GROWING A COMPANY BY INTERNATIONAL BUSINESS PLANNING

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Abstract

This paper seeks to identify an overall plan to coordinate and make effective international development efforts so as to achieve the objectives set in the strategy of firm (corporate) business strategy and strategic and operational plans.International Strategy sets out the principles and shows ways due to which the company hopes to have competitive advantages to attract foreign buyers and make full use of the resources available to the firm. As part of the corporate and business strategy of the firm, international strategy must comply with the targets of these strategies by functional and operational adaptation of their international activities.

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1. Introduction

International strategy is a bundle of medium and long term goals set at a company and the business conducted by it, along with options and actions that company intends to follow in foreign markets, based on the availableresources. International strategy is part of corporate strategies and business strategies, but it is also a functional and operational strategy, which is the guideline for functional management and operation of the international activities of the company. [1]

According to the authors in specialized literature, a firm that tracks under the corporate strategy the penetration and expansion in foreign markets will need to answer the questions:

- „What are the target markets for this strategic approach under consideration and to be chosen to operate at every stage of development?”; [2]
- „What must be done and what current or new products (business) will be introduced in the offer and international activity of the firm?”. [3]

Other field specialists consider that the international component of the business strategy should clarify some fundamental questions to be put at the time of internationalization: [4], [5]

- "What is the market segment to be targeted for each product?";
- "What are the resources you need to allocate the firm to achieve and sustain competitive advantage?".

From a functional perspective, international strategy must consider:

- "What are the necessary functional characteristics of the product?"
- "Up to what level can be raised the prices?";
- "What must be communicated to the market segment?";
- "How is better to distribute your product or service?".

As operational approach in international strategy must consider when entering moment is on certain foreign markets and which the life cycle is of the products in the portfolio.

2. Substantiation strategies for international business company

Extending outward company is done in a business environment defined by great cultural diversity where national cultures coexists with subcultures or supranational cultures.

On the other hand, companies that internationalized is characterized by a specific corporate culture, or a certain way of thinking and some means of interculturality. Following these assumptions, the overall long term strategy of the company involved in international business is determined by a number of factors:

- company history consisting of foreign experience, successes in the development of certain international relations, failures in development of certain international relations;
- corporate culture, or traditions of international openness, interest in foreign markets, geographic expansion of its network of contacts;
- behavior of those involved in the company (shareholders, managers, employees) expressed by conservatism or entrepreneurial attitude in relation to risk and uncertainty, and so on.

Successful strategies are those which determine market opportunities and competitive advantage, based on the results of the analysis about: the risks, favorable circumstances, strengths and weaknesses of the company.By putting them into practice should be to create such a system of relationships between the firm and the environment to ensure its placement in the best possible position in dealing with other competitors. [6]

In a permanent systemic approach, a business surveillance system should associate the following components:

- internal and external sources of information;
- quantitative and qualitative information;
- statistical and dynamic analysis of business environment;
- land information - may be purchased from external competitive environment;
- information previous strategy formulation;
- information that are acquired during the process of the strategy.

An essential role of this surveillance system of business environment is to continuously provide manager with more complete information (concrete) as revised ("hot") under which to shape strategic, functional and operational decisions.

This business environment analysis allows criteria for determining the location and potential international activities and the establishment of a surveillance system for international business environment. The analysis is based on the assessment in terms of the appropriateness of the location and potential activities on the basis of broad information about the business. The aim is to study the characteristics of the business environment:

1) Analysis of needs and effective demand (structure, potential, capacity and market volume);

2) Competition analysis (nature of competition, dominant firms in the market, the market share held);

3) Functional analysis of the market (Specific products, the market prices, prevailing distribution systems, marking systems and branding);

4) Determine restrictions on access and market risk:

- Differences in costs between markets;
- Currency fluctuations;
- Trade policies of governments in foreign markets;
- Nature of international competition;
- Other risks: political risks, economic risks, financial risks and etc.

Table 1. Information required in the strategic internationalization

Strategic level	Information required
Strategic Approach	Estimated global market demand and his structure by areas and business domains; Comparison of global market opportunities with national market.
Corporate strategy	Markets ordering by attractiveness in terms of demand, intensity of competition and the socio-political climat.
Business Strategy	Estimate consumption demand segments; Define market specificity of consumption; Designation of the target group and positioning of the product or service.
Functional Strategy	Consumer behavior, competitive practices, distribution system, media and promotional practices.
Operational Strategy	Market size, tariff and non-tariff barriers, costs, local competition, political stability, etc..

Difficulties that identifies in international environmental analysis plan are: the lack of a uniform processing and management structures, lack of equivalence of various indicators, legal restrictions, different levels of access to primary market information from one country to another, differences of opportunity use of modern technologies of information collection, varying degrees of receptivity to research means, major difficulties in direct studies (language, communication problems, prejudices) shaded degree of credibility of data in some areas. [7]

All these factors influence long-term, medium and short firm's strategic options encouraging or discouraging international involvement.

3. Strategic directions in the internationalization process

The context that may be encountered in international markets and the strategic situation facing firms in these markets result in different strategic options. In international affairs, in accordance with „Strategic Levels Rule" **[8]** we propose to be formulated and used various alternative strategic options, depending on:

- market position through which will be determined alternatives concerning strategic approach;
- business portfolio which will determine options on firm (corporate) strategy;
- selecting way of market segments and business behavior of the company will determine solutions to business strategy / business policy;
- the way of market entry and development that will determine functional approach/strategies;
- operating alternatives as a basis for substantiating the operational approach to the functional competence of the firm. [9]

3.1. Market Position alternatives

Market Position alternatives pursues as possible to settle a favorable situation relative to competitors, taking into account their position, resources employed, products and services, market segments which will address the business.

Strategic position approach is a set of broad aims, consistent, appropriate and achievable - taking account of external markets and resources of each company's underlying long-term market activity thereof.

It summarizes the firm's attitude toward the foreign market and its possibilities to adapt to market demands, to influence them through the line of development which imposes on foreign trade activity in order to achieve objectives. From an operational perspective, market strategy results in an overall plan to coordinate capital coordination, organization of assets to attract buyers, bring forward competitors and the full use of resources.

The companies that have dominant positions in certain markets adopt the following main strategic guidelines:

- international market formation by identifying consumers and markets prone to consumption based on the company's products and products transmission through interantional channels to the final consumer having directly or indirectly export as basic business formula;
- increasing the market share by expanding sales in the identified markets using partnership solutions to avoid the risks and increase the effectiveness of the activity;
- total market expansion by increasing area markets activity or attracting new customers in the same market, discovering and promoting new uses of products, increased use of same products;
- marking and protecting their international market and international market share by moving to global approach and the use of measures for strengthening through acquisitions, mergers, groups and facing competitors in key areas of the company.

Choosing one of the four strategies available is determined by the actual economic situation and the expected evolution, the opportunities offered by different market segments, the possibility of developing new products and profitability of this development, the stage of the life cycle of existing products, the size of existing markets and the perspectives for their future development as well as held market shares and pursued to be held.

In the literature there are the following four structural categories corresponding to the four key strategic approaches:

- strictly specialized firms on the market, accounting for about 10% of the total market and operating on market segments uninterested for large firms;
- followers which hold about 20% of the market and follow the trends set by leaders;
- market competitors(challengers) representing under 30% of the market and fight for market share;
- market leaders, typically holding 40% of the market.

The major competitors of the market leaders have two important strategic opportunities:

- to attack the leaders adopting strategies to increase market share through direct attack, by bypassing leaders strategies, initiating an offensive on less than they competitors, or to maintain their market position.

- follow the leaders adopting alternatives such as: improved segmentation, focusing on a small number of segments, making a research and development more efficient, providing better management generally focusing mainly on qualitative aspects of the strategy.

Small businesses with fewer opportunities, they have as alternative the pilot strategy, often unique, which means very high specialization to maintain the market.

They can focus on different types of customers, producing and marketing a limited number of products or assortments either very high quality or low quality. At the same time they specialize in certain services or narrow areas.

Most times, these firms depend in some degree on the bigger companies with which they enter into agreements to provide certain products or components types, or with banks that finance them.

3.2. Business Portfolio alternatives

Depending on firm's objectives regarding his presence on the market, it can use several strategies that are affected, on the one hand, by the potential (ability to compete) of the company and, on the other hand, the structure of the market and its evolution.

The main firm's strategies, seeking relationship between activity structure of the firm and the structure of markets and products required by these markets, are:

- **Development Portfolio Strategy / Global Integration Strategy.** The company aims to expand the market so have higher market shares. For this purpose, it extends the range of products, distribution network and promotional activities on as many markets through subsidiaries and branches subordinated to the "center."
- **Portfolio Consolidation Strategy/ International Niche Strategy.** It is the next step development strategy of the portfolio. Such a strategy is followed when the company has developed to a point that is sufficiently for its goals. Therefore, if no longer develop new markets, a company must consolidate its position in existing markets by expanding new consumer segments and do so making use of the entire arsenal of activities and business tools.
- **Maintaining Consumer Segments Strategy/Local Adaptation Strategy.** This strategy, due to market stagnation, are used by the firms that are forced to expand the market looking the consumer segment pursued and continue to maintain a strong position in the market. In this case, the priority is to adapt its product portfolio for each operating market. This objective is achieved through the creation of own spin-off companies or through strategic alliances that provide opportunities for local adaptation and product position defense.
- **Portfolio Restriction Strategy/Global Segment Strategy.** This strategy is required when a company cannot meet market requirements and lose customers and his market share decrease. In such cases, the company is restricted to a relatively small number of products that it produce only in a few markets and distributes them worldwide. Also, the firm may decide acquisition of brands in its field to avoid unfavorable competitive conditions.

3.3. Business Behavior Alternatives

If firms pursue behavioral alternatives, and alternative ways of achieving their offer in order to maintain and improve their position and image of each foreign market, increasing competitiveness, profitability and presence in the international market as long:

- **Low Cost Strategy** which seeks to identify a product or group of products, selected among those with high demand and can be standardize to the level where they can get the lowest cost of production, promotion and distribution;
- **Differentiation Strategy** which aims to achieve a unique and different approach in terms of the product and brand, which to develop for all the foreign market without taking into account some national markets specific .This, business behavior is an approach to one of the following situations: in the early stages of activity on the international market; if they hold a monopolistic competitive advantage in the market; when there is an imbalance between supply and demand in the sense of a greater offer than demand allowing seller conditions obtrusion in the international transaction;
- **Positioned Strategy** that sets variables and marketing programs specific to each product or group of products for an international market segment of the company (either a country or a segment of buyers).It is the strategy that fits well with the vision of companies and corporations,with organizational capacity that can handle large numbers of international market segments. However, such an option is convenient when it acts on a relatively less segmented markets;
- **Focused Strategy** when efforts are oriented towards a better identification of products on the market with their total accessibility to consumer groups on a group of similar markets.

3.4. Entry and Operation Alternatives

Entry and development solutions take into account company guidelines on management of products in different markets.The firm has a choice between a moderate rational development (increasing exports on conquered markets; substitution products on existing markets) or rapid growth (horizontal diversification through new products, added to the existing range, in the same segment or new market segments; vertical diversification; horizontal diversification of products unrelated to existing ones).

These management alternatives on the market developments characterize firm attitude towards the demands of the international market, often unexpectedly, which confronts decision makers trouble adjusting to the new dynamic. Possibilities of each company in this regard are different, resulting in different variants called adoption of alternative „market management":

- **aggressive strategy,** extreme version market management, to which some firms use, leading real "market wars" to impose;
- **active strategy** based on market knowledge and continuous foresight and materialized in detecting favorable situations and influencing these situations in a process of constant renewal;
- **adaptive/proactive strategy** when the company seeks to integrate into foreign markets change, anticipating their and making the technological changes in products for the international market; in the forms of trade with foreign countries; in the entire business;
- **defensive strategy,** which unlike the previous one, is a late adaptation after changes have occurred in the international market.

Operating alternatives characterizes the attitude relating to the business operations conduct of each internal function involved in the overall efficiency of business.The company has the choice between: a high technological or dynamically strategy; stable or low technology strategy; a strategy of advanced management skills; or a strategy for production and marketing rationalization.

4. Conclusions

Watching those presented in this paper on identifies that a firm's strategic development on international new markets requires several stages, absolutely necessary to success in the medium term:

1. Setting internationalization premises
   a) External data analysis;
   b) Analysis of firm potential;
2. International Strategy Formulation
   a) Determining international objectives of the company;
   b) Studying alternatives strategic for different management levels;
   c) Development and implementation of internationalization program .

Framing the strategy for internationalization into the strategy of the company is done both by the strategy formulation and implementation process of the activities. During the course of different internationalization phases it is necessary to assess compliance of internationalization strategy with the firm long-term options. On the other hand, at every major internationalization decision is analyzed its compatibility with the overall strategy of the firm.

The overall strategic system consists of the set of all these strategic levels above. Basically, it is however necessary to use combinations of strategic alternatives for each level that are consistent with the interests of the firm and the conditions and opportunities of each market. For this, the company is implementing a process that consists of delineation of objectives, specify options and establishing measures for the implementation. To achieve the objectives pursued on foreign markets are adopted various decisions in major sectors of the company. This should draw up versions for each market and time period by combining and judicious development of the characteristic elements in the four key areas of its activity: production, distribution, research and development and finance.

To cover all the specific requirements of planned development, the firm involved on internationalization process should prepare an integrated option plan on several levels of the overall strategic system as:

- international strategic approach;
- international strategy at the company;
- international strategy at the business;
- functional strategy of internationalization;
- operational strategies of internationalization.

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