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## COMPETITIVE ADVANTAGES OF TRANSNATIONAL CORPORATIONS UNDER THE GLOBAL ECONOMY CONDITIONS

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The process of globalization, which began in the twentieth century, makes adjustments to many of the economic and social processes, which occur in the global societies. Under the influence of globalization, the competition, as one of the main elements of a market economy, began to change. Now a single world market is being formed, where both firms and states compete.

The current stage of the world economy development is characterized as an increased concentration of the capital and production in limited number of locations. It leads to intensification of activities of the inter- or trans-national corporations (TNCs), which have become the driving force of globalization. The role of TNCs in the modern world economy cannot be overestimated. It is the overseas activities of TNCs in different countries that determine the nature of their foreign economic relations. The active production, trade, and investment activities of TNCs enable them to act as an international regulator of production and distribution of products.

The main source of competitive advantages of TNCs' is their perseverance to the effects of volatile national macro-environments in global economy. The dynamism and volatility of the external environment and global competition raise the issue of ensuring the international competitiveness of corporations.

Since Adam Smith many paper have been devoted to vital search of the nature and causes of the wealth of nations and companies. Foreign and Ukrainian scientists such as M. Porter [1], Ph. Kotler [2], R. Nelson [3], L. Antoniuk [4], V. Biloshapka [5], I. Piddubnyi [6], O. Shvydanenko [7], O. Cherneha [8] and others devoted themselves to the study of the peculiarities of the multinational corporations activities and the formation of their competitive advantages. M. Porter argued that success of the firm in the market depends on the accurately chosen competitive strategy. The choice of the latter is influenced by the peculiarities of the competition and the position of the firm in this industry [1]. Ph. Kotler and K. Keller devoted their work to the analysis of the company's competitive advantages on the national and foreign markets [2]. R. Nelson examined the firm's competitiveness through innovative component [3]. Representing school of global competitive leadership O. Shvydanenko [7] and O. Cherneha [8] investigated the problems and prospects of development of national competitiveness in global economy. L. Antoniuk studied aspects of the formation of regional competitiveness [4]. The problems of management effectiveness of TNCs as an element of ensuring their international competitiveness were examined in the works by V. Biloshapka [5]. The issue of international competitiveness of domestic enterprises was researched in the work by I. Piddubnyi [6]. But given the dynamism of the global economy, the sources of competitive advantages of the companies

operating in the global market are constantly changing, which needs further analysis.

Therefore the purpose of the paper is to generalize modern views on the sources of formation and provision of competitive advantages of transnational corporations under the conditions of development of the global economy.

**Results.** Most common point of view at present is that international competitiveness means having such features that create competitive advantages for the entity participating in the competitive struggle on the world market. The carriers of these features, that is, the competitive advantages, can be different types of products, enterprises, their groups, which create branch or conglomerate associations, as well as individual countries and their unions, competing for leadership in various spheres of international economic relations. This paper is devoted to the analysis of the competitive advantages of TNCs as special entities of the global economy.

The dynamic development of TNCs started in the fifties of the twentieth century. One the result of this fact was the increase of capitals invested in different regions of the world. So far there are more than 85 thousands TNCs which control more than 250 thousands subsidiaries [9]. The first hundreds of TNCs have the greatest influence on the global economy. In order to get the idea of their magnitude one may look at TNCs ranked by foreign assets (Table 1).

**Table 1.**

**The world's top 10 non-financial TNCs ranked by foreign assets, 2016, USD mln & number of employees [9]**

ranking by		corporation	home economy	industry	assets		sales		employment		transnationality index(%)
foreign assets	transnationality index				foreign	total	foreign	total	foreign	total	
1	38	Royal Dutch Shell plc	United Kingdom	mining, quarrying and petroleum	349720	11275	152018	233591	67000	92000	74,3
2	63	Toyota Motor Corporation	Japan	motor vehicles	303678	435958	173529	54753	148941	348877	60,2
3	36	BP plc	United Kingdom	petroleum refining and related industries	235124	263316	1406 83	183008	43598	74500	74,9
4	24	Total SA	France	petroleum refining and related industries	233217	243468	110255	141526	70496	102168	80,9
5	20	Anheuser-Busch InBev NV	Belgium	food & beverages	208012	258381	39507	45517	163177	206633	82,1
6	61	Volkswagen Group	Germany	motor vehicles	197254	31888	192093	40366	346715	626715	60,3
7	67	Chevron Corporation	United States	petroleum refining and related industries	189116	60078	54160	10484	28704	55200	57,9
8	68	General Electric Co	United States	industrial and commercial machinery	178525	65183	70352	23692	191000	295000	56,8
9	79	Exxon Mobil Corporation	United States	petroleum refining and related industries	165969	30314	121881	18608	35725	71100	52,1
10	58	Softbank Corp	Japan	telecommunications	145611	20296	45324	2166	42032	63591	62,5

The process of gaining and maintaining an international competitive advantage is rather complicated, and it is often viewed by the organization's management from the perspective of the individuality and specificity of the organization, its goals, mission, tasks, markets, location, etc. Position of a firm in the market is determined by its competitive advantage. The competitive advantage is understood as the ability of the company to operate in one or more areas in which competitors do not want or cannot meet the levels of values and costs created by it [2]. The competitive advantage for the company should be simultaneously an advantage for the consumer. Providing consumers with a value (higher than the one that satisfies them) increases likelihood of repeated purchases, and thus provides a higher return for the company.

Firms gain a competitive advantage by finding new ways to compete in their industry and proceeding with them onto the market, which can be called in short "an innovation". In the broadest sense, the word "innovation" includes both the improvement of technology and refinement of management and marketing

methods. Specifically, "innovation" can be expressed in changes in the product or production process, application of new approaches in marketing (for example, a change in the positioning of the product or its distribution), etc.

Under the global market conditions innovations that give a competitive advantage provide for creation and satisfaction of new needs, which thus creates demand in the market. The following innovations can be referred to as the ones that create competitive advantages [3]:

1. New technologies. A change in technologies gives an opportunity to develop new or better products, improve marketing and production methods, and enhance the quality of related services. As a rule, they result from corporate or university R&D.

2. New consumer demands. In today's market, leading manufacturers are trying to identify and anticipate changes in customer requests, and thus affect them.

3. The emergence of a new segment in the industry. Another chance for gaining a competitive advantage emerges when a completely new segment is created in the industry, as there appears an opportunity not only to enter a new group of consumers, but also to find a new, more effective way to produce certain types of products.

4. Change in the cost of production. In this case, the competitive advantage comes from reducing the cost of such components of production as labour, raw materials, energy, transport, equipment, communication.

5. Change in state regulation. Changing government policy in such areas as standards, environmental protection, trade restrictions and the launch of a new business is another stimulus for innovations that lead to a competitive advantage.

Competitive advantages of TNCs are based on the concentration of resources. Such concentration is achieved primarily through direct foreign investments, which are carried out mainly for the purpose of acquiring strategic, first of all, intangible assets, including rights to carry out economic activities in certain field. According to UNCTAD, the following trends in TNC's investment strategies can be distinguished:

- Investment targeting. The most attractive countries for investing in 2016 were the EU and United States, followed by the United Kingdom, China, along with Hong Kong, the Netherlands and Singapore (Table 2) [9].

**Table 2**

**Investments by regions of the world in 2014-2016**

Region/Country	2014		2015		2016		2016 to (+,-) bln.USD	
	bln.USD	%	bln.USD	%	bln.USD	%	2014	2015
<b>World</b>	<b>1323863</b>	<b>100,00</b>	<b>1774001</b>	<b>100,00</b>	<b>1746723</b>	<b>100,00</b>	<b>422860</b>	<b>-27278</b>
<b>Europe</b>	<b>272463</b>	<b>20,58</b>	<b>565934</b>	<b>31,90</b>	<b>532934</b>	<b>30,51</b>	<b>260471</b>	<b>-33000</b>
EU	256613	19,38	483839	27,27	566234	32,42	309621	82395
United Kingdom	44821	3,39	33003	1,86	253826	14,53	209005	220823
Netherlands	53307	4,03	68751	3,88	91956	5,26	38649	23205
Belgium	8958	0,68	21244	1,20	33103	1,90	24145	11859
Italy	23223	1,75	19331	1,09	28955	1,66	5732	9624
France	2669	0,20	46991	2,65	28352	1,62	25683	-18639
Africa	71254	5,38	61495	3,47	59373	3,40	-11881	-2122
Egypt	4613	0,35	6925	0,39	8107	0,46	3494	1182
Nigeria	4694	0,35	3064	0,17	4449	0,25	-245	1385
Ethiopia	1855	0,14	2193	0,12	3196	0,18	1341	1003
Mozambique	4902	0,37	3867	0,22	3093	0,18	-1809	-774
South Africa	5771	0,44	1729	0,10	2270	0,13	-3501	541
<b>Asia</b>	<b>460316</b>	<b>34,77</b>	<b>523641</b>	<b>29,52</b>	<b>442665</b>	<b>25,34</b>	<b>-17651</b>	<b>-80976</b>
China	128500	9,71	135610	7,64	133700	7,65	5200	-1910
Hong Kong, China	113038	8,54	174353	9,83	106126	6,08	-6912	-68227
Singapore	73967	5,59	70579	3,98	61957	3,55	-12010	-8622
India	34582	2,61	44064	2,48	44486	2,55	9904	422

Продовження таблиці 1

Vietnam	9200	0,69	11800	0,67	12600	0,72	3400	800
<b>America</b>	<b>400582</b>	<b>30,26</b>	<b>556313</b>	<b>31,36</b>	<b>566897</b>	<b>32,45</b>	<b>166315</b>	<b>10584</b>
United States	171601	12,96	348402	19,64	391104	22,39	219503	42702
British Virgin Islands	38414	2,90	28855	1,63	59097	3,38	20683	30242
Brazil	73086	5,52	64267	3,62	58680	3,36	-14406	-5587
Cayman Islands	20002	1,51	63448	3,58	44968	2,57	24966	-18480
Canada	59062	4,46	41512	2,34	33721	1,93	-25341	-7791
<b>Other countries</b>	<b>119248</b>	<b>9,01</b>	<b>66618</b>	<b>3,76</b>	<b>144854</b>	<b>8,29</b>	<b>25606</b>	<b>78236</b>

- Moving corporate functions. As a rule, production changes localization being moved abroad. Marketing and sales are moving following the production.

- Ways of investing. In the global space, TNCs use three different ways of investing - mergers and acquisitions, greenfield-investments (creating a business from a scratch) and other ways (licensing, creating strategic alliances, etc.). Investment strategies depend, first of all, on the conditions of the region where investments are made.

Among the developed countries, the most attractive country for investors is the United States. It is followed by the United Kingdom, Canada, the Netherlands and Australia. Cross-border mergers and acquisitions are the predominant form of international expansion of TNCs in the economies of developed countries.

In developing countries TNCs act in different manner. TNCs consider China (including Hong Kong) as the most attractive country for investment in the Asia-Pacific region. The second place in the ranking belongs to Singapore and India. Entering the markets in this region, corporations take advantage of greenfield-investments. Among the countries of Latin America and the Caribbean, Brazil, Mexico and such offshore-islands as the British Virgin Islands and the Cayman Islands are attractive to foreign investors. In this region, TNCs also use greenfield-investments. Africa is not yet a part of the strategic investment plans of most TNCs. The most popular countries regarding investments are Egypt and Nigeria.

The most attractive countries for foreign investments in Central and Eastern Europe are Poland, the Czech Republic, and Romania. Mergers and acquisitions, as well as greenfield-investments are equally used by TNCs as they enter the markets of these countries.

The effective functioning of international companies is promoted by such competitive advantage as the flexibility of their investment policy, which is formed under the influence of certain circumstances: government policies, competition, access to advanced technologies and marketing networks. At the same time, the factor determining the placement geography of TNCs foreign affiliates now is not cheap raw materials and inexpensive skilled labor, but the proximity of markets [10]. This is due to the proliferation of labor and resource-saving production, as well as the presence of protectionist barriers in a number of countries. The following measures increase the competitive advantages of TNCs:

- constant modernization of equipment and technological processes on the basis of benchmarking, which involves comparing the indicators of the company activities with the activities of competitors;

- application of information systems for the analysis of the functioning of all parts of the production process;

- forming multinational groups of managers for monitoring "bottlenecks" in the technological cycle and within all stages of value chain;

- flexible management, periodic changes of managers of all ranks, involvement of the host countries representatives in the process of management of the company;

- knowledge-based view of organizational behaviour, which emphasizes the importance of knowledge for organizations to retain their competitive advantage. Knowledge sharing success lies in the employees' capability to share knowledge [11]. That is the reason for many companies to implement local and global educational strategies;

- maintain and develop unique organizational culture. If TNC's organizational culture is preciously unique, this culture can thus facilitate business competitiveness. Those enterprises that fail to have a well-developed organizational culture will not have the chance to gain business competitiveness [12];

- ensuring standardization of products and unification of components;

- concentration of production capacities and R&D in the countries which are the main consumers of products;

- satisfaction of demand in the receiving country taking into account its specifics;
- global coordination of the activities of all branches of the corporation in order to maintain an appropriate level of competitiveness in the world market [10].

Global competition creates new diversity of links, as well as a new dimension of the quality of technological progress and new methods of obtaining competitive advantage. Researchers of intellectual capital identify inter-organizational relations as the source of competitive advantage of contemporary enterprises. They may concern relations between companies and institutions from public sector, relations between corporations and companies, relations between public entities and non-governmental bodies, or relations between governmental organizations and private entities and so on. So inter-organizational connections include: cooperation, interaction and working together to realize accepted purposes, including joint goals. Cooperation is based on mutual benefits and an activeness of proceedings to achieve them. The connections arise from undertaken activities which are the outcome of many factors which complement one another and at the same time creating the scope and conditions of joint actions of organizations. The main reason why companies establish inter-organizational relations as part of a network is the achievement of synergy [13].

In the modern world economy, international strategic partnership or strategic alliances between TNCs have become widespread. Now they number over 230 000 [14]. Usually, the goal of the alliances is to combine the scientific potential, accelerate the introduction of R&D findings into production, reduce their cost and distribute the risks of the production and marketing of new complex and science-intensive products [14]. Consequently, building such alliances and participating in them creates a significant competitive advantage for TNCs over the companies that do not have such capabilities.

The combination of alliances and internal affairs of international companies creates a complex of horizontal and vertical integration of production and R&D, which is regulated through modern information technologies. Some types of strategic alliances are designed to expand the range of products and the customers. Such alliances provide for joint marketing research, the use of shared sales channels, information sources and advertising campaigns. At the same time, the R&D alliances co-partners are competing with each other in the finished product markets.

It is necessary to note the growth in capital investments in the service sector in the structure of goods and services produced by transnational corporations. UNCTAD estimates that more than 65% of FDI of the largest TNCs goes to the service sector, including R&D and marketing research [9]. World convergence of supply and demand has an impact on the production and marketing strategy of TNCs. Improving information technology and logistic networks leads to an increase in the number of goods and services with universally identical or similar consumer features that are in demand in many markets. At the same time marketing activities are adapted to the specifics of the host countries. This is due to the socio-cultural and natural differences between countries, the presence of trade (technical) barriers in certain host countries. Adaptation of activity is the characteristic of many TNCs, operating in the field of food production and ready-made clothes.

Thus, it can be argued that the specifics of the industry in which the TNCs operate, determine the specifics of their activities, and also affect the formation of their competitive advantages. For example, TNCs operating in the IT field obtain higher competitiveness due to the following factors:

- reduction of production and sales costs due to the use of the economies of scale. That is, obtaining advantages from large-scale production of goods;
- manufacturing goods with high added value;
- constant improvement of the quality of goods, updating assortment line and shortening delivery terms;
- sales of low cost products on the markets of developing countries,;
- increasing the products competitiveness not at the expense of lower prices, but due to increasing the level of technical characteristics of products, that is, the use of specifics of non-price competition;
- combining the efforts of production and marketing departments to minimize the interval between creating the design, the development of production and supplying new goods to the retail chains;
- using strategic alliances and a strategy for mergers and acquisitions in order to increase expansion on the world market through close cooperation between companies in the field of marketing, development of new technologies, gaining advantages from large-scale production and sales.

As geographical diversification and complication of the TNCs macro-environment are taking place, there occur certain changes in the factors ensuring the competitiveness of international companies. TNCs, in modern conditions, implement a global strategy that provides for a combination of pre-existing strategies. A global strategy has a complex multiplex character. This is confirmed, for example, by the combination of the

vertical and horizontal strategies of the corporation in a certain place of investment localization. At the heart of this there is the desire to combine market access and outsourcing in a single regional context, which helps to increase the competitiveness of the corporation.

Current development trends, at the global level, caused fundamental transformation in doing business in modern economy, and at the same time, set a request to change the dominant business strategies and policies by which companies achieve their goals. The liberalization of international trade and investment flows has contributed to the spread of the effects of technological progress and influenced development in many countries, but also raised a number of limitations in opportunities for achieving sustainable development. The last decades of the twentieth century and later can be characterized as a period of increasing pressure on the environment, the direct recipient of pollutants, resulting from the use of dirty manufacturing processes and production techniques. The uncontrolled use of natural resources has led to the endangerment of existential prerequisite for the maintenance of a healthy environment, as well as deterioration of environmental quality and escalating environmental problems on a global level.

Under pressure from institutional factors, TNCs, as motor of developments in the world economy, today pay more attention to the integration of the dimensions of sustainability in its own operations. Involving aspects of managing the long-term impacts of corporate activities on social development and the environment is in the function of sustainable business. Development of key competencies in the area of addressing social and environment issues is a prerequisite of achieving and sustaining competitive advantage of TNCs in the modern market. In addition, long-term negligence of the non-financial aspects of the business can make multiple negative effects on the financial performance and the reduction of corporate reputation among key stakeholders, thereby reducing its competitive advantage. Responsible behaviour of enterprises towards stakeholders, society, and environment could contribute to achievement of competitive advantage [15].

Thus, the main sources of the TNCs competitive advantages can be the following complex of factors: usefulness of the product (service), continuous updating of products (services) and business processes, concentration of the company resources in the priority areas (R&D and marketing, or other), responsiveness to market demands, development of internal and external networks, corporate social responsibility. It should be noted that all these factors are interconnected. Thus, the companies that carry out international operations develop network structures through internal differentiation and co-operation, which leads to increased interdependence in the context of global competition.

Consequently, the strategic development of TNCs in the modern world economy is multivariate. However, it is undoubtedly aimed at successfully overcoming the uncertainty of the external business environment, maximum reduction in costs as a result of increased competition and the increase in the cost of innovations, as well as the achievement of operational flexibility. One of the main elements of the TNCs competitiveness is the widespread use of the results of the researches conducted by the research centers of the parent company and foreign affiliates.

Knowledge is one of the most important factors that determine global leadership of TNCs in many industries. Researchers have for long a time argued that multinationals are created mainly in sectors, where the value of knowledge as capital and knowledge-intensive production is decisive [16]. The main indicator of the knowledge intensity of TNCs is the ratio of R&D (no matter whether R&D conducted by corporation or by universities or research institutions on the order) to sales volume and the volume of intangible assets, high values of which force the internationalization of companies. However, in most models the authors proceed from the fact that only workers carry the knowledge, and knowledge is not being shared even within the organization. That is why many companies develop the process of distributing and identifying of knowledge on objective, explicit (can be obtained by standard methods, in particular by market researches), and knowledge gained on the basis of experience, implicit, which is unique and depends on the person and company [17].

Mature regional innovation systems, which provide effective interconnection between TNC units and SMEs, are also characterized by deep involvement of universities into their development [18]. Such interconnections provide interactive training for all actors and all of it is collectively considered as a soft infrastructure that creates additional competitive advantages, the uniqueness of which leads to the global leadership of companies.

The multiplicity of global companies and the limited number of highly developed innovative systems make it more expedient not only for direct relationships between companies and universities (for training, research and creation of companies), but even the emergence and development of corporate universities. That is why almost all successful multinational corporations have established corporate universities, for example, Apple, Boeing, JP Morgan, IBM, IKEA, General Electric, Google, Mars, Motorola, McDonald's

Corporation, Shell, Walt Disney etc.

National companies that expand and overrun the size of domestic economy must have ambitions to become a TNC. Therefore, it should be noted that national companies that are planning to enter foreign markets and are in the process of internationalization must adhere to the following rules:

- it is necessary to create a "qualitative" domestic demand for goods (according to Porter's "Diamond Model", it is one of the components for ensuring the competitiveness of the company [1]); optimized business processes and standardization can be the basis for the quality of goods and services;

- the priority direction is to increase the value of the company and maintain its investment attractiveness;

- it is vital to develop a strategy of the company taking into account its own resource potential and environmental constraints;

- conduct activities/operate in the constantly developing regions. It stimulates competition and encourages further development.

**Conclusion.** Thus, the main direction of the activities of large TNCs is the internationalization of activities that ensures their further expansion. Important factors in the choice of the market are infrastructure development, training of local staff, the availability of efficient suppliers, auxiliary service companies and the companies in the service sector. The company legal forms of entering the foreign market are quite diverse: from greenfield-investments to mergers and acquisitions. The specificity of choosing the options for the company's entrance into the external market is mainly determined by the industry and the peculiarities of managerial technologies.

It is possible to identify the major sources of competitive advantages of international corporations. These, in the first place, should include the advances in knowledge, technologies and the introduction of innovations. Innovations can relate to any type of activity associated with the production and marketing of the product. New technologies contribute to the consolidation of comparative advantages as they lead to lower costs of production and product prices, and increase their quality. The development of new products is at the core of the struggle for the market, attracting consumers and trading partners. It often requires development of effective educational strategies. The effect of combining both processes increases the company's competitive advantages.

Competitive advantage is often found in market niches the big competitors have not been interested in due to their low profitability and small market capacity at the time of their development. Competitive advantage is maintained through constant improvement, which requires investment into new product designs. Corporations are actively involved in financing R&D, as it involves access to state-of-the-art technologies, enabling the diversification of economic activity, enhances their own sources of competitive advantage.

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**Ilnytskyy D.**, D.Sc. (Economics), Professor of the International Economics Department. Kyiv National Economic University named after Vadym Hetman. **Bezrukova N.**, PhD (Economics), Associate Professor of the International Economics and Marketing Department. **Svichkar V.**, PhD (Economics), Associate Professor of the International Economics and Marketing Department. Poltava National Technical Yuri Kondratyuk University. **Competitive Advantages of Transnational Corporations under the Global Economy Conditions.** The paper is devoted to the analysis of the competitive advantages of transnational corporations under the conditions of the modern world economy. Taking into account the dynamism of the development of the global economy, the sources of the formation of competitive advantages of the companies operating on the world market are constantly changing. This necessitates further analysis. The process of globalization makes adjustments to many of the economic and social processes that take place in a global society. Under the influence of globalization, competition turns to be global too. The process of gaining and maintaining an international competitive advantage is rather complicated. Firms gain competitive advantages by finding new ways to compete in their industry. The article identifies innovations that give company a competitive edge in the global market. In most cases innovations result from corporate or university R&D and are combined with educational strategies. Transnational corporations have significant advantages over the firms operating only within national markets. International companies are resistant to the effects of volatile macro-environment in a globalized world, which is the main source of their competitive advantages. The authors of the article outline some other important competitive advantages of a transnational corporation in the modern global economy. Among them are the following: concentration of resources (capital, knowledge, personnel, raw materials); flexibility of investment policy; possibility of participation in strategic alliances; corporate social responsibility; standardization of activity, which is combined with a certain level of adaptation to the conditions of the host country, etc. Corporate intellectual capital includes inter-organizational relations, as the source of competitive advantage of contemporary enterprises, which forms networks and value chains. The paper concludes that transnational corporations have much bigger competitive advantages than national companies or even states that are subjects of global competition. New technologies contribute to consolidating the competitive advantages of corporations as they lead to lower production costs and product prices, increase their quality. The development of new products is at the core of the struggle for the market, attracting consumers and trading partners.

**Key words:** competitive advantages, transnational corporations, globalization, competition, international competitiveness.

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**Ключові слова:** конкурентні переваги, ТНК, глобалізація, конкуренція, міжнародна конкурентоспроможність.

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**Ключевые слова:** конкурентные преимущества, ТНК, глобализация, конкуренция, международная конкурентоспособность.