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EXTERNAL STRATEGY - A PROPER CHOICE FOR COMPANY DVELOPMENT

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Abstract: *The author of this article discusses different strategies for entering foreign markets. Several type of companies are described and also the determinants of internationalisation process. The article also addresses the strategy of glocalization and discusses the various meanings of the concept of glocalization, within a multicultural approach. There are emphasized the factors that limit or expand a small firm.*
Key words: *internationalisation, company, strategy, glocalization*

1. INTRODUCTION

In the last decades the dynamic growing of international trade has required the adoption of a new global juridical order. It has appeared new rules because the existence of a global dimension of markets and of an open trade with its many complex and technical relations. The exchange generalization has lead to total conversion of the whole world, each country playing an unique role in the global economy no matter what is its development level.

The international trade distribution has dramatical changed in the last ten years. On the one side, services trade has modified the nature and volume of external exchanges because of the new technologies. On the other side, new important actors like China, India and Brazil has appeared on international stage which hold a more and more share of international trade (see table 1).

International trade represents the key factor of economic welfare. Firms can benefit from the markets opening because of new transport means, new technologies and generalized access. Because of the continuous expansion of international trade, many companies have an irreversible competitive advantage reinforced by the home country resources. They can expand also through the growth of commercial trade agreements between different countries, especially through free trade agreements. In fact, their external development depend on the trade openness regarding other countries or geographical areas partners (Bouquin & Famchon, 2006).

2. EXTERNAL STRATEGIES OF THE COMPANIES

In the context of actual globalization phenomenon, some authors (Bartlett & Goshal, 1991) have distinguished several types of companies:

- International company which has a weak presence on foreign marketsand their subsidiaries are managed by mother-company;

	Brazil	India	China
North America	32	22	264
S/C America	38	4	39
Europe	43	34	264
Africa	9	13	37
CIS	4	2	48
Middle East	6	25	44
Asia	26	46	521

Tab. 1. Merchandise exports by region, 2007 ($ billion)
Source: International Trade Statistics 2008, World Trade Organization, 2008

- Multinational company which has autonomous subsidiaries and its global coordination is weak;
- Global company which has a strong coordination and a weak local reactivity; it has a product integrated structure at global level;
- Transnational company which has a strong global coordination and a raised local reactivity; mother-company assures the coordination with the help of culture firm.

Internationalization process develops in terms of several determinants like:

- It could be a consequence of an elaborated plan or a response to an opportunity;
- It can be measured in terms of physical distance, similitudes between distribution channels and markets (Joffre, 1997);
- It could be taken into account several dimensions of countries, markets and products.

The markets selection in accordance with company strategy depends on (Avenel, 2008):

- The similitude degree between internal and external market;
- The defining of an increase vector;
- Competitive position of the company;
- Internationalization rhythm of the company observed in time.

There are several ways in which a company can select an external market (Nicolescu, 2003):

The systematic approach is based on decision-making process which uses statistical data in order to evaluate the market potential. External markets can be chosen through filter system method (see figure 1), market indices system method and balanced multivariable system method.

The non-systematic approach is based on psychic distance toward a country. In general, small companies choose those countries that are geographical, cultural and economic more closed against them. Small firms have as principal goal the supply of goods and services in order to satisfy the customers needs. There are several factors that limit the development of a small firm. In general:

- A small firm produce a small scale of products (Nooteboom, 1993);
- They don't have enough resourc specific strategies in order to growth and to survive (Aldrich & Auster, 1986);
- They are more vulnerable to external threats.

But, small firms have also some advantages:

- Managers can influence directly the performance of their firms (Wiklund, 1998);

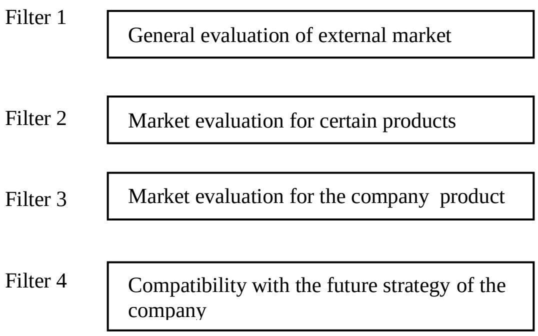

Fig. 1. Filter system method

- The owner is much more involved in the activity of firms because he has a personal interest and he made a high investment in business;
- They can easily adapt to the external changes by using their simplicity and flexibility. They can identify niches in specialization quality, size and price.

Relational approach is based on the client selection, not on the market selection.

This method consists in the gathering of information regarding each potential partner and the filtering of less attractive partner.

The partner selection will be concentrated on the quality of relation, objectives compatibility, performance and trust, data which usually are obtained through direct experience (Harvey & Lusch, 1995).

3. SOME GENERAL FEATURES OF GLOCALIZATION

Glocalization is coming from the area of social sciences. *Glocal* refers to "individuals, groups, businesses, organizations and communities that are able to think globally and act loca
The word was used to show the human capacity to extend a bridge between "local" and "global" and to overcome the limited vision of "closed box".

There are more critical visions that define glocalization as a painful pressure of globalization on local economies, resulting in a number of repercussions - moral, human, social and environmental. "The rapid globalization of international trade and free market policies is painfully interfaced with the local economy, creating an assembly of moral, human, social and environmental externalities. The interaction of global forces on local communities is called "glocalization", not "globalizat
(Mendis, 2007).

In terms of this article, *glocalization* is a combination of the words "globalization" and "localization" to describe a produ
or service that is developed and distributed globally, but it is also transformed to suit the user located in a specific region of the world or from a local market consumer.

Glocalization strategy - which is often called by the phrase "*think globally, act locally*" - is a combination of global and local strategies as described above. Based on the same competitive issues - minimum cost, product differentiation from the competition, concentrating on the special characteristics of products - glocalization strategy is differentiated in each country depending on the willingness of local managers in each product and incorporates some specific changes needed to satisfy local buyers.

We note that the glocalization strategy requires some changes in terms of production, distribution and marketing for the company in order to meet local market conditions and fight against competition. Some slight deviations from the standard versions are also required to satisfy local tastes.

In today's world, many major companies have adhered to this kind of strategy. Typically, most companies operating multinationally are striving to use the global strategy that is allowed by both consumers and local market conditions.

Advantages: extends a bridge between *global* and *local levels*, keeping the same topics but differentiated competitive conditions of the strategy in each country depending on the willingness of local managers, each product incorporates some specific changes needed to satisfy local buyers, product or service can be amended in accordance with the laws applicable to that region.

Disadvantages: the glocalization strategy requires some changes in terms of production, distribution and marketing in order to meet local market conditions and fight against competition. Some slight deviations from the standard versions are also required to satisfy local tastes.

4. CONCLUSION

This article aimed to state and comment on some of the most common strategies of companies intending to enter foreign markets and to be competitive in those markets. In the actual context there are several types of companies which can choose ways to select the external market.

From the analysis, it results that the most advantageous is the strategy *"think globally and act locally"*, also known *as glocalization strategy*, which extends a bridge between local and global approach to international affairs.

The international environment is a successful business which, from our point of view, deserves to be studied thoroughly, since it has connections with international media that can be offered in our country to foreign and domestic companies.

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