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FEATURES OF STRATEGIC MANAGEMENT OF TRANSNATIONAL CORPORATIONS

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Abstract

The aim of the article is to explore the features of strategic management in transnational corporations to enhance their adaptation and efficiency in a changing environment. To achieve this goal, methods of analysis, classification, and analogy were used. The essence and functions of a transnational corporation were defined. TNCs were classified by types and differences in strategies. The strategies of TNCs from the second half of the 20th century to the early 21st century were examined. The classification of TNCs based on the position of business units in the value chain and approaches to managing these units was considered. The management styles of TNC managers were characterized. Hierarchical levels of management and various types of organizational structures were analyzed. The advantages and disadvantages of corporate governance models were listed. The process of strategic management of TNCs by stages is justified, which is presented in the form of a logical scheme.

Keywords

Strategic management, strategy, management, transnational corporation, approach.

Problem statement

In the current context of globalization, transnational corporations play a key role in the global economy, influencing markets development, resource allocation, and the establishment of competitive advantages. However, effective strategic management of such organizations is an exceptionally complex task due to their scale, geographic dispersion, and the need to account for many external and internal factors. Features of the operation of TNCs, in particular cultural, economic and political differences between countries, create additional challenges for management, combining the global goals of the corporation with local needs and features of regional markets.

In this regard, there is a problem of developing and implementing such approaches to strategic management that allow TNCs to function effectively in a multicultural environment, changing market conditions and competition.

Relevance of the chosen topic

The constant changes in the market environment and increasing competition in the global market require transnational corporations to use and adapt traditional models and develop new approaches to strategic management. The peculiarities of the functioning of transnational corporations necessitate the use of approaches to strategic management different from those used for companies focused only on the domestic market.

Analysis of recent research and publications

Many prominent foreign and domestic scientists, such as M. Goold, A. Campbell, C. Kirkpatrick, G. Johnson, K. Scholes, R. Whittington, F. Nixon, Ya. Kvachuk, N. Kuzminchuk, S. Voitko, P. Puzyrova, M. Khmelevsky, among others, have studied the theoretical and practical aspects of strategic management of transnational corporations.

A significant part of research is devoted to the study of approaches to strategic management. M. Goold and E. Campbell (1989) studied strategic approaches to managing TNC business units. G. Johnson, K. Scholes, and R. Whittington (2008) examined strategic management from the perspective of managerial styles. In turn, I. Pryvarnikova and Y. Holey (2024) emphasized the role of hierarchy in organizational structures in strategic management. O. Shvydanenko (2007) explored the relationship between the development strategies of TNCs and the time periods of their operation.

Purpose of the article

The purpose of the article is to study the features of strategic management of transnational corporations to improve their adaptation and efficiency in a changing environment.

Achieving the set goal made it necessary to solve the following tasks:

- study of the essence of a transnational corporation and its characteristics;
- consideration of approaches and models of strategic management of TNCs;
- analysis of the process of strategic management of TNCs.

Presentation of the main research material and results obtained

Transnational corporations (TNCs) are companies that have business units (branches, subdivisions) in two or more countries, on the territory of which they carry out their business activities. The difference of TNCs from other companies is related to the size, scope of operations, structure, organization of activities, their outlook on the global economy, and their role in shaping and developing this economy (Kirkpatrick & Nixon, 1981, pp. 369–370).

Transnational corporations have several distinctive features that set them apart from other companies:

1. Presence in different countries of the world, which can be realized in the form of divisions, branches, subsidiary companies. A global presence allows the company to enter new markets, as well as streamline resource acquisition and distribution processes.
2. Scale of operations. TNCs typically manage extensive distribution networks, distribution centers, and production facilities in different countries.
3. Multinational workforce. The staff of TNCs often comprises employees from various countries, who bring diverse cultural and life experiences, along with different beliefs and values.
4. Innovation and technology. The process of developing and introducing a new product to the market requires an innovative approach from the company. Additionally, by using the latest technologies from different countries, TNCs contribute to the development of less developed economies, which in turn strengthens their competitive position in the market.
5. Flexibility and adaptability. Given the expansion of the borders of TNCs in various markets, there is a need for rapid adaptation to local political, economic, social and technological factors of influence. Companies aim to reduce the uncertainty of external environmental influences through analysis and forecasting of industry trends (Koymen, Santos-Paulino, Trentini & Dogan, 2023).

TNCs play an important role in the world economy, performing the following functions (Kuzmynchuk, Kutsenko, & Chornii, 2022, p. 280):

- stimulation of the continuous development of scientific and technical progress with the help of innovations and new technological developments;
- promoting the globalization of the world economy by involving countries in international economic relations;
- stimulating the development of global production (creation of new jobs, development of production in countries where new divisions are opened);
- creating a competitive environment.

The activities of transnational corporations significantly impact not only the competitiveness of individual industries in the country where the parent company is located but also the shaping of the current and future global economy. Internationalization strengthens the interconnections between all elements of the world economy and leads to the globalization of economic development.

Among the main types of transnational corporations, the following are distinguished (Azarova & Okhota, 2011):

1. Ethnocentric type. These companies establish foreign branches for sourcing raw materials or entering new markets, but foreign markets are viewed as an extension of the primary market – the market of the country where the parent company is located.
2. Polycentric type. For companies of this type, the foreign market is just as important, and sometimes even more so, than the domestic one. Foreign branches not only sell the products of the parent company but also manufacture them directly on local markets.
3. Regiocentric type. Companies focus not on the markets of individual countries, but on entire regions. Although foreign branches are located in specific countries, they are focused on serving the entire region or are subordinated to regional headquarters of the TNC. This approach is particularly common among companies operating within integration unions.
4. Geocentric type. A typical for TNCs that function as decentralized federations of regional branches. In this case, the parent company does not consider itself the center of the corporation but sees itself as one of the equal units.

There is no single approach to the classification of management strategies, scientists at different times have studied strategic management from different angles, forming and supplementing their own approaches and methods.

Considering the differences in strategies, four generations of transnational corporations are distinguished (Shvydanenko, 2007):

1. First generation: colonial-resource TNCs, whose activities were closely related to the extraction of raw materials from former colonies.
2. Second generation: "trust-type" TNCs. They produced and supplied military-technical products.
3. Third generation: TNCs that actively utilized the achievements of the Scientific and Technological Revolution (STR) and were organized in the form of concerns and conglomerates.
4. Fourth generation: global TNCs. The typical features of this generation include competition in the global market, the use of modern information technologies, and the exercise of economic and political influence on states.

With the change of generations, the characteristic features of TNC strategies have changed. The most rapid development occurred during the activities of the third and fourth generations (Table 1).

Table 1: Characteristics of TNC strategies during the second half of the XX - beginning of the XXI century

Time period	Criteria		
	The form of international relations	Direction of activity	Factors of placement of units
60-80s of the XX century	International trade. Export, creation of	Organization of international transportation within the	Low cost of labor, natural resources,

	branches for sales, licensing and other forms of contractual relations abroad.	company: movement of high-tech products between developed countries, export of resources from underdeveloped countries.	conditions for their profitable exploitation, processing and extraction.
90s of the XX century	Implementation of foreign direct investments between developed countries. Active balance of developed countries in the dynamics of current investments and passive balance of developing countries.	The boom of TNCs in Asian countries: the largest receiving region is South, East and Southeast Asia; increasing the volume of investment in the countries of Latin America and the Caribbean.	Dimensions of the domestic market of the recipient country, government policy, the influence of factors on the investment climate.
The beginning of the XXI century	Implementation of foreign direct investments and the growing role of non-economic factors in the choice of investment directions, the emergence of independent transnational capital.	Implementation of new methods of project financing in the field of infrastructure, continued differentiation of investment forms depending on the level of development of countries (capital investment objects).	Information transparency, infrastructure, legislative norms. Emphasis is placed on the formation of a network of branches and TNCs.

Source: compiled from (Azarova & Okhota, 2011)

An important feature of a transnational corporation is its organizational structure, which consists of the parent company and its subordinate units. Based on this, TNCs can be classified according to the position of their business units in the value chain (Kvachuk, 2013):

- horizontally integrated (units produce similar goods and services in different parts of the world);
- vertically integrated (some units produce products that serve as raw materials for other units);
- separated TNCs (the units are neither vertically nor horizontally integrated).

Despite this classification, the vast majority of companies do not adhere to a single approach to forming their value chain. To expand their influence, transnational corporations may combine characteristics of horizontal, vertical, or separate integration.

The main role in managing the parent company’s subsidiaries is played by the process of «creating added value». This means that different business units, connected by corporate, legal, economic, and informational ties, achieve greater economic success under the leadership of the parent company than they would if operating independently.

M. Goold and E. Campbell, in their works on strategic management, explored different management styles for transnational corporation units (Goold & Campbell, 1989). They identified several approaches to managing business units (Table 2).

Table 2: Characteristics of approaches to the management of business units

Approach	Characteristic	Advantages	Disadvantages
Strategic planning	Decisions are mostly made by the parent company; active transfer of resources between units; focusing on several types of business.	High level of cooperation, synergy, organization. Suitable for companies where strategic decisions are not made often.	Reducing the influence of unit managers, difficulties in communication and coordination of actions.
Financial control	Units independently choose their development strategy,	Autonomy in decision-making, a clear formalized approach to	Decreased flexibility in decision-making within the division, lower level

	the parent company only sets short-term financial goals; the development of the corporation is due to the acquisition of new businesses.	management. Used by companies with a wide range of business units that do not work closely together.	of cooperation, risk of slowing development due to profit orientation.
Strategic control	The parent company sets the direction of development of divisions, which independently choose strategies; performance evaluation goes beyond financial indicators.	Autonomy in decision-making, focus on the long-term financial perspective.	Low level of cooperation between divisions, decreasing influence of the head office.

Source: compiled from (Kvachuk, 2013)

In their works, M. Goold and E. Campbell examine management in terms of the parent company's relationship with its subsidiaries. A somewhat similar management approach is discussed by G. Johnson, K. Scholes, and R. Whittington in their study «Exploring Corporate Strategy». However, their approach emphasizes the management style of an individual manager. They distinguish three types of TNC managers (Johnson, Scholes, & Whittington, 2008, pp. 274-277):

1. The portfolio manager. This manager’s role is to identify and acquire assets and business units with the goal of improving them. Portfolio managers set financial targets, assess the effectiveness and prospects of the business, and either invest in or withdraw funding accordingly. These managers can oversee numerous business units, granting division heads autonomy in day-to-day decision-making. This management style is used in companies like Blackstone and Apax Partners.
2. The synergy manager. These managers add value by managing the synergies between business units. Their main tasks are to develop a common goal, promote cooperation, and manage and allocate resources. Examples of companies using this style of management are Apple and General Electric.
3. The parental developer. This type of manager leverages the parent company’s competencies to add value to its subsidiaries, offering support in specific areas. The focus is on transferring resources or capabilities from the parent company to the subsidiaries to enhance their potential. Companies such as Virgin and Royal Dutch Shell actively use this management style in their operations.

Johnson, Scholes, and Whittington believe that the use of one or another style of management is associated with dangers that a transnational corporation seeks to avoid: adding management costs (exceeding the costs of managerial personnel over the value they create), bureaucratic complications (slows down the response of managers to problems), concealment of financial indicators. (Johnson, Scholes, & Whittington, 2008, p. 273).

The task of transnational corporation management is to select a management structure that best aligns with the company's goals, objectives, and strategy, while taking into account the influence of internal and external factors. This structure should also ensure the effective allocation of resources and direct employee efforts toward meeting customer needs.

There are two types of management systems in transnational corporations: centralized and decentralized. In a centralized system, strategic decisions are made by a central authority (the parent company), while in a decentralized system, business units make decisions independently (often at the regional level).

The structure of management in transnational corporations may differ depending on the characteristics of the organization and the specifics of its activities. However, it typically consists of hierarchical levels that reflect the distribution of power, responsibility, and duties within the organization (Bocharova, 2021, pp. 18–31). The hierarchical management structure of a transnational corporation by levels is illustrated in Figure 1.

The top management of a TNC consists of the CEO, the board of directors, and other executives. The primary task of top management is to define the overall corporate development strategy, make key managerial decisions, and set global objectives.

Regional management is responsible for overseeing operations in various regions around the world. They adapt the general strategy to local standards, coordinate the activities of units and subsidiaries within their region, and ensure that goals are met.

Functional management coordinates the work of departments based on specific functions (production, finance, marketing, sales, etc.). Each functional department is headed by a manager responsible for its efficiency.

Local management operates at the lowest level of the hierarchy. They are responsible for carrying out day-to-day operations at the local level. This includes branch, plant, and office managers who handle daily tasks and ensure operational objectives are met at specific locations.

The use of a hierarchical structure facilitates effective management of a transnational corporation, ensuring clear coordination, control, and collaboration (Pryvarnykova & Holei, 2024, pp. 420). This structure requires well-established communication and coordination between hierarchical levels.

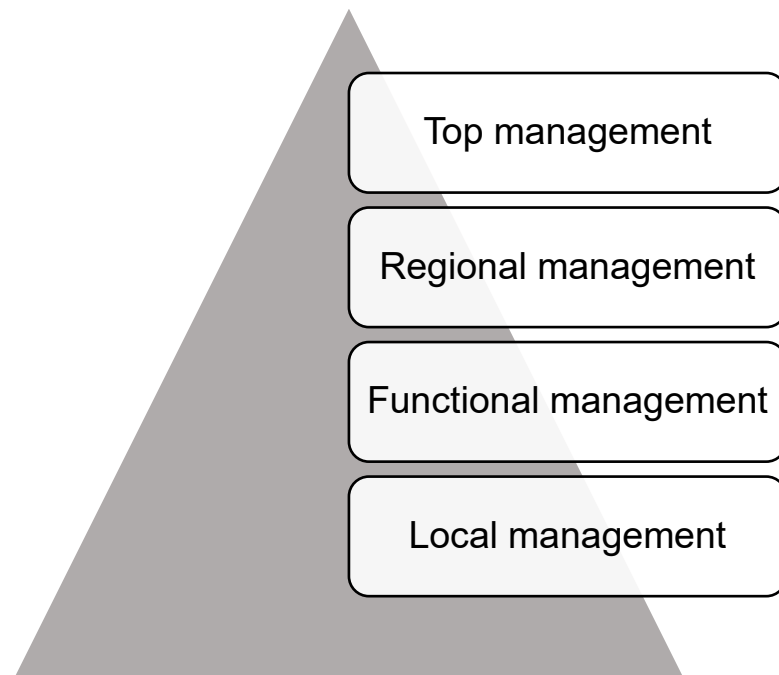


Fig. 1: Hierarchical levels of the TNC management structure

Source: compiled from (Pryvarnykova & Holei, 2024, pp. 421)

An important function of the hierarchical system is the delegation of authority across levels. This allows higher levels to focus on solving strategic tasks while leaving tactical decisions to lower levels. This division of powers allows to increase efficiency in decision-making and reduce workload.

However, the goals of higher-level systems do not always align with those of lower-level subsystems, and sometimes the goals of individual units may conflict with each other, potentially leading to internal conflicts. In such cases, management decisions are made at higher levels in the interests of the entire system.

Depending on the types of connections between structural elements, several types of management structures are distinguished: linear, functional, line-and-staff, divisional, and matrix (Voitko, Havrysh, Korohodova & Moiseienko, 2016).

At the head of the first structure is an authorized manager, whose decisions are binding on all lower levels. The staff carries out the orders of only one manager.

When using the following structure, the company is divided into divisions, each of which is responsible for a specific area of activity. At the same time, functional managers have a high level of control in their areas of responsibility.

The linear-functional structure (linear-staff) combines the elements of the previous two. The line manager works alongside functional managers to solve tasks. Decisions may be communicated either through the line manager or through staff department managers. Divisions can be organized based on various criteria, such as geographical location, product type, or customer segment orientation.

The divisional structure organizes a company's operations into several relatively independent units (divisions), each responsible for a specific product, market, or geographic region. These divisions operate on a self-sustaining basis, while the central office oversees and coordinates their activities and develops the corporation's overall strategy.

In a matrix structure, employees report to two lines of management simultaneously: functional managers and project managers. This setup allows for more effective project work by engaging specialists from various departments to collaborate, distributing resources among different projects based on their priority. Depending on the organizational structure, different models of corporate governance can be used (Table 3).

Each of the presented models can be utilized by a transnational corporation depending on its specific characteristics and development strategy. The centralized corporate governance model is most often employed by conservative TNCs, where control is valued more than flexibility and innovation.

For example, the South Korean transnational corporation Samsung is known for its centralized management model, where many strategic decisions are made by top management at the central level (Pryvarnykova & Holei, 2024, pp. 421).

Table 3: Characteristics of TNC corporate management models

Model	Characteristic	Advantages	Disadvantages
Centralized model of corporate management	Centralized TNC management, unified strategy, policy, standardized processes and procedures	High level of control, compliance with standards	High information load and requirements for management professionalism
Decentralized model of corporate management	Autonomy of regional and local units in decision-making, adaptation to local conditions	Speed in decision-making, flexibility and adaptability	Conflicts between the main management and local management are possible
Matrix model of corporate management	Two lines of management, collaborative teamwork, coordination across functional and geographic dimensions that cross project work	Delegation of authority within the framework of work on projects, flexibility in the use of resources, cooperation	Difficulty in understanding the division of duties, instability due to periodic changes in the composition of executors
Combined model of corporate management	Using a situational approach to management depending on the needs of the company	Better adaptation to specific conditions and needs	Conflicts between managers are possible, a large volume of information

Source: compiled from (Pryvarnykova & Holei, 2024)

The decentralized management model is used by TNCs operating in various cultural and geographical environments. An example of such a company is Apax Partners, which invests in the development of companies around the world, leaving the resolution of strategic issues to local management.

The matrix management model is used by many transnational corporations with complex geographical structures and operations in multiple industries. Microsoft uses this structure in its activities. A technology company has different lines of business and functional groups that work together on different projects, which leads to the use of a matrix model.

Additionally, some transnational corporations use hybrid management models that combine elements from different management approaches for better adaptation. For instance, McDonald’s employs both centralized and decentralized models in its operations. Menu development and process standardization are handled centrally, while individual restaurants may be managed in a decentralized manner to ensure local adaptation.

Today, transnational corporations aim to make their organizational structure and management systems responsive to changes in the global business environment by implementing flexible, adaptive management systems. These systems are based on continuous monitoring of the environment and forecasting possible development scenarios, with an assessment of the likelihood of their occurrence. Accordingly, various development strategies will also be formed.

The process of strategic management of a transnational corporation can be presented in the form of a logical scheme (Fig. 2). According to Figure. 2, several stages of strategic management of TNCs can be distinguished (Khmelevskiy & Olshanskyi, 2023, p. 15):

1. Formation of the mission and goals. The company’s goals are shaped according to its mission. These goals may vary in content and development methods, but they are a crucial element of strategic management, serving as the foundation for forming an effective management strategy.
2. Analysis of the external environment. Study and assessment of factors influencing the activity of a transnational corporation from the outside. These include political, economic, sociocultural, and

technological factors.

3. Analysis of the internal environment. Evaluating internal resources, such as material, financial, technological, and human resources, through analyses of financial stability, human potential, technological infrastructure, and more.
4. Formulation of alternatives and strategy selection. Developing strategic alternatives that outline paths to achieving goals while considering influencing factors. Choosing the most effective strategy.
5. Strategy implementation. Implementing strategic decisions, programs, and projects. This may include changes in organizational structure, entering new markets, launching new products and services, etc.
6. Control and evaluation of strategy implementation. Ongoing monitoring of strategy execution and evaluation of its effectiveness using specific indicators and standards.
7. Strategy adjustment. Making necessary adjustments in response to environmental changes and unforeseen challenges.

The presented stages of the strategic management process are interconnected, and therefore effective management requires constant monitoring and adaptation at each stage.

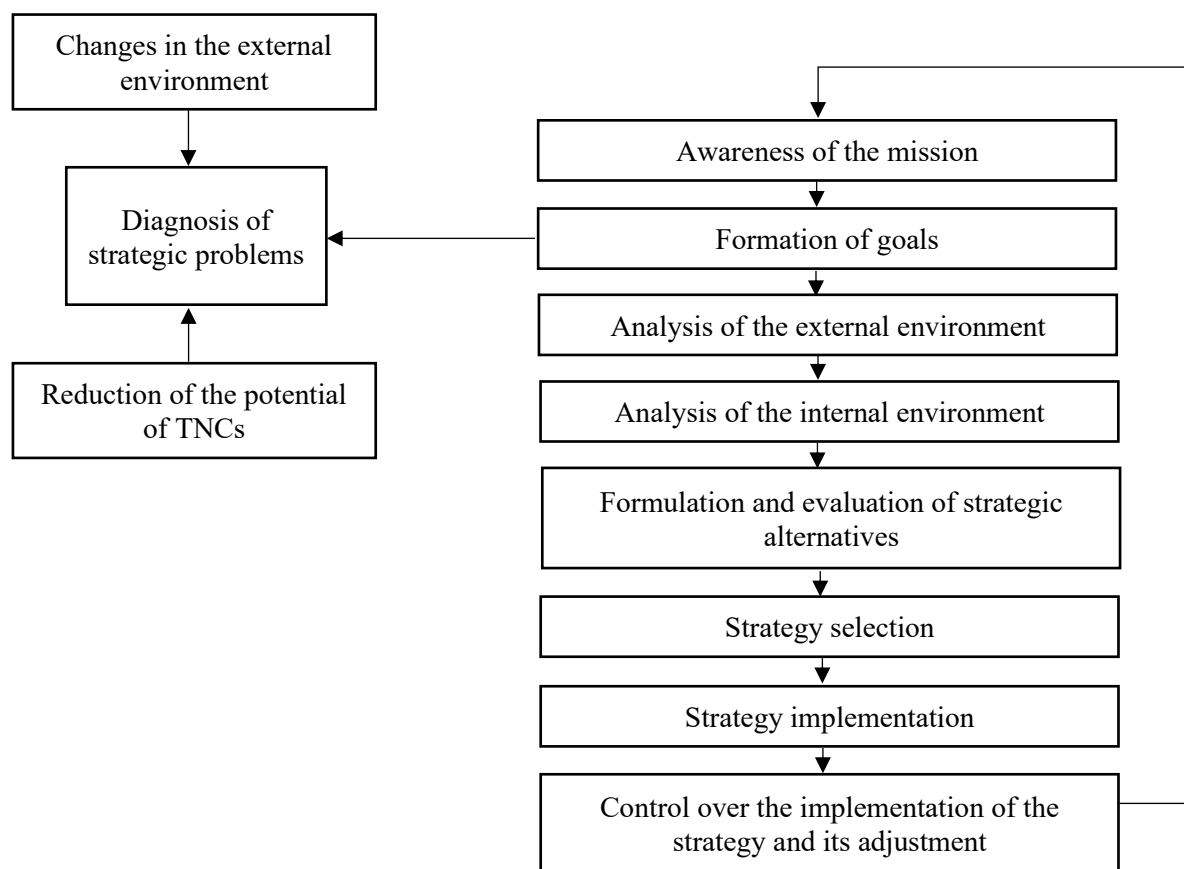


Fig. 2: Logical diagram of the process of strategic management of TNC
 Source: compiled from (Olshanska & Puzyrova, 2022)

Conclusions

The study of the specific features of strategic management in transnational corporations confirms that their success on a global scale depends on the ability to effectively combine global strategies with adaptation to local market conditions, considering various influencing factors, such as cultural differences, legal norms, economic conditions, and political risks in each country where they operate.

Currently, there is no single classification of transnational corporations, nor a universal approach to selecting a management strategy. TNCs are distinguished by their type of activity, differences in strategies, organizational structure, approach to managing business units, and management style. The strategic management process must take into account the unique operational characteristics of the corporation and the external environmental factors at each stage. The interdependence of these stages requires a comprehensive approach to

strategic management, combining various models and methods.

Thus, strategic management in transnational corporations is a multidimensional process that requires balancing global objectives with local needs. The primary task of management is to develop and implement a strategy that considers as many factors as possible, allowing the TNC to remain flexible, innovative, and competitive in the market.

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