**Theme: What strategy are most effective in the conditions of globalization**

The plan

THE INTRODUCTION

1. New game rules

2. Integration processes

3. Virtual life of the real company

4. The contractor sounds is proud

5. Heroes of local scale

THE LIST OF REFERENCES

THE INTRODUCTION

Every day the world economy becomes more and more global. This tendency hasn't avoided also Ukraine. Many domestic companies have already felt on themselves negative consequences of this process: the competition amplifies, risks become more various including from the point of view of consequences, requirements to skills and knowledge of the personnel constantly grow. However to consider the international character of a business activity it would be exclusive through a prism of negative events incorrectly. New conditions of business dealing is first of all new possibilities. To use them to the full, effective strategy of development is necessary to the companies.

 Страте́гия (other-grech. στρατηγία — «art of the commander») — the general, not detailed plan of any activity covering the long period of time, a method of achievement of the difficult purpose.

In general understanding Strategy is a hierarchy of the purposes, which consecutive achievement, since bottom levels, leads to goal achievement of the uppermost level. To be the strategist - means to be able to build such hierarchy which with the minimum costs of resources (time, forces, money and so forth) will lead to goal achievement (or the purposes) top level.

Strategy as a method of actions becomes necessary in a situation, when for direct achievement of a main objective not enough cash resources. A strategy task is the effective utilization of cash resources for main objective achievement. Tactics is the tool of strategy implementation and is subordinated a strategy main objective. Strategy reaches a main objective through the decision of intermediate tactical tasks on an axis "resources-purposes".

Globalization — process of the world economic, political and cultural integration and unification. The basic consequence of it is world job specialization, migration (and, as a rule, concentration) in scales of all planet of the capital, human and production resources, standardization of the legislation, economic and engineering procedures, and also rapprochement and merge of cultures of the different countries. It is objective process which has system character, that is covers all spheres of life of a society. As a result of globalization the world becomes more connected and more dependent on all its subjects. There is as increase in quantity of general for groups of the states of problems, and an expansion of number and types of integrated subjects [1].

Economy globalization — one of laws of world development. Interdependence which has immeasurably increased in comparison with integration of economy of the various countries. It is connected with forming of economic space where branch structure, information interchange and technologies, geography of placing of productive forces are determined taking into account a world conjuncture, and economic elevatings and recessions acquire planetary scales.

Growing globalization of economy is expressed in sharp increase in scales and rates of moving of the capitals, advancing growth of international trade in comparison with gross national product growth, origin of world financial markets round the clock working in real time. The information systems created for last decades immeasurably have strengthened capability of a financial capital to fast moving that comprises, at least potentially, capability to destruction of steady economic systems.

Economy globalization — difficult and inconsistent process. On the one hand, it facilitates economic interaction between the states, creates conditions for access of the countries to the advanced achievements of mankind, provides economy of resources, stimulates world progress. With another, globalization bears negative consequences: fastening of peripheral model of economy, loss of the resources by the countries which are not entering in «gold billion», small-scale business ruin, distribution on the weak countries of globalization of a competition, decrease in a level of living, etc. to Make globalization fruits accessible to the maximum number of the countries — one of the tasks facing the world community. Arising tasks of economy, often, are discussed by influential politicians and economists together

1. New game rules

Economy globalization is accompanied by variety of changes. We will consider most appreciable of them.

The strengthened fragmentation of a price chain. In the conditions of globalization specialization of each link of a price chain to that promote increase in quantity of accessible markets, occurrence of new vehicles and kinds of the cooperation amplifies, allowing to keep in touch on distance. Simultaneously with it the competition that causes in the companies aspiration to surpass others in the area becomes tougher. In such conditions the classical organizational structure with accurate hierarchical submission of divisions quite often appears insufficiently effective. As alternative to it many international companies use the structure based on interaction of autonomous links, participating in process of production of a product. For example, Benetton reserves marketing and goods quality control, and other operations, such as design, production and sale, charges to the partners.

Occurrence in the market of players of new type. Specialization strengthening opens road for active players of new type. In the conditions of globalization by winners become not only world famous marks. Economic giants, at times even more profitable, than their clients, can become still yesterday to nobody known subcontractors. So, the turnover of Taiwan company Quanta has exceeded $10 млрд, and as to such marks, as Dell and Hewlett Packard in their case it is possible to speak about the largest in the world manufacturers of portable computers.

The raised complexity. Promotion conditions have considerably changed. Speech doesn't go any more producing more goods of better quality as it was before. For today it is necessary to master new success factors. And it means, for example, to count risks. In the conditions of geographical разбросанности the companies and strengthening of dependence on numerous participants-subcontractors, contractors, judicial bodies, etc. — there were new risks, and with more serious consequences: risks of logistics, political, risks of loss of reputation in connection with unworthy behavior of partners and etc. Besides the companies, wishing to receive benefit from transfer of many functions (we will tell, production or design) on outsourcing, should be able to adjust relations with subcontractors who work and on competitors, but also, can become competitors.

Globalization, as a rule, identify with the large enterprises, capable to impose the interests to the world market. But actually at the modern market much more shades. There are many strategy which allow to become successful in globalization conditions, and speech no means always goes about the companies-giants (drawing. 1).

Drawing 1. Four strategy of achievement of success in the conditions of globalization.

To become the virtual enterprise.

To play the integration card.

Four strategy in the conditions of globalization.

To position itself as the contractor.

To surpass others on a domestic market.

For example, it is possible:

To benefit by opening of the new markets, using strategy of integration with other companies;

To specialize on one link of a price chain and to develop as "the virtual" enterprise, leaning against a network of partners;

To position itself in the market as the master builder;

To use those possibilities, which the competitors who have been concentrated in the world markets neglect to surpass them on a domestic market.

1. Integration processes

Use of advantages of integration — the first what remember when speech comes about strategy in the conditions of globalization. The integration essence internationally consists in implementing at world level model of the traditional integrated enterprise, and then to search for benefit from use of cheap labor power and production of the goods in great volume, to serve larger market at the optimized prices. Such approach many companies (use Sony, Zara and etc.).

That integration strategy was successful, it is necessary to acquire success key drivers, such as:

* Support on strong position. To achieve success in the world market, the integrated enterprise should adjust efficient control all components of a price chain that will allow to resist to numerous competitors. To this strategy should adhere and those companies which were already fixed in the sector. Beginners seldom manage to use the given advantage, as they don't have that set компетенций, which are necessary to subordinate to itself all links of a chain. So, it is better to them to specialize on one of components of general activity and not to risk, trying to master others.

For example, Sony has stopped the choice on integration. At a growing competition capability to combine different types of activity allows this company to outstrip competitors in an adaptation question to changeable requirements of the market and to provide to the brand image of the manufacturer of high-quality electronics;

* Enterprise carrying over on the new place, allowing to get access to the most favourable resources. Even if the integrated enterprises aren't subcontractors, all of them are equally interested in receiving benefit from globalization, choosing for the factories a convenient site and by that reducing the costs for production. As an example it is possible to result the Spanish company Zara which more than half of goods produces at home, but at the same time places production and in the countries with cheap labor power (in the Eastern Europe and Asia). The Hourly pay of work of the Chinese worker averages $1, while in the USA or the Western Europe — from $15 to $30. Other example — large capital publishing houses which use the typographies located in a province. Enterprise moving on a new place allows to get also access to those компетенциям which aren't present in own market. For example, the American players of the market of credit cards successfully transfer some tasks connected with the analysis of client base to India. As a result it is possible to lower essentially costs, and also not to involve in the decision of this problem of the American specialists which consider its excessively labor-consuming.

Benefit from moving can be received, only if to improve necessary skills and to deepen the knowledge. First of all it is a question of employees who are capable to establish effective mutual relations, successfully overcoming language and cultural barriers. Besides it is necessary to allocate means for quality control of conditions of moving. And at last, to invest in struggle against numerous specific risks (tab. 1), such as: policy risks, a know-how or intellectual property leakage, risk of fast deterioration of reputation at world level in case of origin of difficulties. So, at the factory in Haiti Levi Strauss has faced a problem of non-observance of the labor law. It has catastrophically affected its reputation, and the company has incurred essential losses which have surpassed the economy received for the account of cheap labor power;

|  |
| --- |
| Costs necessary for decrease in risks at the international integration of business |
| Cost type | Example. |
| Administrative expenses (the control of accomplishment of works, negotiating so further) | Bear all companies bar none. On the average constitute approximately 8 % of cost of the contract |
| Expenses on quality control, payment of production managers and tracing of working process | Emilia Maglia (the Italian textile company) has been forced to take for work of the Italian manager that he observed of labor obtainable locally at the factories placed in Romania |
| Expenses on repair work and maintenance service | In case of the company of Hewlett Packard moving of system of the customer accounting to India has caused heavy expenses as it was necessary to direct the technicians for check of operation of system on places. |
| The expenses connected with low production of work | Company Luxoptica has established following quotations on production of one and steams of lenses: 1,2 dollars for the Chinese worker and 2,63 dollars for Italian. However low production of work of the Chinese workers, an over-expenditure of materials and other factors couldn't compensate more attractive hourly rates |
| The expenses connected with a local infrastructure | In India the electricity, and telecommunication not always high quality often disconnect. It assumes heavy expenses at placing in these countries of the service centers and accounting systems. |
| Expenses connected with local standard conditions | Labor law non-observance at factories Levi Strauss placed to Haiti, has led to catastrophic consequences for image of the company. |
| The expenses connected with risks of delegation of power | When Sarp has realized that thanks to subcontractors competitors use its high technologies, it has reduced quantity of the operations transferred to partners. |
| The expenses connected with policy risks | Political instability in some developing states won't allow to count on that degree of reliability of business which is warranted by developed countries. |
| The expenses connected with social risks | The decision on moving of assets British Telecom abroad has led to debate with labor unions and has caused disapproving reaction of employees that has enough cost much to the company |

Adaptation of the offer of the company to specificity of the local markets. The world market only in rare instances can be perceived as uniform and homogeneous. Distinction of cultures, methods of consumption, legislative arrangements and rules forces the enterprises which want to react effectively to the demand existing in other countries, to adjust the offer for local conditions.

Besides it is necessary to conduct a clear boundary meanwhile that should be global, and that shouldn't lose local color. The main condition of success of the integrated enterprise — an embodiment in life of those processes which will allow to benefit by scale economy thanks to some standardization and personification without which not to manage at local level. So, pharmaceutical company GE has developed the Chinese version of goods. Unlike the USA, in China of 80 % ассортиментных positions GE implements at half price. Thanks to it enterprise goods so well disperses in the local market that it takes in the lead positions in the segment.

1. Virtual life of the real company

Creation of the "virtual" enterprise — other method of action in the conditions of the global market. The companies choosing this strategy, specialize on the one and only operation, and the others charge to the partners from other countries. So arrives, for example, IBM. Since 2004 it works as the integrated "virtual" enterprise which receives accessories from different suppliers (fig. 2). Ready computers are produced by the Chinese company of Lenovo, and itself IBM renders consulting services and provides technical support of decisions on the basis of these the personal computer.

Batteries. Production is entrusted to the Asian service centers under specifications IBM

The Hard disk. Production in Thailand

Memory Ten different manufacturers, the basic manufacturer - Korean

The screen. It is produced in South Korea by the company of Samsung or LG

Mice Are produced by company ATI in Canada and company TSMC in Thailand

Services IBM

Microprocessors. Are produced in the USA by the Intel compan

Network cards. Are produced by the Intel company in Malaysia

The Keyboard It is produced in Thailand

Drawing 2. IBM as "virtual" production.

The success of strategy of the "virtual" enterprise is provided with following factors:

* The company superiority in a certain type of activity. "The virtual" enterprise which intends to specialize on the one and only operation, should carry out it much better other partners (tab. 2). So, the success of the company of Apple in a case with iPod is based first of all on its skill in the field of design. And the most part of other works is charged those partners which are considered competent of the областях:Toshiba delivers a hard disk, ARM — the processor, Sharp — memory, and all it the Taiwan company Inventec.Takoj collects together the approach has allowed Apple in record term (between concept development iPod and the beginning of its sales has passed only one year) to create absolutely new product, and with rather competitive price;

|  |
| --- |
| Table 2. Examples of specialization of the "virtual" enterprises. |
| Industry | A company example | Specialization |
| Information | IntelMicrosoftDellIBM | Creation of microprocessors. Software development. Assemblage of accessories and sale of the personal computer.Services (consultation, logistics and so on). |
| Shoe | Nike | Research, product development, marketing. |
| Textile | Benetton | Design and goods quality control. |

* Creation of an essential part of cost of a product. Specialization on one type of activity is profitable only in the event that the business dealing model provides the companies strong position among other participants of process. For example, the Intel specializes on microprocessors, having released from itself from the obligations connected with other stages of creation of technics as which she considers less attractive. But the company isn't content with skill enhancement in the area. She tries to keep a strong position among designers and to cool desire of manufacturers of the personal computer to pass to cooperation with other suppliers of microprocessors;

Observance of the precautionary measures warning a leakage of a know-how. As the company should position itself as the specialist in one area, there is a necessity of close interaction with other participants of a chain so, and risk of that the know-how will be seen by potential competitors or there will be a leakage of the important information. That is why Sharp has refused the subcontractor in production of liquid crystal screens though thus it was possible to save considerable means. And for this reason Airbus in 2006 has changed the strategy: more careful analysis has allowed to specify strategically important parts of a design of the plane, which production the company has reserved, having transferred release of the others to subcontractors.

1. The contractor sounds is proud

In connection with increase in quantity of the companies specializing on one type of activity, there are the contract markets which value grows day by day. In new conditions contractors manage to protect better the incomes of pressure of clients. For example, results of one of recent researches of Reuters agency have shown that some little-known Asian contractors have appeared more profitable, than known marks on which they work. And in a case with Barbie it was unexpectedly found out that at manufacturers completing (hair, clothes and etc.) a recoupment above, than at the American distributors who are engaged in sale of dolls.

Possibility to position as contractor is a strategic choice for which it is necessary to show consideration. The chief goal — not to get to dependence on the clients in the future. Key drivers of success in case of a choice of this strategy are that:

Portfolio diversification of clients. The income of commercial structure shouldn't depend on a small amount of clients. Company-contractor Fang Brothers has well understood it. In spite of the fact that its main client — the American corporation Liz Claiborne — has offered it an exclusive privilege on servicing of the production complexes scattered worldwide, Fang Brothers invests the incomes in building of new factories to render the service also to other clients.

A variety of clients allows to reduce the risks connected with sharp changes in the market. The contractor, unconditionally, will provide to itself steady position if will work on some large companies concerning one industry, and to produce for them a wide range of products;

Position choice in the market and following to it. To develop as the contractor, at first it is necessary to choose a good position — that which will provide to the enterprise competitive advantage and the stable income. Then consecutive work in the chosen direction should become the basic priority. Sometimes it is necessary to renounce the transaction only not to endanger the position. For example, the companies which place emphasis on low prices, as a rule, can't respond to individual wishes of the clients: the concession forces to incur additional costs and to lift service prices that leads to loss by the competitive advantage company;

Establishment of partner relations with clients. Activity of the contractor will be much more profitable, if it adjusts long-term relations with clients as it will help to reduce goods selling costs. The close cooperation with clients allows to optimize, for example, expenses, it is better to supervise quality, to accelerate product development process, to win round those who hasn't found a corresponding service level in other place. Contractor ABB well understood it when suggested Ford companies to start by common efforts factory on painting: the close cooperation has allowed not only to cut down expenses on 25 %, but also to improve quality of painting of cars.

1. Heroes of local scale

In the conditions of globalization in many industries there is a gap at level of the local markets. The reason that standardization of offers because of which they don't correspond to specificity of local demand is peculiar to globalization. It is no wonder that some companies spend considerable efforts to creation of the products satisfying specific requirements of local consumers. Here some levers which can appear effective at a choice of the given strategy:

Extraction of advantage from capability quickly to react. Production for a domestic market assumes fast reaction to arising demand which can provide competitive advantage. Having adjusted in Malaysia release of reading devices for disks, company Kenwood has transferred the production to Japan. The decision spoke simply: on goods delivery in Japanese shops from factories in Malaysia 32 days left, and carrying over of production to Japan has allowed to deliver the goods within the country in the shortest terms. Thus, the company has had an opportunity quickly to react to shifts in demand. This choice has allowed it to increase sales volume by 25 % a year, cutting down expenses on 10 %. The American company Liz Claiborne which, having translated on foreign markets the most part of production of ready-to-wear clothes has in a similar way arrived also, has left branch on tailoring of jeans Lucky in the USA. After all, positioning the jeans in a premium-segment, it should react to the specific inquiries of the American clients connected with painting solution, depreciation degree, features of tailoring, seams, an ornament and etc.;

The rate on acquaintance to clients. Focusing in the local market allows to benefit by acquaintance to the clients. This strategy is used by many regional banks, wishing to strenghten the position. While the large companies of the given sector go by the way of internationalization and leave on global level, regional banks, on the contrary, invest the capital in studying of a local network of clients and acquaintance to them. Placing emphasis on personal relations and good knowledge of local industrial organizations, monetary institutions assign to themselves the status of the main bank as for the physical persons preferring such kind of relations, and for the enterprises of small and average business.

The universal model of achievement of success in the conditions of globalization doesn't exist. The global company is the unessentially integrated enterprise which activity is characterized by a considerable territorial scope. And the choice of the most suitable strategy depends not only on the market, but also from features of the company: its positioning, traditions and competitive advantages.

THE LIST OF REFERENCES

1. Grinin L. E. Globalization and the national sovereignty. History and the present. № 1-2005. With. 6-31.

2. Jordan D. Lewis. Trusted Partners. — The Free Press, 2001.

3. Jeff rey H. Dyer. Collaborative Advantage. — Oxford University Press, 2000.

4. Paul Verdin, Nick Van Heck. From Local Champions to Global Masters. — Palgrave, 2001.

5. Федотова Century the Changing world and globalization (beginning)//Knowledge. Understanding. Ability. — 2004. — № 1. — with. 47-59.

6. Onions the Shaft. A.Vospitanie as the answer to calls globalizations (beginning)//Knowledge. Understanding. Ability. — 2006. — № 1. — with. 101-109.

7. Zhuravlyov V.V.Globalizatsija: calls of history and theory answers//Knowledge. Understanding. Ability. — 2004. — № 1. — with. 43-46.