NECESSITY AND VARIOUS FACTORS OF CORPORATIVE STRATEGIES DEVELOPMENT

NECESITATEA ŞI FACTORII VARIAŢI AI DEZVOLTĂRII STRATEGIILOR CORPORATIVE

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Abstract. *Corporate strategy refers to the main direction of orientation of an organization into the future: purpose, aspirations and resources of the organisation and how it interacts with the environment in which they operate. Every aspect of the organization plays a role in this strategy: staff, finance, production methods and its operational environment. Corporate strategy represents a system formed from objectives, goals and basic aspirations and essential policies and plans, formulated so to define the actual or potential field of activity of the company and its actual or potential profile.*

Key words: foreign investments, international financial flows, competitive advantages

Rezumat. *Strategia corporativă se referă la principală direcție de orientare a unei organizații spre viitor: scopul, aspirațiile şi resursele organizație, precum şi modul în care aceasta interacționează cu mediul în care îşi desfăşoară activitatea. Fiecare aspect al organizației joacă un rol în această strategie: personalul, finanțele, metodele de producție şi mediul ei operațional. Strategia corporativă reprezintă un sistem format din obiective, scopuri sau aspirații de bază şi din politici sau planuri esențiale, formulate astfel încât să definească domeniul de activitate actual sau potențial al companiei şi profilul actual sau potențial al acesteia.*

Cuvinte cheie: investiții străine, fluxuri financiare internaționale, avantaje competitive

INTRODUCTION

As it will come out from the present paper, the postwar period experienced a considerable increase regarding the international component of business, the national economies intensifying their mutual links due to the increasing volume of the transfrontier transactions, the latter implying not only goods and services, but also production factors and financial assets. These evolutions were made possible by the context of the deregulation and liberalisation of the international trade and financial flows, the result being the amplification of the markets' degree of integration at a global level.

As far as the trade is concerned, the globalisation tendency is noticeable in the increase in the exports and imports all throughout the world, both as absolute value and as weight in the global gross domestic product. Simultaneously with the evolutions manifested at the trade level, we can also notice a process of globalisation of the financial activity that surpassed in scope and rythm the

similar process in the trade domain. As a consequence, the investitional opportunities are no longer restricted to the national capital markets, the international competition determining, for these markets, the explosive increase in the international financial flows, as will be shown in the present paper.

The intensification of the international competition gave rise to a sudden and powerful increase in the international flows of financial assets, one of the remarkable development directions being based on the so-called emerging markets, the latter becoming more and more accessible to the international investors, based on performances that were generally superior to the ones recorded on the mature financial markets.

The unification of financial markets, continuing upward trend of investments, financial and economic expansion, increase of productivity, diversification of trade of goods and services, facilities provided by IT within the domain of vehicle of information and communication have allowed the increase of number and value of transactions of multinational customer and increase of sphere of specialisation services in areas of accounting, financial - fiscal, audit and internal control. Financial scandals from Enron, WorldCom, Parmalat, and more recently the crisis of mortgage credits of high risk, have seriously affected the credibility of good management of companies, their financial situation and the image itself of the accounting profession.

International financial markets are an integral part of modern life. These markets reflect the major changes of the economic conditions. Markets are both a symbol and a key instrument of globalization (Hafner, I., 2002). Globalization process determines the integration of financial markets around the world, in a single market, international one. *We can say* that any bank or financial national market of a given scale is part of the international financial market. *In our view*, globalization designates the ensemble of phenomena resulting from the increasing openness of economies to foreign goods and capital. Search by entities of the best opportunities for profit, organization of production globally and speed of movement of information stimulates trade between nations. In the latter case we speak of financial globalization.

MATERIAL AND METHOD

Globalization is based primarily on intensity of international economic relations, which have increased by 7% per year, versus 2.3% increase in production (www.worldbank.org). Such an increase in trade is due largely to multinational companies from the most industrialized states. In the context of intensification of international trade exchanges, activities in the real economy (production, consumption, investment, use of labour) have evolved in recent decades to a physical separation process, of dispersion in different countries or regions able to offer maximised competitive advantages.

New multinational companies have appeared, and the one with tradition have expanded the business globally through acquisitions and mergers, creating global networks of production and distribution. Local brands were selected and potentiated to external marketing, brand of goods and services devoted internationally have

expanded the territory of distribution, or have been promoted on national markets through direct production or local franchising.

Economic integration is a process of development of economic ties or interdependences that are set between different geographical areas. Such areas may be sub-national regions, countries or groups of countries. *We can specify that economic links or interdependences include development of trade (exports or imports), of capital (either direct investment or portfolio investment), of labour and technology (including innovation of products and technological processes).* International economic integration tends to become rather a regional phenomenon than a global one (O'Neil, T., 2004).

Dislocation and respective relocation of activities of the real economy had initially sought access to natural resources, use of labour at costs comparing more lower, the access to markets in formation or with potential in development, capitalisation of the regulatory framework propitious to direct investment. Interdependences from the real economy had determined the appearance of the phenomenon of cross-border financing, which in tandem with the financial liberalization generated mobile reserves of capital and liquidity.

Remaining still valid on a global scale, the arguments presented above are currently potentiated by new phenomena of physical separation of production and consumption from the tertiary sector, namely the migration of some different categories of services, based on the dynamics of technological and the impressive progress of telecommunications and information systems. The output generated by the real economy – expressed as level of income per head - may influence the inclination of engagement in transactions with international financial assets. To the extent that a higher income per capita - as an expression of the level of economic development - is associated with a predisposition to greater risk, and international investments are perceived as more risky than local alternatives, this may lead to greater levels of involvement in operations with international financial assets. Equally, empirical record shows that the savings - even those in developing countries - with a growth rate sensibly higher compared to the average shows a trend of financial integration-oriented higher than the states without noticeable performance of economic growth.

RESULTS AND DISCUSSIONS

Globalization refers to the company's activity, to trade, to services and to internationalization of capital (financial globalization). Internationalization process of firms was due on the one hand to the development of trade, on the other hand to the possibility to invest directly in any other country. Thus, the formation and development of multinational groups, the protagonists of the process of globalization, and efforts taken in the sphere of trade and markets liberalization, has brought the issue to the attention of economists the problem of international investment.

Foreign direct investment are complex international flows which include financial, technological resources, managerial and organizational expertise, which is introduces the lasting interest and entrepreneurial control of the company or business person investing in order to pursue productive activities in an economy other than in which the person or company is resident (P. Rivoli and E. Salorio, 2005). This form of international economic involvement of companies is made by

surrendering to the market as a means of transaction and by integration of organizational structures in firms of some assets and activities developed abroad. Such integration can be done horizontally, by the formation in other national areas of some firms performing the same kind of economic activity as the parent company, or vertically, in which case the structures of firms are integrated activities in upstream or downstream to its object of activity.

Foreign direct investment, besides the investment in production assets, may take also the form of portfolio investments. The difference between the two categories of investment is that the portfolio investments are purely financial capital flows, about which the involvement of the investor does not exceed the realisation of initial investment and assuming the risk of losing the game in financial markets, while realisation of a direct investment, under a form of complex transfer of resources, in which, sometimes, financial component is the least important, attracts the involvement of foreign investor in management and control of developed productive assets. In other words, appears as much less involved for investors and therefore more easily be adopted, the decision to make a portfolio investment rather than a direct investment. And from the host - economic point of view, things are different across the inputs of foreign direct investment and portfolio investment. It is about the impact on their productive resources and structures. While direct investment is likely to influence them strongly, in a positive way, the portfolio investment can not propose more than additionally for an uncertain term the financial capital resources (without guaranteeing their mobilisation for productive purposes), with possible sudden movements (return of capital) and destabilisation.

End of the Cold War and economic globalization have coincided with a new industrial revolution. Computers and information economy, of the Internet or knowledge bring a change in almost all aspects of economy, politics and social (George Gilder, 2000).

In our conception, the development of network of information and telecommunications has created to participants in market and regulatory authorities important advantages:

• collecting and processing of necessary information for measuring, monitoring and managing financial risk;

• pricing and trading operations through complex new financial instruments;

• control of some extensive records of transactions carried out 24 hours of 24 in major financial centres in Asia, Europe and American continent.

Communications and instant access to information represented a key factor in the development and integration of financial markets, from the operations of the ring to the back-office. Even in subjective terms, traders had the opportunity to learn each other and see easier the inter-market opportunities, and the level of confidence and financial technical knowledge of market participants has increased significantly.

Whether or not there has been a true technological revolution based on computing power, technological change caused by it had a major impact on the global economy, being also an important factor in the financial globalization process. Of these, we can enumerate the most important:

a. *Increase the rhythm of technological innovation*. In many areas, there was a real flood of scientific and technological developments, during the past 30 years appeared more discoveries than five millennia earlier. There are certain factors which are due particularly the acceleration of technological development. Intensification of international competition between great powers has stimulated scientific and technological innovation, and acceleration of the pace of change made that technology to become the key factor of economic growth and international competitiveness.

b. *Wide area of application of new technologies.* New technologies, especially from science and electronics, are relevant to a wide range of economic processes and other activities from many sectors of the economy. Financial transfers control, automation and data processing revolutionize both production, and services from any industrialized economy.

c. *Shortened life-cycle of economic processes and activities.* This compression of time caused a greater degree of internationalization of technological discoveries and led to new competitive strategies, and strategic and technological alliances more extended between multinational corporations from many countries.

Extraordinary extension of communications led to the disappearance of stock rings as traditional physical places to conduct the transactions with values, these being replaced by a global system, integrated in virtual markets formed from networks of computers and terminals that allow online trading of a bigger number of shares and bonds listed on the international market, regardless of the currency of reference.

CONCLUSIONS

Throughout the last years, the financial markets have been the object of attention of many controversies, stirring the interest of innumerable investors, with a violence that had once been characteristic to the fields of politics and religion.

As proved by the present paper, at the world level, a particular importance is attached to the international flows of capital, the governments looking for the best solutions meant to favour the goods, investments and information exchanges. The intensification, in the last years, of the international financial flows is the result of a combination of governmental policies, but also of the interest and actions of the investing companies.

Although the growth in synchronization of financial markets is clear and consistent, the evidences of parallel increasing synchronization of national economies are confusing and controversial. While, for example, stock markets from advanced countries can move in parallel in most occasions, the degree of

synchronization of real economies is substantially lower. A similar phenomenon becomes apparent also in developing countries, where the correlations between stock markets are growing continuously, while synchronizing real savings rate remained at relatively stable share over the last decade due to advances in technology, policies and ideas, the global relations have long competed those of previous periods in terms of the degree, intensity, speed, volume and the geographical situation (Bosworth, B., Gordon, P., 2004).

Improving the system of corporate governance can constitute a strategy of increase the overall performance of companies, respective of increase of stock price of their shares and, thus, of increase of the value of firms.

In conclusion it is obvious the fact that technological advances have implications in the international economic and financial actions, and the nature and importance of these implications are highly controversial. Some critics of technological progress mean that rapid technological advancement has a devastating impact on highly industrialized countries, linking the speed of this process with technological unemployment, but others argue that the technological progress means and will mean forward new and better jobs for everybody.

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