint ventures as a form of distribution (and productive activities (form of cooperation in production) or banking (banks combined).

A joint venture thus differs from other types of strategic alliances or collaboration in that it is a partnership of two or more companies that have joined forces to create a separate legal entity.

Cooperation through joint ventures is an evolutionary form of internationalization, can lead to business development through direct investments or mergers and acquisitions in the global market<sup>13</sup>.

Joint ventures are a form commonly used for penetrating international markets as it offers important advantages for all partners. The first advantage is the sharing of risk, which is of great importance as political and economic conditions in many countries are still volatile. Joint ventures also allow, maintain better relations with governments, local authorities and trade unions.

Favorable relations with local governments is actually the main reason for the establishment of joint ventures in developing countries (some governments provide incentives to foreign partners in joint ventures). Another advantage is the local partner familiarity with the economic and cultural center of the country, which allows a better perception of the changing conditions and market needs. Not all joint ventures are successful, this is due to the disadvantages involved in the formation of a joint venture.

Thus, among the major issues that may arise are related to the maintenance of good relations between partners. Causes that can lead to this are conflicts of interest, disclosure of sensitive information, complaints regarding distribution of profits, lack of communication, cultural differences.

The joint venture "AutoLatina" established firms "Ford Motors Co." and "Volkswagen AG" in Latin America dissolved after seven years, despite the fact that it was profitable until the last moment, due to cultural differences between American managers and German.

Implantation is done the way foreign direct investment, which implies a long-term option in the management company investing and participating in society in the third country. Unlike commercial operations, the internationalization process refers to the activities of supply - selling, in this case it is the internationalization of the firm itself, which creates its own foreign market organizational structure ("internal growth") or participate in structures background ("external growth")<sup>14</sup>.

Implantation of a structure aimed own abroad can be achieved only through the efforts of the investor (by opening commercial offices, branches or creation of subsidiaries) or by association with a local partner (creation of foreign companies).

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<sup>13</sup> Dinu M., Mereuță C. – „*Economia României, 1990 - 2000, Compendiu*”, Editura Economică, București, 2001

<sup>14</sup> Dobrotă N. (coord.) – „*Economie politică*” Editura Economică, București, 2000

The main features of implantations abroad as a form of internationalization are:

- create new entities (organizational structure) abroad, which is owned by the originator company (trade offices, branches) or are autonomous legal entities (subsidiaries);
- internationalization process has an institutional basis and involves activities indefinitely, certainly in relation to profit opportunities in the host country;
- implanted structures abroad can conduct foreign trade, but it may equally involve in production operations.

The main forms of foreign direct investment are representative office, branch and subsidiary, which are highlighted in direct proportion to increasing financial effort required for their activity.

**The Bureau of representation** (also called commercial office) is an operational department implanted abroad, which has no legal personality and can not perform acts of commerce. Office undertake business on behalf of the manufacturer's representative and has the following main functions:

- ensuring regular contact with foreign markets in order to identify business opportunities and sales promotion;
- provide support to open negotiations in conducting negotiations;
- monitoring on-site mode of doing business agreements;
- coordination of service;
- gathering information and making real short term studies to help the manufacturer to correct grounding of business.

**Bureau of representation** is created whenever conducting foreign trade operations smoothly requires tracking the delivery of goods to the end user and making operational products require technical support and service from the manufacturer. Often sales office is a form of temporary implantation with exploratory, allowing evaluation of the chances of success and profitability of a definitive implantation through branches and subsidiaries.

**Branch** is a service company relocated abroad without legal personality. It depends entirely, in terms of financial and administrative, the company that created it, and its scope must be identical to the parent.

Branch is organized, registered and operates under local law and operates based on economic self-management - financial and currency. In this regard, it has the income and expenses whose balance is reflected in the economic - financial results of the parent company.

Conclusion of contracts with individuals or legal entities can only occur based on data representation empowerment parent and applicable law. Branch has two main functions: commercial and administrative.

From a commercial perspective, the presence of branch sales market allows to define, together with the parent company, the company's commercial policy and its implementation.

From an administrative viewpoint, branch transmits commands to the parent company, provides clearance of goods exported, making local deliveries, shall monitor the proper conduct of the operation. The main advantages of implantation through branches are providing continuous information on the status of outlets; carry out prospecting operations; follows the course of the contract.

The disadvantages include:

- requiring a significant investment;
- financial risks are the responsibility of the parent;
- the selection of local presents a number of difficulties.

**Branch** (subsidiary) is a company incorporated abroad, which has legal personality, but is controlled by the parent company, which has part of its share capital. The establishment and operation of branches based on the following characteristic features:

- organizational structure and leadership are determined by the conditions of the legal and economic environment that exists in the host country;
- branch integrates economic mechanism of country of residence;
- favorable image and prestige trading subsidiaries are crucial to establishing lasting relationships with valued partners;

There are several ways to create a subsidiary abroad.

Taking over an existing structure is achieved by making ventures, ie a local firm.

This participation may be majority when the investor controls all decisions subsidiary (more than two-thirds of the share capital), absolute majority (more than half) or blocking minority (over a third). Taking control of foreign companies is a very common practice today in the context of the wave of mergers and acquisitions in the international capital market and the extensive privatization programs in transition countries.

Creating a new structure (*ex nihilo*) is a more expensive and takes more time to be implemented. It is preferred, however, companies that want to create and develop the country to implant a structure that fully meet the requirements of the parent company. Pair with a local partner (who may have a minority contribution to capital) allows the parent to take advantage of its experience and reduce installation costs. The joint venture is a business presence abroad which combines some features of implantation with aspects of the strategic partnership of cooperation<sup>15</sup>.

## 6. Conclusions

Finally, it explains why there are so few Romanian companies internationalized.

In the European Union, Romania has the second lowest level of FDI stocks abroad, by \$ 1,4 billion in 2012; worse we'll only Latvia, with \$ 1,1 billion. Malta we exceeded in 2009 and Bulgaria in 2010 Bulgaria, a country with one-third of the population has a volume of FDI abroad 1,8 billion. In Romania there are only 24 firms per thousand, while the European average is 42 firms. Companies are suffocated by taxes and bureaucracy. Only 118 tax witnessing changes in the last 10 years.

Expand activities abroad is a great investment for companies that require additional resources. Government support is crucial because companies lack the resources and information to expand operations abroad. But most importantly, companies could benefit disproportionately competitive effects resulting from the internationalization and a large number of companies will not take this step without Government support.

Successful policies require the involvement and coordination of all participants, including business associations, export agencies and banks. They can provide support to

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<sup>15</sup> Moise S., „*Studiu integrativ privind investițiile străine în industria de automobile din România*”, Editura Sitech, 2014, ISBN 978-606-11-4170-8

companies avoiding unnecessary programs and resource allocation. Policies need to raise awareness of the need for internationalization of companies. Ideally, it will be coupled with easy access to support from the institutions. It is difficult to separate from the context of internationalization principles: competitiveness and growth.

This requires a more careful approach to all areas related to support for the company's competitiveness, particularly in the areas of innovation and internationalization. A long-term political thought should be given to actions that lead to internationalization positive entrepreneurship and international activities that require specialist involvement in education. Immediate support should support companies in areas where they reported difficulties: lack of management resources and skills for the internationalization, lack of financial resources and useful information.

The most efficient way to ensure long-term success of internationalization is to provide individual support for each company. The success of this support is based mostly on skills development within companies. To increase competitiveness and development programs need to support internationalization, not just exports. Is required contribution in aid and promoting business networks at all levels.

Development is directly related to the competitiveness of companies in the international market. Single Market potential is far from being exploited, but maybe it can become a springboard for companies globally. Direct support to companies and promoting their cooperation in the European market could lead to growth and competitiveness.

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