

Model of Global Strategic Management for Entering and Participating In World Trade

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Abstract

This paper investigates the theoretical, methodological, and analytical aspects of the growing influence of globalization processes on national economies. It is possible to identify the essential features and varieties of globalization thanks to the synthesis of scientific techniques by preeminent experts. Ecological and cultural globalization are highlighted by the writers as having an ever-increasing impact on economic processes. In the framework of identifying and validating major issues, which are growing in complexity and scope, analytical investigations have been done. Thus, the possibilities and risks to the national economy's growth are categorized according to the nature of the issues. Potential possibilities and hazards posed by globalization are outlined in this article. The authors provide evidence of globalization's adaptability, multi-vector emphasis, and interdependence of forms by analyzing its main development tendencies. The authors propose the most important steps to take in order to meet the difficulties of the globalization of the "catching up" economy.

Keywords: global, strategic management, national economies, growth, development.

1. INTRODUCTION

Managers, consultants, and academics all agree that, in today's globalized world, it's no longer an exception to look at businesses, strategies, and institutions on a worldwide scale. It has been stated that in the twenty-first century, a company's fortunes will hinge on how well it can compete in global marketplaces (for example, Hax, 1989; Ohmae, 1989). The success or failure of a company in the worldwide market is heavily dependent on its global strategy, which is thus defined as the company's approach to competing in the global market. The interconnectedness of global markets necessitates a response from management in the form of a global strategy (multidomestic). Not only should a global plan have overarching strategic direction, but it should also include the methods through which sourcing, research and development, production, and marketing will be coordinated across international borders. A company's marketing strategy is likely the most crucial part of its overall worldwide strategy because of the central role marketing plays in communicating with consumers and rivals in the marketplace.

Unfortunately, the existing literature only provides little insight into what a global strategy is, why a business unit would adopt a global strategy, and what effects that strategy would have on the unit's performance. The literature is full with ambiguous and perplexing results that make it difficult to put the information to use. Furthermore, there is a lack of a unifying theoretical framework on which to base recommendations for successful competitiveness in global enterprises. The future of research that aims to further our knowledge of international rivalries is also severely hampered by this.

The goal of this article is to give an integrated conceptual framework of global strategy by reviewing and integrating different views and theoretical foundations for constructing global strategy. The suggested framework will serve as the foundation for formulating a global marketing strategy and will aid in clarifying the existing literature. The following part outlines the most important results and gaps in the present literature while also tracing the most important contributions to the field. Then, the industrial organization theory and the resource-based theory are covered in detail. Then, we propose and explore a unified conceptual framework that helps bridge the gaps in the existing research. Last but not least, the study's implications for further study and management practice are examined.

2. LITERATURE REVIEW

Hitt, Michael & Li, Dan (2015) Over the last 50 years, the international business environment has undergone major shifts, becoming more challenging for MNEs to navigate successfully. The worldwide strategies of MNEs and the scholarly study of their many characteristics and results have developed in tandem. This study looks back over the previous five decades to trace the development of the field of international strategy research. In particular, studies examining whether and how quickly to enter overseas markets are scrutinized. Formal and informal institutions' effects on national and global strategies have emerged as a major field of study in recent years. In addition, many multinational corporations' plans aim to discover and use competitive advantages by acquiring and developing essential competencies in target markets abroad. In conclusion, we identify some of the most promising new areas of study, including institutional complexity, corporate sustainability, emerging economy enterprises, and international new ventures.

Ahlstrom (2014) Both internal company resources and external, competitive industry pressures are recognized as having an impact on business strategy. Recent research has included the formal and informal institutions of the institutional environment as potential influencers of corporate strategy. Formal institutions consist of regulatory, economic, and political influences, whereas informal institutions encompass cultural and commercial customs. We investigate how both official and informal institutions in mainland China, Taiwan, and Hong Kong influence choices for alliance partners. Despite their common ancestry, the three have developed their institutions in quite different ways. We use policy capture research to examine the alliance preferences of top-level executives in all three economies to show how similarities and variations in the underlying institutional framework may lead to disparities in the preferences of potential alliance partners. This research makes an empirical contribution by examining the choices of alliance partners in three East Asian populations of Chinese ancestry. With this contribution, we join the small but increasing body of research on institutions and strategy, shedding light on the preferences of managers for alliance partners in the key hubs of strategic alliance activity in China, Taiwan, and Hong Kong.

Aguilera-Caracuel (2013) Using ordinary least-squares (OLS) regression methods on a sample of 128 MNEs operating in polluting sectors, this study investigates the impact of environmental institutional distance between home and host nations on MNEs' efforts to standardize environmental performance. Using formal and informal institutional distance principles, this article analyzes the environmental institutional distance across nations. The findings indicate that multinational corporations with a large formal environmental distance between their home and host countries are more likely to tailor their environmental performance to the laws of each individual country, while those with a large informal environmental distance are more likely to achieve environmental performance consistency across all of their units. The ramifications for future research, management, and public policy are also discussed.

Arregle (2013) We demonstrate that profits from downstream operations in a given location are strongly influenced by the underlying economic development of a region and the MNE's total product diversification. The findings, which are based on a 10-year panel dataset of 1249 US-based MNEs, reveal that the incremental effect of the degree and speed of operations within a given area is stronger for regions displaying quicker economic development than for regions exhibiting slower growth. The MNE's product variety becomes significant and adversely modifies the relationship between operations and performance only for locations with slower growth.

Abdi, M., & Aulakh, P.S. (2012). Due to the lack of a common cognitive and regulatory framework, interfirm partnerships involving partners from institutionally dissimilar cultures may be challenging to control. We look at how partnership-level formal contracting and relational governance might help bridge the gap between formal and informal institutions at the national level. Results from a survey of 184 international alliances involving large US companies show that there is a substitutive relationship between informal institutional frameworks and interorganizational relational arrangements, with the benefits of relational governance on performance increasing with increasing informal institutional distance. To the contrary, we find that formal institutional frameworks and contractual governance are complimentary, with performance advantages from formal contracting being eroded at larger degrees of formal distance.

3. EXISTING METHODS AND DYNAMICS

The KOF globalization index is a composite indicator of economic, political, and social globalization that was presented as a means of quantifying globalization by the Swiss Institute of Economics in 2002. (Fig. 1).

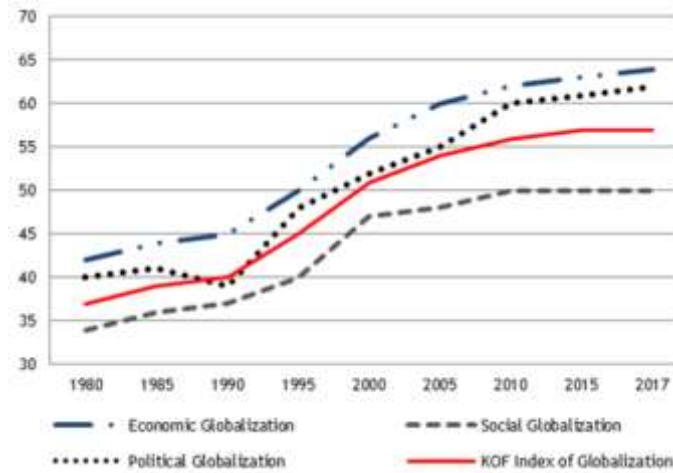


Fig. 1. The dynamics of the Globalization Index and its components.

The Globalization Index is a composite of these three factors, each of which has a weight of 36%, 39%, and 25%. The data used to create the Index comes from a wide variety of sources, including the World Bank, the International Monetary Fund, the United Nations, the International Telecommunication Union, and other international organizations and statistical institutions.

There is no turning back from the mutual effect and growing degree of synchronization of the processes of functioning of an ever-increasing number of nations, as shown by the dynamics of globalization and its elements. Economic globalization is where the most progress has been made. While political globalization advanced, social globalization remained mostly unchanged. In 2017, the countries with the highest KOF Globalization Index scores were the Netherlands (92.84), Ireland (92.15), and Belgium (91.75). New difficulties are presented to individual nations as a result of globalization, which unifies socioeconomic and political processes in their growth. Even less economically integrated nations are not immune to the effects of globalization in other spheres; thus, the capacity to adapt to new problems is crucial to the success of their growth. Statistical, graphical, and computational tools will all be used to tease apart the patterns of economic globalization.

4. RESULTS

Forms of globalization

The globalization processes, in the broad sense, are now an undeniable fact of the current epoch of global growth. Their current forms are the result of a gradual increase in complexity, which began with globalization's focus on the functioning of global markets for goods and services and the unification of production requirements but has since expanded to include the social, technological, and cultural aspects of people's lives. As globalization processes expand, a web of interdependent, reinforcing causal links between its many manifestations emerges. For this reason, it's important to recognize that globalization is a multifaceted process. Presented in Fig. 2 are the salient features of current, locally-specific types of globalization.

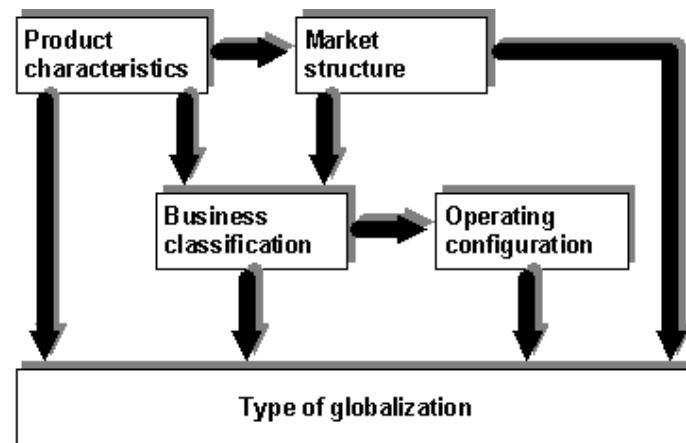


Fig. 2. The main forms of globalization.

Because of the transparency of economic and social systems, globalization processes have led to a rising degree of harmony in the workings of the global economy across a wide range of dimensions, from the ecological and economic to the social and cultural. As an example of globalization's interwoven character, consider how the country's participation in certain types of globalization processes results in gradual growth in other areas. That is to say, although globalization guarantees that all nations of the globe labor under identical circumstances, it also introduces problems that, if ignored, might cause development in different countries to diverge from one another. When a nation adopts the "new" successes of global civilization, it is dragged into the globalization processes that guarantee these "new" achievements will become the motors of domestic modernization.

Because globalization is an objective process, it is important to consider its substance, trends, quantitative and qualitative qualities, all of which contribute to the difficulties experienced by certain nations as a whole. The introduction of new concepts, procedures, and changes in any area of human existence, the disparity that gives rise to the emergence of threats, and compliance - opening chances for future growth all constitute challenges, the driving forces behind the whole activity. How well a country can exploit a given circumstance for the sake of progress, especially with regard to its internal subsystems, depends on how well its leaders have assessed the risks to their nation and how well they have grasped the possibilities it has discovered.

5. GLOBAL INTEGRATION VS. NATIONAL RESPONSIVENESS MATRIX

Conceptually, the question of global integration vs national response may be examined using a two-dimensional matrix. The vertical axis represents the increasing importance of international cooperation, the savings made possible by economies of scale, and the potential for even reduced per-unit expenditures (through experience curve benefits). The consolidation of certain value-added processes allows for the capturing of these cost savings. They also result from the advantages gained from better coordinating and controlling operations that are spread out across several locations.

Multinationals' response to national responsiveness or distinctiveness is tracked along the horizontal axis. Because of this, it's clear that multinational corporations (MNCs) need to adapt to regional preferences and laws. As a consequence, certain multinational corporations (MNCs) may find their operations spread out over more physical space, while others may find their ability to coordinate and manage those operations diffused.

In Figure 3, we see four common scenarios in terms of how much global integration there is against how much national response there is. The first and fourth quadrants are the most elementary. When looking at quadrant 1, you'll see a strong integration requirement and a low differentiation consciousness. As a result, global tactics focused on price contests emerge as a result of economies of scale.

		National responsiveness	
		Low	High
Global integration	High	1 Global Strategy	3 Transnational Strategy
	Low	2 International Strategy	4 Multi-Domestic Strategy

Fig. 3 Global Integration Vs. National Responsiveness

Quadrant-1 is a common place for mergers and acquisitions. In contrast, quadrant 4 depicts the opposite scenario, where difference is highly prioritized while integration is of less importance. A multi-domestic approach fits under this section. Because integration is not crucial to success in this market, specialized businesses may focus on tailoring goods to meet the needs of distinction.

6. GLOBALIZATION CHALLENGES OF THE NATIONAL ECONOMY DEVELOPMENT

It is important to think about the political, economic, social, demographic, and environmental dimensions of globalization's problems.

The achieved level of economic development of certain countries, and the gaps, which are only increasing. The amount of a country's gross domestic product (GDP), including GDP per capita, defines the country's capacity to create the resource required for future growth, therefore the influence of the attained degree of development is profound. The average GDP per capita rate is progressively growing, and it climbed by 2.4 times between 1990 and 2016 as more and more nations adopted reforms to guarantee welfare and raise incomes. (Fig. 4).

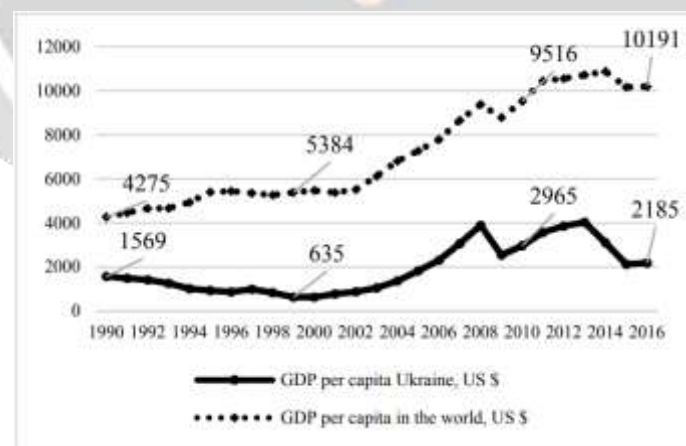


Fig. 4. Dynamics of GDP per capita in the world and Ukraine, \$ USA Source: constructed by the authors according to.

Figure 4 presents indications that demonstrate not only the trailing below the average values, but also its rise over the previous several years, when compared to the example of Ukraine (in 1990 it was 2.7 times, and in 2016 – 4.7). This situation demonstrates that the United States is economically marginalized, and it presents a challenge for the nation to maintain steady, albeit modest, GDP growth. Ukraine's GDP growth rate must greatly outpace the dynamics of the equivalent indicator worldwide if the country is to achieve even a global average GDP per capita.

Environmental Scanning

In order to help management, make informed decisions, businesses often conduct environmental scans of the regions in which they operate or are contemplating doing so. The economy, the marketplace, political stability, innovation, and consumer demographics are all in flux.



Fig.5 Basic Elements of Strategic Planning for International Management

Quantitative and qualitative characteristics of the investment-innovative activity, which, in the present day, drives economic growth more than anything else, presents a formidable task that requires a multifaceted approach to strengthening. The advanced state of investment-innovative activity obtained by top nations is due to the sustained application of the resulting advantage to these fields. Investment activity in the global economy (as a percentage of GDP) is between 23 and 27 percent, and it has been on the decrease since 2000. (Table 1).

Assigning nations as developed or developing has a major impact on this statistic, which shows a relative fall in investment activity in countries that have attained a particular degree of development. The rate of active capital accumulation may be traced back to a certain time period by analyzing the investment share of GDP. This may go as high as 30–48% in some nations and time periods. That extra GDP is best put to use in the form of investments in long-term assets and human capital—that is, in modernization.

Table 1. Indicators of the investment activity of individual countries of the world.

Countries	Share of investments in GDP, %			Investment, US \$ per capita		
	2000	2010	2017	2000	2010	2017
World	24.1	23.9	24.2	1315	2266	2601
Developed countries						
USA	21	15	21	7654	7256	11204
Germany	24	19	20	5692	7939	9394
France	20	19	23	4495	7733	9852
Japan	25	20	24	9633	8900	11656
Sweden	22	23	26	6442	11977	14718
Developing countries						
Korea	31	30	31	3700	6645	8107
India	24	36	31	108	484	615
China	35	48	44	335	2188	3225
Brazil	18	20	15	670	2224	1637
Mexico	22	22	23	1460	1950	2286
Turkey	20	19	31	843	1920	4630
Transitive economics						
Poland	25	21	20	1123	2645	3165
Czechia	31	27	26	1860	5536	5916
Russia	19	23	24	337	2455	2748
Ukraine	20	20	21	127	593	629

The same disproportions are taking place in terms of R&D investment (table 2).

Table 2. Indicators of the innovative activity of individual countries of the world.

Countries	Research and development expenditure, % of GDP			Research and development expenditure, US \$ per capita		
	2000	2010	2016	2000	2010	2016
	World	2.06	2.04	2.23	163	262
Developed countries						
USA	2.62	2.73	2.74	955	1320	1461
Germany	2.39	2.71	2.89	652	1064	1362
France	2.08	2.17	2.24	545	782	959
Japan	2.90	3.14	3.12	770	1099	1335
Sweden	-	3.22	3.26	-	1342	1845
Developing countries						
Korea	2.18	3.45	4.23	394	1048	1098
India	0.74	0.82	0.83	15	35	39
China	9.89	1.71	2.07	26	160	154
Brazil	1.00	1.16	1.31	90	165	142
Mexico	0.32	0.54	0.49	33	79	98
Turkey	0.48	0.84	0.88	46	146	131
Transitive economies						
Poland	0.64	0.72	0.97	68	152	157
Czechia	1.12	1.34	1.73	181	371	368
Russia	1.05	1.13	1.11	72	232	126
Ukraine	0.96	0.83	0.45	36	64	33

Therefore, industrialized nations spend several times as much in their innovation sectors, both overall and per capita.

Inadequate investment means the chosen nations can't innovate as much, which in turn slows their economies and causes gaps in technology.

High levels of investment and innovative activity have led to structural shifts that are speeding up the growth of potential areas of the economy. To rephrase, the qualitative qualities of economic development are provided by the establishment of new sectors, as well as by the introduction of innovations into the conventional sectors of the economy of the leading nations. As a result, research is being conducted to identify the areas of the economy that might boost development in the industrialized world. The paper presents the process through which innovation may be improved.

As a result of globalization, formerly insignificant demographic concerns have taken on greater importance due to changes such as the asymmetry of population growth, the acceleration of migratory processes, the disparity between nations' incomes, the standardization of labor needs, etc. However, demographic concerns pose a significant risk to the continued growth of many nations.

Countries like China, which have seen rapid population expansion, now have labor-intensive economies and, of course, competitive advantages on the global market since their labor is cheap enough to compete. This is now a major contributor to the country's economic success and a formidable obstacle for others.

The influence of globalization on the growth of the labor market is also seen in the way that international migration helps maintain a healthy supply and demand balance in the market. In this way, there were 82 million foreign migrants in 1970 and 257 million in 2017. This means that the number of people migrating from their home countries to another has risen by a factor of 3.1 in the last 47 years.

7. CONCLUSIONS

It is important to consider the following while analyzing globalization processes: - a causative nature, which translates to an ever-expanding range of societal domains showing signs of unity and synchronization;

When thinking about the "catching up" development model as a systematic response to globalization's challenges, it's important to highlight the importance of modernizing the economy by industrializing the industrial sector and ensuring a gradual transition to a post-industrial economy; modernizing society by increasing the level of democratization and the cultural and educational level of the populace; and modernizing education and science to serve these strategic modernization goals.

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