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### **METHODOLOGICAL APPROACHES TO STUDYING TENDENCIES OF DEVELOPING TRANSNATIONALIZATION PROCESSES**

**The article investigates transnationalization processes in the aspect of leading economic theories. The interrelation is analyzed between categories of “globalization”, “internationalization” and “transnationalization”. It is suggested to group theoretical conceptions of transnationalization into four theoretical-methodological approaches: evolutionary, structural-functional, strategic-multi-focused and institutional. The author presents her own definition of the concept of transnationalization.**

**Keywords: globalization, transnational corporations, transnationalization, internationalization.**

**Statement of problem.** The world economy as long ago as in the beginning of XXI century achieved a qualitatively new phase of internationalizing economic life which is known to everybody as the globalization of world economy. This process is accompanied by the liberalization of foreign economic relations of countries of the world, by decreasing or in general by removing various barriers between countries for trans-border movement of goods, services, capitals, working force and, to a greater degree, by more international information exchange. Under these new world economic conditions the level is sharply increased of the openness of national economies. However, taking into account the fact that in the basis of economic development lie economic interests the process of the globalization of world economy bears universal character. This, first of all, is revealed in this process embracing really not only economics but practically other spheres of social life” policy, social sphere, information sphere, education and culture, etc. This circumstance is naturally being paid attention both native and foreign researchers of the problem of globalization and transnationalization.

**Analysis of latest studies.** The economic nature of transnationalization processes has been thoroughly disclosed in scientific works by native and foreign scientists. The fundamental study

of the theory of emergence, formation, priorities and problems of development are deeply revealed in scientific researches of such economists as R. Vernon [2], P. Kouz, J. Dunning [5], F. Knickerbocker [4], M. Porter [7], D. Stopford, C. Himer. A substantial contribution into studying these problems was introduced by native researchers, in particular, L. Kudyrko, O. Mozgoviy, L. Mykhaylyshyn, T. Orekhova, O. Rogach, S. Yakubovskiy and other scholars. However, the rapid development and expansion of transnationalization processes call for to continue the search for new theoretical conceptions which explain the specifics of the formation and functioning of present-day economy. All this testifies to the actuality of the theme which stipulated the selection of the direction in scientific and practical aspects.

The phenomenon of economic globalization which is revealed through transnationalization itself may be a mighty instrument in economic development. In this context the investigation of the processes of transnationalization development is an actual question. However, without knowing theoretical approaches to the said process it is impossible to properly adapt its investment environment to realities of the present day and to determine perspectives of drawing economics into transnationalization process.

**The aim** of this paper is the analysis of theoretical methodological principles of theories and conceptions of transnationalization, the determination of their differences, peculiarities and conditions of formation.

**The exposition of basic material.** It is to be pointed out that it is impossible to consider the process of economy globalization apart of the context of solving global problems of today which emerged in the last third of the XXth century – common world political, socio-economic and scientific technical problems. To their number traditionally are referred problems of war and peace, ecological, fuel raw material and power, demographic, food- stuffs (poverty problem) problems. At the end of the XX century – the beginning of the XXI century to these one may add also such that became in essence global problems as the problem of worlds debts, the problem of potentially important world financial crises and the problem of the formation of “global black economics”.

In this sense globalization on the whole is a complicated complex of interrelated globalization processes which develop in the designated domains. Therefore, its different aspects are the object of the designated many sciences and globalization in the wide understanding is in itself an interdisciplinary object of research. For example, representatives of technical sciences consider such a concept as



“technoglobalism” which discloses in the merging of innovations and know-how into a unified common world complex of technical knowledge. They analyze the emergence in essence of global “technological Microsystems” in spheres of power engineering, communication, telecommunication, transport, a number of branches of industrial production, etc. Technoglobalism, naturally, is closely connected with economic globalization, which attracts attention of many native economists.

There is no need to prove the fact that processes of globalization take place also in the sphere of policy (including military political sphere) which in a new way put the question about the place and role of the largest authoritative international institutes (first of all United Nations Organization) in regulating processes emerging in globalization.

However, it is worth mentioning that most dynamically globalization process goes on in economic sphere. Here are to be singled out objective and subjective aspects of economics globalization. Really, on the one hand, the globalization of economics is a regular, objectively stipulated the process of movement to a unified world economic community, to qualitatively new, the highest stage of the internationalization of economic life (and in this is revealed the objective aspect of globalization). On the other hand, the globalization of world economy is a form of completely certain economic policy implemented by leading countries of the world (first of all, the USA), the largest transnational corporations and transnational banks, world financial centers in their own interests (subjective aspect of globalization).

In connection with the mass appearance at the international arena of such influential non-state subjects as multinational companies at the end of 60s – the beginning of 70s of the XX century the notion of “transnationalization acquires wide extension in a political, business and scientific lexicon. It puts an accent at the fact that world interaction becomes not only international (between states-nations), but also transnational. The introduction into a scientific circulation of the concept of transnationalization was connected also with the fact that the term “internationalization” was used in political and sociological researches also in the narrow sense of the word for determining the joint management by a country, territory, etc./or the protection of two or more number of states. It was necessary to separate different processes one from another and to show the peculiarity of world economic processes [1].

The investigation of works by both native, and western researchers on the question of transnationalization showed that the analysis is connected with certain methodological difficulties.

Firstly, this is connected with the understanding of transnationalization nature. On the one hand, there is no principal divergences in understanding the economic nature of the transnationalization of production. In the main, researchers determine this process as the taking of some links of production technological chains away from the national borders. On the other hand, to characterize the emergence of productive process away from national boundaries in economic literature together with the concept of "transnationalization" is used the notion of "internationalization". In the quality of subjects of this process come out transnational and multinational corporations.

Secondly, the real process of transnationalization is developing quickly taking various, frequently quite new forms for which necessary prerequisites were created.

In the process of research we had singled out and systematized four main approaches to studying the process of transnationalization: evolutionary, structural functional, strategic multi-focused, institutional.

- the theory of life cycle of product. R. Vernon [2] considered the activity of TNC at the background of his own theory of "life cycle of product" and relied on the postulate about any goods passing the natural life cycle which consisted of three subsequent stages: 1) innovation; 2) mature and 3) standardization phase. At the innovation phase a corporation which was the first to develop this goods has substantial competitive advantages which cover its expenditures for research experimental and research designing works. At the second and third stage for successful competition the company is obliged to make use of the transnationalization strategy. At the phase of maturity the decreasing number of sales at the home market is still compensated by increasing sales abroad. At last, at the phase of the standardization when the production of goods by technology and quality acquires final standard forms further competitive advantages may be obtained only by beginning to save expenditures on the account of transferring various stages of productive cycle to those countries where expenditures for fulfilling works are less. After that with already decreased cost price goods may be returned even to the home market.

- the theory of the catching up cycle on the basis of which lies the paradigm of "flying geese" (K. Akamatsu). On the basis of researching the development of Japanese industry K. Akamatsu came to the conclusion about three phases of the development of adopting country.



At the first phase in each branch the import increases of foreign goods to the country, at the second increases import substitution which at a certain moment of the phase leaves behind import by volumes and the third phase is connected with the development of export. In K. Akamatsu opinion, after these three stages taking place conditions are being implemented for the transnationalization of economics and the export of DFI [3, pp. 52-53].

- the theory of oligopolistic reaction suggested by F. Knickerbocker [4] explains the development of transnationalization as a pursuit of leaders, however, already between TNC themselves. The basis of investigation were empirical data of 187 American corporations during 20 years, the scientist made a discovery that in oligopolistic branches where the larger part of the national market is controlled by 4-7 corporations, after the sprint by one of competing companies after it in 3-7 years to foreign markets necessarily come home competitors. In this theory the most important factor of transnationalization is a competitive pursuit of a leading company [3, P. 53].

- the theory of ways of investment development of nations (J. Dunning) and the eclectic theory in correspondence with which J. Dunning [5] separates three groups of factors which determine transnationalization and volumes of foreign assets, in particular O-advantages, L-advantages and I-advantages.

This group of theories considers the peculiarities of transnationalization stages depending on genesis and evolution of TNC.

Secondly, structural-functional approach includes such theories as:

- the technological conception developed by a scientist from the USA G. Galbraith is based on TNC development at the account of the maximization of sales volumes in a foreign country and expresses the hypothesis that the main motive of foreign investment activity of TNC is the necessity of their presence at those markets where there is already their produce for expanding sales at the account of technical after-sale servicing.

- the theory of monopolistic advantages suggested by S. Khyimer, Ch. Kindleberger [6] makes use of a peculiar kind of competitive struggle by way of separating its goods into a specific group at the account of low expenditures for advertizing, marketing.

- the theory of competitive advantage put forth by an American scientist M. Porter was the continuation of TNC phenomenon in the 90s. The main attention of this theory is concentrated at studying different factors and mechanisms of transnationalization of production, in

particular, at providing for TNC of deployment countries with basic factors which are in the system of competitive advantages specified by him [7].

M. Porter in his conception contrasts “models” and “structures”. He determines the traditional method of economics as building the competitiveness model with the aim of singling out main variables, researching the interaction of which is the most important [7].

Thirdly, let us discriminate a group of theories based on strategically multi-focused approach:

- the concept of competitive strategic approach lies in the fact that direct investments are considered as a means of overcoming formed market barriers with the help of which branches protect themselves from the penetration of new competitors. Often such investments represent themselves as the only variant of overcoming obstacles of judicial character when for example, the local regulation envisages a high part of national producers in products newly introduced into the country [8].

- the concept of market strategic approach, in correspondence with this approach direct investments contribute to increased orientation at customers thanks to the spatial approaching to purpose-oriented groups of customers and to considering their specific expectations [8].

- the concept of multiple market positioning, in accordance with this approach direct investments stipulate the strategic market positioning of the whole enterprise or a separate economic domain [8].

- the concept of resources strategic approach, the cause of large differences in profitability inside one strategic group sees in the availability of relative advantages in the structure and use of strategic resources. Unassailable competitive positions sometimes are a result of innovative resources combinations which bear the character of the instrument of isolation and market barrier possessing a secure defense against copying.

In accordance with this conception a greater part of direct investments may be considered as a means of maximizing the market success of the enterprise by way of complete internalization or the factual use of extremely necessary resource potential (for example, highly qualified experts in information technology) [8].

- the concept of the orientation at groups of interests. In many cases the conquest by the enterprise of strong positions at the financial market is only a necessity but by no means as a sufficient condition for creating and preserving advantages if there exists serious potential of



sanctions on the part of various groups of interests. The possibility to influence the fate of an enterprise have, as a rule, judicial framework conditions and also industrial and market situations [8].

- the concept of the orientation at joint-stock capital determines that with implementing strategically important direct investments there emerges a great demand for capital which may be met only as a result of attracting costs of international capital markets (new emissions, amalgamation and purchase of enterprises using stocks). In the framework of this approach direct investments must as a minimum secure the coverage of expenditures connected with attracting the capital [8].

This group of conceptions unites in itself elements of theories based on structurally functional analysis and theory of games. In the centre of their attention is the determination of consequences of possible strategic interaction of competitors in case of transnationalizing by the firm of its activity. The increased number of participants (capital owners, managers, the power of the country of basement and the receiving country, etc.) introduces into the transnationalization process a great part of indeterminacy connected with extremely wide specter of interests, aspirations and aims, with subsequent hard envisaged motivation and consequences of various variants of their behavior.

Fourthly, on the basis of institutional approach conceptions are being developed which consider possibilities and peculiarities of transnationalization which are implemented on the basis of different types of contracts both at intra-firm and inter-firm market. To this group of conceptions it is necessary to refer:

- the theory of internalization (P. Buckley, M. Casson);
- the hypothesis of externalization (K. Omae) and others.

The theory of internalization substantiates the cut-down of transaction expenditures by way of changing market (outside) relations by intra-firm ones. Organizing transnational intra-firm flows of production resources (both material and financial ones), TNC get substantial advantages. As an example may serve the use of transfer prices which permits to minimize the base of taxation and also to finance the activity of some subdivisions at the account of others. Correspondingly, the general sum decreases of taxation payments and other payments to state budgets of countries where the company operates.

Some scientists determine the concept of "internalization" as a "market internalization", that is, the change of contract relations of

outside market by the administrative coordination of decisions inside the firm; others – as a “internalization of externalia”, that is, the creation of inner market for goods which are outside the systemic market evaluations, but took part in the process of production. To such commodities are referred technologies, know-how, etc.” [9].

The author agrees with the point of view that internalization is a kind of internalization, however, the process of attracting a subject of economic activity to the system of international economic ties and relations on its conditions takes place by creating its own international internally firm market. Undoubtedly the basic motivation of such actions of TNC is the striving for decreasing transaction expenditures.

The result of the strategy of internalization is the attraction of separate countries into a new system of international division of labor which is managed and controlled by TNC [10].

Internalization is the main strategy of TNC which is actively used to overcome customs barrier, to pass over taxation legislation, etc. If the theory of internalization had been developed as far back as the second half of the 70s of the XX century and is rather known, then the hypothesis of externalization began to be written only from the middle of the 90s of the XXth century the significant representative of this theory is K. Omae.

At macroeconomic level this process is restricted by various mechanisms and ways both by market (prices formation, capital overflow, profit leveling, etc.) and by non-market (public and state regulation). With the extent of deregulation and increasing global processes possibilities of externalization grow rapidly.

The concept of externalization which is in itself the alternative way of decreasing transaction expenditures in comparison with internalization. Transaction expenditures decrease not at the account of including several types of activity into the inner structure of a firm but by way of transferring several operations to independent firms, in other words, this may be explained with switching to other world economic subjects own transaction expenditures.

Thus, as a result of carrying out the research into existing theories and conceptions of transnationalization it is possible to agree with the words by P. Buckley and M. Casson “(before a researcher) arises a multicolored picture composed from different treatments and conceptions in which is advanced that or another peculiarity of transnational activity” [10].

**Conclusions.** Studying theories and conceptions of transnationalization and foreign investment it is revealed that transnationalization is in itself one of the forms of the process of



internationalization performed on the basis of growing expansion of transnational corporations, and TNC – is a particular economic form of the manifestation of transnationalization process.

On the basis of the analysis of leading economic theories and conceptions of transnationalizations it is suggested to systematize them into four theoretical methodological approaches: evolutionary approach, structural functional approach, strategically multi-focused approach, institutional approach.

The author suggests the definition of the concept of transnationalization under which it is proposed to understand the formation of the system of economic, judicial, organizational and institutional prerequisites which make possible and necessary the understanding the broadening of the activity outside the boundary of the national frontier of the subject of international economic activity, with further regeneration into TNC, with the aim of increasing the efficiency of investment process, attracting innovating equipment, increasing the labor productivity and improving labor relations.

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## **МЕТОДОЛОГІЧНІ ПІДХОДИ ДО ВИВЧЕННЯ ТЕНДЕНЦІЙ РОЗВИТКУ ПРОЦЕСІВ ТРАНСНАЦІОНАЛІЗАЦІЇ**

**У статті досліджено процеси транснаціоналізації в аспекті провідних економічних теорій. Проаналізовано взаємозв'язок між категоріями «глобалізація», «інтернаціоналізація» та «транснаціоналізація». Запропоновано згрупувати теоретичні концепції транснаціоналізації в чотири теоретико-методологічні підходи: еволюційний, структурно-функціональний, стратегічно-багатофокусний, інституційний. Представлено авторську дефініцію поняття транснаціоналізації.**

**Ключові слова:** глобалізація, транснаціональні корпорації, транснаціоналізація, інтернаціоналізація.

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## **МЕТОДОЛОГИЧЕСКИЕ ПОДХОДЫ К ИЗУЧЕНИЮ ТЕНДЕНЦИЙ РАЗВИТИЯ ПРОЦЕССА ТРАНСНАЦИОНАЛИЗАЦИИ**

**В статье исследованы процессы транснационализации в аспекте ведущих экономических теорий. Проанализирована взаимосвязь между категориями «глобализация», «интернационализация» и «транснационализация». Предложено сгруппировать теоретические концепции транснационализации в четыре теоретико-методологические подходы: эволюционный, структурно-функциональный, стратегически-многофокусный, институциональный. Представлена авторская дефиниция понятия транснационализации.**

**Ключевые слова:** глобализация, транснациональные корпорации, транснационализация, интернационализация.

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