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2015 Rudenko Kirill

University of Economics, Prague

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Global risks and their influence on the market entrance strategies of business to business companies

Author: Kirill Rudenko

Thesis instructor: Gina Cook, Ph.D.

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Declaration:

I hereby declare that I am the sole author of the thesis entitled " Global risks and their influence on the market entrance strategies of business to business companies". I duly marked out all quotations. The used literature and sources are stated in the attached list of references.

In Prague on 5.01.2015

Signature

Kirill Rudenko

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I hereby wish to express my appreciation and gratitude to all, who have been there for me to support me. First of all, I would like to thank my parents for constantly motivating me, because without them I would have never had an opportunity to learn and gain this indispensable experience. I would also like to thank my advisor, Professor Cook, who was of a great support and tremendous help, helping me through major steps in finishing this work. I would like to dedicate this work to all of those who can use it in order to eliminate as much risk as possible, both in their professional and private life. With hope for a better, safer and more prosperous World.

Table of Content

Table of Content 1

Introduction 3

Chapter 1. Theoretical Framework of Global Risks in Relation to Marketing Strategies in the Global economy 10

1.1 Introductory Framework and General Global Risks Map 10

1.2 The Concepts of Globalization and Internationalization 18

1.3 The Nature of Modern Global Risks 20

1.4 The Growing Importance of International Marketing 25

1.5 International Trade and Key Trade Theories 27

Chapter 2. Market Entrance Strategy Alternatives of B2B Oriented Companies in the East-Asian Geographical Region 31

2.1 Market Entry Strategies and Methods of Global Companies 31

2.2 Research Methodology for the Studied Cases 33

2.3 Case Studies 35

2.3.1 Description of and Rational for the Selected Case Studies 35

2.3.3 Apple Inc. in East Asia 36

2.3.4 DIHAG A.G. Case 39

2.4 Factors Influencing Strategy and the Significance of an Adequate Informational Framework 41

Chapter 3. Findings and Implications 46

3.1 How Global Economic Risks Affect International Marketing 46

3.2 Significance and Impact of Global Risks on the Business Environment and Marketing Strategies 50

3.3 Information Access Challenges and the Ever-evolving Interconnectivity of B2B Relations Under Global Conditions 54

3.4 The Future of the Risk Landscape Development and its Influence on Marketing Strategies 58

Conclusion 61

References 65

TABLE OF FIGURES

FIGURE 1 HISTORICAL PRICES FOR WD BLUE WD5000AAKX 16MB 500GB (PRICESPY, 2015)....................15
FIGURE 3 MAP OF INTERCONNECTIONS OF GLOBAL RISKS IN 2014, GLOBAL RISKS REPORT 2014....... 16
FIGURE 4 TOP FIVE RISKS BY LIKELIHOOD AND IMPACT 2013 (WORLD ECONOMIC FORUM, 2013)......17

Introduction

The modern World is functioning in the age of change in the form of a complex and uncertain global business environment, which was formed under the influence of a number of economic, trade, social, technological and environmental factors. Adapting to this new reality requires progressive thinking and fast action in order to withstand currently existing aggregate risks and be prepared for the unexpected future and possible opportunities of tomorrow. Multinational companies must adopt new methods and strategies. Extensive business transformation concerns all aspects of business activities, marketing being the cornerstone of all of them. Globalization determines the movement of capital and activities across borders, and thus also the market entry strategies of different companies, which are the pinnacle of their future success. The new era also complicates and extends the global picture of risks that influence individuals and enterprises in many different areas.

Despite the traditional approach in international marketing, the ongoing reorientation of companies to face new challenges takes place. The companies in the globalized World are concerned about external market risks. The current environment is an endless chain of external risks: like possibility of a recession, global financial turmoil, rising taxation or strict legislation. Nevertheless, the global economy is also opening new opportunities. Widespread business transformation leads to changes in management of multinational companies, thus forcing them to adapt and radically change strategies and directions of their businesses. They often use such tools as merger, acquisition, sale of assets, large-scale outsourcing and offshoring, introduction of new information technologies across the enterprise or organizational restructuring, optimization of value chain and so on. All of these actions are a distinct peculiarity of a global World and all can be used as a shield to the new risks landscape.

Strategic international marketing, which is designed to help develop multinational companies and expand their activities worldwide, plays an important economic role in the market economy system. Not only due to the fact that it provides an effective pairing of supply and demand between vast regions and whole nations, but also because it initiates a virtuous cycle of economic development in the broader international framework in several steps or stages.

Strategic international marketing reveals unsatisfied needs and develops customized products, respectively a product portfolio suited for specific market need. It helps diversity, explores new possibilities and most probably helps the technological growth in whole countries. In order for companies to satisfy richer and more profound needs, new technologies are needed. Operational international marketing carries out an action plan on the scale of overseas operations, which leads to the creation and growth of demand for these new products. It helps to develop new managerial approaches and theoretical tactics. Increasing demand leads to reduced costs, thereby reducing prices, so a market attracts new groups of customers and increases purchasing power. Similar expansion of the market attracts new groups of buyers.

That's why, when solving problems of international marketing, a strategic marketing exercise should be taken to think globally and should implement operational marketing which is acting locally. Companies should pay attention to customer segments with specific needs, distributed along the entire landscape of the market. These segments may be narrow locally, but their total volume at the regional or international level can be significant, therefore a company can use economies of scale.

Nevertheless, the specific nature of the modern business environment triggers a certain scientific and practical interest to the problems caused by the increasing complexity and risks of international economic relations. Dynamic changes in technology, competition for consumers and in product quality, the increased gap between productivity and living standards and even negative influences of the environment bring new issues in the management of the multinational companies.

In these circumstances, the risk becomes an integral part of the activities of enterprises, in connection with which there is a need to improve the system of management and marketing in order to stay competitive or to survive turbulent economic shocks. Contradictory, a certain disregard of risk exists – as a result of insufficient use of knowledge about global risks in actual economic practice and in management. Recognition of the existence of such random factors and the need to take them under control, especially in management decisions can become a new practice. Thus, current conditions of global risks make it necessary to develop new strategy for managing enterprises, cultivate methods of analysis and risk assessment, as well as create procedures for the adoption and implementation of managerial and marketing decisions.

The study and generalization of the results of the research showed that in the works of the renowned scientists there are different approaches to the definition of risk, to the definition of marketing strategies in regard to market entry, different recommendations on the selection of either a specific market entry strategy or risk management techniques. However, a lack of explanation in regard to current turbulent conditions was found. It is hard to find a scientific work which reflects the difficulty of choosing a right marketing strategy and adjusting it and setting up to be in order with international environment under a constant threat of global risks influence. There are unresolved issues of measurement, selection and management of decisions under such conditions, and the development of relevant methods of analysis and risk assessment and practical recommendations for the management of corporations in modern conditions. The practical aspect and the influence of reality are often neglected in the companies, thus opening an opportunity for this particular work to be of a practical value to existing businesses.

The theoretical and methodological basis of this work are the academic propositions and conclusions contained in the works of economists and marketers on the nature of markets, risk analysis and marketing strategy of economic entities. Information basis for the thesis is also based on reports and official statistics, research papers and periodicals. The study is based on economic theory and assumes the mechanisms of trade and capital movement under the functional international legislation. Factual material for analysis was obtained from official documents of international and regional levels. Reliability and validity of the study results are supported by the use of scientific and special methods of gaining knowledge and approbation of the main provisions in practice.

The works of the following researchers and economists who contributed to the study of problems of international marketing, globalization and development issues on a strategy of entries into foreign markets are used in the work: E. Stiglitz, J. Ronald, T. Doctoroff and others. Among the scientists working closer to the practical issues of this work are the following authors: M. Friedman, R. Sibery, B. Loughman, R. Holm and many others. Joseph Stiglitz in his *Globalization and Its Discontents* explains what the *globalization* actually is in practice. Stiglitz has vast practice as a member of the senior management in the World Bank and shares his views and opinions on the functions and powers of institutions involved in the globalization process. His positive view of the process of globalization of markets brings a valuable base for drawing of conclusions in this work, meaning that it is vital not to ignore such processes. Economic and trade theories of such economists as Milton Friedman, Adam Smith and David Ricardo form a basis for the introductory part of the work, where it is important to explain the historical process of development of globalization processes. The international aspect of the work is related to the relations between Western world and Asian markets, China in particular. Tom Doctoroff and his *Billions: Selling to the New Chinese Consumer* examines the contemporary Chinese consumers and determines the main aspects of their behavior, with a strong emphasis on cultural and other differences between cultures. This helps to reproduce and model the possible behavior of multinational companies on such markets and helps this work to conclude the assumptions and build a base for conclusions. Another aspect of today's World, an informational progress and development of telecommunications is discussed in the works of

Alfred Norman, whilst in his *Informational Society: An economic theory of discovery, invention and innovation* a society that constantly evolves along with technologies is discussed. The importance of information society is emphasized.

The theoretical pinnacle of the work is also based on a more current and less theoretical base. The nature of risks and the modern trends to determine the current risks landscape are better assessed through statistical online data as well as by studying various international and local reports and periodicals. At the World Economic Forum, a series of global risks for almost all spheres of human activities have been discussed since 2005. Each year, there is an annual report on Global Risks (*the current report is: Global Risks 2014*) issued – a paper discussing and defining the dangers of global values that are global in nature and of sufficient magnitude to cause a material hostile effect on the whole country or industry. Global risks are not only interrelated but also have systemic consequences. The report is based on interviews with more than 1,000 experts and industry leaders. The paper concerns different aspects and mentions the newest trends and developments.

In a globalized World one of the most important tasks of international marketing is the need to determine a geographical target market in different countries and develop an active and defensive strategic options, taking into account the interdependence of the new markets. It is vital to come up with and establish a bulletproof *market entry strategy* for the company.

One of the aims of this paper is to research an important area of international marketing – market entry. My point of interest is to combine and try to prove the interconnectivity of global risks landscape to the marketing strategies of a company, market entry strategy in particular. I believe it is important to show the significance of risks and explain how neglecting the risk and being passive about receiving a deeper insight into the nature of risk can be disastrous for the company's goals and wellbeing

The subject of the study on the other hand is the interconnected system of relations between multinational companies in sales and production segments of the global economy. All of this under a condition of still increasing market interdependence and more importantly in a constantly changing environment of our globalized World, which thus brings associated risks. The practical significance of the work, results and conclusions can be recommended to companies in expanding their foreign trade and production activities and the development of foreign economic relations with foreign companies on new markets.

This thesis will also refer to the existing knowledge of the marketing strategies, entry modes, risks and cost considerations. However, modern day challenges propose an alternative insight on the problematic of global risks management. In particular – global economic risks management.

The *hypothesis* of the work is *market entry strategy depends significantly on the global risks landscape and is related to and outlined by the interconnectivity of international economic relations*.

For many enterprises, the study and application of international marketing is necessary because of the increasing openness to foreign markets. Wisely chosen market entry strategy helps to improve the relationships with variety of markets. In this regard, the theme of the thesis is relevant to enterprises operating in the modern world.

The objective of this work is to identify effective methods of economic reasoning for decision-making regarding foreign market entry given the challenges posed by new global risks. These questions define the logic of the research in the thesis.

Chapter 1 examines the methodological trends and patterns of marketing research on foreign markets in comparison with domestic markets. Attention is drawn to the study of micro- and macro-economic conditions of foreign markets and how global environment interacts with currently evolving risks. The chapter provides some theoretical base on trade theories and international economic relations needed for better understanding of newer tendencies, described in the following chapters. This chapter examines the application of the analysis of the current situation with the sources of information on the global market, its capacity, potential segments, key competitors and consumers.

The second chapter includes the case studies, one in a very traditional production segment and one from a modern technological business; both based in East Asia with roots back in the Western World. The cases studied are, to the author's point of view, an aggregative and typical examples of the results of interconnection and relations between two Worlds: West and East. Additionally, the different market segments described help to generalize the assumptions in the third chapter under the condition of fairly similar results for the studied cases. The chapter also contains an insight on more practical aspect of international economic relations, how companies penetrate new markets and reach their goals on international arena.

The third chapter concentrates on the conclusions from the gathered material. Assumptions in relation to changes in the global environment are made. Additionally, questions of future development of global marketing activities and how they are influenced by the risky environment of today are examined. Future prospects for active multinational companies are formulated with regard to current situation.

Chapter 1. Theoretical Framework of Global Risks in Relation to Marketing Strategies in the Global economy

In this chapter a number of introductory issues related to the topic of marketing strategies and global risks are discussed. The author concentrates on the theoretical framework for internationalization and globalization processes, as well as on the nature of global risks. The chapter contains an overview of the modern global risks landscape and concentrates on the importance of modern day problems in the field of international economic relations. It also examines the importance of international marketing and contains a theoretical framework for the forthcoming chapters. A historical overview of international trade, including a short outline of trade theories, is also part of the introductory chapter.

1.1 Introductory Framework and General Global Risks Map

The experience of foreign companies provides rich material for theoretical study and practical application in foreign trade activities and to enhance the international positions of companies. The fact is that the transition to the international level is not an instantaneous jump; this is a very complex process in which researchers usually distinguish several stages. The most common forms include exports (either direct or indirect), with the relationship established between partners and which remains purely commercial. In the next stage, the company can be committed to a stronger relationship, which should improve sales, create the conditions for longer-term deals and contacts. Under the participation in direct investment, which could lead to the creation of a foreign trade company or joint venture the companies reach a higher level of cooperation and penetration of a market. In this case, after a while the partner's share in the business may increase. If it will be 100% of the capital of a foreign branch, this stage will be called the stage of direct investment in a controlled subsidiary. Further strategy of international development involves the expansion of a foreign branch to the level of autonomous entity and turning it into a so-called stand-alone subsidiary. In several cases such autonomous branches transform into international or multinational companies. At this stage, the company must already perceive the international market as a single market, but a segmented one. These interdependent segments of the single market are already controlled from one center, from one mission control. A company is building its international activities, studying a variety of market segments at different stages of product life cycle, regions and countries. Thus, in accordance with the various forms of international activity a complex picture emerges from various aspects of international marketing. Of greatest interest here is the analysis of marketing in foreign trade/production and marketing of multinational companies. These forms of international marketing orientation are especially interesting for Western business.

The modern concept of international marketing includes a study of a foreign market for the purpose of aiming the future production of such products – which can be sold in international markets. Distribution in the system of international marketing combines the regulation of all production activities aimed at moving the product from the place of production to the place of consumption. Thus, the most important task in this area is the choice of distribution channels at strategic and tactical levels. Task allocation should be considered in close connection with the problems of communication, as the process of distribution today is unthinkable without communication support, therefore an analysis of the organizational aspects of international marketing is relevant, because it allows for more efficient use of available resources, adjusting the selected firm's strategy and affecting the final results of the company. Monitoring these outcomes allows to identify those areas where there are problems or find new unexploited opportunities. Marketing of modern international trade brings together a series of studies in various fields, and therefore all components of marketing activities should be considered in conjunction.

For Eastern European countries the issues related to international marketing are particularly relevant in the current situation. While western European and North American foreign companies have accumulated enough knowledge about the priority areas of market research, the Czech entrepreneurs for instance still lack such experience, as domestic companies only recently began to explore foreign markets (in comparison to the western rivals). Consequently, the study of marketing activities of foreign firms can help eastern European companies to take their rightful place in the global market.

It should be noted that marketing in multinational companies includes all the features of marketing in firms operating in the national market and, in addition, harmoniously combines the traditional theoretical models and constructions and a variety of new approaches.

Multinational companies (MNCs) use the areas of international marketing, which reflect almost all modern approaches of its definition and expression of its essence. There is a definition of marketing as market management concepts and marketing as a form of human activity directed at satisfying needs and wants through exchange and other market tools. Other definitions express marketing by a process of sales in organization, other – as a complex analytical process of market research, types of demand, the study of priorities of consumers etc. Such diversity of opinions confirms that the marketing as a system of economic activity is a broad concept, which can roughly be based on three aspects:

- Active marketing (market penetration)
- Analytical aspect (the study of markets, their capacity and demand, the activities of competing firms, consumers – segments and needs)
- Theoretical aspects (theoretical aspects of economic market research; awareness of the need to produce only those products that are in demand in the current market; predictions of demand in future)

Most often, there is a trend in marketing to narrowing it to an active phase, that is, basically concentrating on sales and sales techniques. But probably the most complete reflection of the different approaches is the definition of marketing in the broadest sense, where both economic and social processes are aimed at meeting the needs and desires of the people/consumers by organizing and providing a free competitive exchange of goods and services which are of value to the final buyer (Bennett, 1995).

Today, many multinational companies adapt to changing market conditions, brought by rapid technological changes, rise of emerging markets and the negative economic consequences of the global recessions and turmoil. Companies begin to realize that uncertainty and complexity of the environment are not the short-term consequences of recent crises (economic and financial), but are signs of a new economic setting. In response, the companies should not only change their attitude to risk, but should also restructure their business strategies and models in accordance with accelerated transformation cycles, which itself is another fundamental change. Not only external events have become more unpredictable and gained a far-reaching character, but also business transformation as such gave rise to new and more complex internal risks. To solve these problems a completely new approach to risk management is required. However, before addressing the issues of modern day, it's important to understand the nature and landscape of global risks (found in Chapter 1) as well as learn about the fundamentals of globalization process and how transformation of economic environment has been changing the World.

International trade and cooperation between nations has a long history. The early theories of international trade and labor division are contributed to by such mastodon authors like Adam Smith or David Ricardo, dating hundreds of years back. These thinkers argued the advantages and disadvantages of free trade and specialization, the pillars, which stand as a base for most international economic cooperation today. Since the early ages, very distant nations have found ways to trade with each other and therefore increase their wellbeing. The increasing number of individuals and companies in a given territory soon enough realized there was not enough space for prosperous market functioning within the given borders, so they quickly started to cross borders in search of new deals and larger markets. Wider collaboration and an increased number of connections also caused the first problems in the form of threats, which later developed into global risks and international hazards.

Just recently the World Bank released a big report on global growth (*Global Economic Prospects, World Bank*), which is to be led by the developing world. The study itself gives a pretty negative expectation of the world economic growth, yet it does not specify why there are negative expectations and does not provide the exact reasons for the bad outlook. The overpopulated planet with scarce resources naturally brings the economic prospects and development to a questionable success. However, the press release contains quite valuable assumptions (Worldbank.org, 2013). In particular, each region is subject to increasing risks, carefully divided into domestic and foreign risks, risks of overheating economies, risks of a possible derailing of economic and political reforms or even weaker than expected monsoon rains in South Asia. Even though the term *Prospects* goes logically along with the term *Risks*, the emphasis on the word Global is a key element here. In fact, the lack of precipitation or an excessive rain in Asia was not a major topic of concern for the Europeans back in the 13th century; however, today when the recent floods in Thailand increased the price for hard drives in Europe by a 100%[1], ignoring the factor of global risks is straight forward impossible FULLER, 2015).

[1] PriceSpy, (2015). WD Blue WD5000AAKX 16MB 500GB (Internal hard drive). [online] Available at: http://pricespy.co.nz/product.php?pu=737609

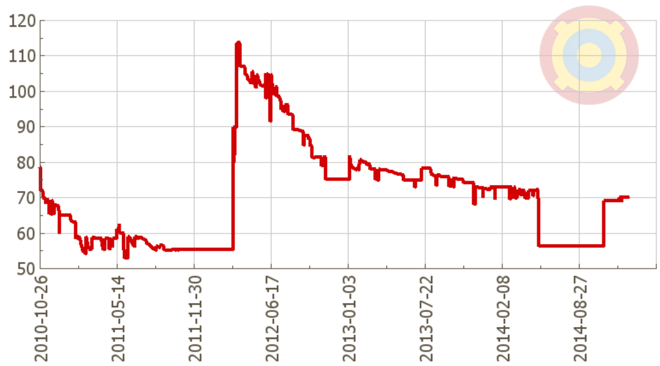

Figure 1 Historical prices for WD Blue WD5000AAKX 16MB 500GB (PriceSpy, 2015)

This simple example of the connections in the world's economy is easy to grasp. However, there is a whole cluster of hidden and not so vivid risks of an economic, social or geopolitical nature, which altogether create a system of barriers for the economies on the way to growth and success. It is impossible to find a universal solution for any problem and it is also clear that most of mankind is exposed to things like the hazards of water shortages, chronic fiscal imbalances or severe income inequality (Global Risks 2013, 2015). The World Economic Forum (WEF) provides a report on the global risks and shows a very informative map of risks that they tried to estimate and show not only the potential impact on all of us, but also the probability of this risk happening, i.e. the scale likelihood (Figure 3 Top Five Risks by Likelihood and Impact).

Figure 2 Map of interconnections of global risks in 2014, Global Risks report 2014

But the most interesting thing about the report from 2013 is actually a similar report by WEF released way back in 2006 (Global Risks 2006, 2006). Here are the five major economic risks in 2006:

- Asset markets bubbles (including the real estate market in the U.S.)
- Short and sharp price rise of oil, and high potential for rapid changes in prices in the long term
- Global imbalances in the current accounts
- Problems in China's banking system and geopolitical conflicts with China
- Fiscal crisis in developed countries

Based on a simple comparison, it hard to underestimate the significance of such reports, but more importantly, the threats global risks can bring. The system of relations between countries is so complex and versatile that each sector of economy needs separate research.

The author's point of interest in this area is on the marketing entry strategies companies develop and implement in relation to the global risks palette. To make clear and vivid research, this thesis will focus its efforts in this area based on the information from open sources, both of academic and practical nature. The region of interest is the East-Asian geographical region. The global risks landscape is discussed in more detail in section 1.3 of Chapter 1.

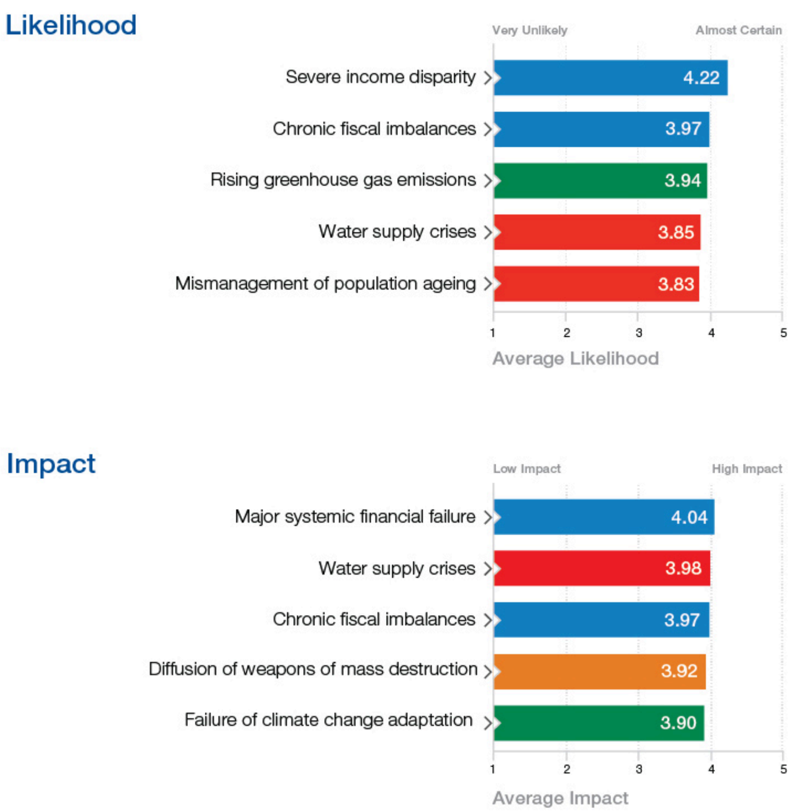

Figure 3 Top Five Risks by Likelihood and Impact 2013 (World Economic Forum, 2013)

1.2 The Concepts of Globalization and Internationalization

Internationalization is a process of establishing close relations between economic agents in different countries, in which the economic activities of one country are increasingly becoming a part of the global economic processes. There is no single definition of this process, but Adam Smith or David Ricardo first described the roots of these activities in their works of Absolute Cost Advantage (Adam Smith, 1776) or Comparative Cost Advantage (David Ricardo, 1817).

In the early stages, internationalization developed almost exclusively as a cross-sectorial international specialization. Further down the historical development, the process of internalization was more closely rooted to the specific sectors of economies. The production complexity was increasing. Technological specialization and rapid communications developments contributed to faster integration of economies throughout the whole world. Additionally, the formation of international economic organizations in the spheres of production, transport, communications, and international trade and finance took place.

The second half of the twentieth century saw an emerging development of huge companies with business interests spreading way beyond their national country borders. Additionally the international division of labor, outsourcing and increasing exchange of products became more vivid. Over the following decades, such processes were widely described in the scientific literature.

Along with the developments of the IT and networks, the powers of transnational companies were growing. These companies were able to quickly grasp the newest technologies and with the help of capital began rapid expansion, transforming into multi-sector conglomerates, utilizing their experience and financial power into turning their organizations into vertically integrated holdings, covering the entire production chain. These companies were functioning on the principles of specialization and cooperation of production at a global level.

MNCs (multinational company or multinational enterprise -MNE) achieve higher economic efficiency under the new conditions. By destroying the boundaries between national markets for goods, capital and labor and by establishing direct production and technical connections between separate organizations MNCs aroused the effect of internalization of the economy.

The next logical step was to broaden the technological and financial cooperation between a bigger numbers of organizations. Higher integration took place when whole governments were involved. Probably the best-known example of such integration is the European Union, with its open borders for member states, free trade, free movement of capital and labor.

Increasing internationalization is a feature of the contemporary world and its economic development, which is global in nature. The process of economic globalization is therefore understood as a consolidation of the links and interdependence of national economies. Globalization has various appearances, and in the economic sphere, is revealed in the process of internationalization of world production, the trans-nationalization of production and capital, economic integration processes.

In general terms, globalization is a more advanced form of internationalization. It is the process of cumulative increase of the significance of international contacts and relations. Globalization processes tend to take down the typical boundaries and barriers for economic activities flows, like trading or production outsourcing (E. Stiglitz, 2003).

Globalization is the unstoppable process of integration of markets, states and whole nations, with a much deeper integration of technologies. This enables individuals, corporations and countries to achieve their international expansion goals faster and more efficiently (Friedman, 2002). All of this of course, under the conditions of free trade, capitalistic structure of economies and steady development progress in the area of communication and interconnections.

Globalization and internationalization are characterized by the occurrence of special systems of transnational cooperation. Another typical characteristic is absorption of other enterprises and companies in a global scale as well as deeper and more profound establishment of joint ventures. Managers, marketers and technicians today solve almost the same tasks as a normal manager, marketer and technician 50 years back; however, the level of international cooperation is enormous in comparison to the previous state. Without any doubt companies and their management have higher responsibility and the effectiveness of their decision-making activities depends not only on one enterprise, but also on the entire industry. This also brings the question of global risks to the everyday agenda. Today, the enterprise is forced to not only study the local set of threats, but also focus on the wide range of hazards in a global scale.

Globalization and internationalization are fundamentally similar processes, yet globalization assumes the whole world acts as one entity, when internationalization very much involves the activities of adjusting and localizing the products and business activities to a much smaller set of rules and conditions, usually in accordance to specific country conditions. In other words, universal products or business activities should be adapted and localized in order to be easily accepted in different countries and regions throughout the world (Claudio Vignali, (2001).

1.3 The Nature of Modern Global Risks

At the present stage of civilization's growth, new obstacles appear every day. It becomes clear that it is impossible to go further in the progressive movement of humanity on the path of economic progress without solving these problems. Despite the fact that the economy is only a part of universal collection of human activities, the issues of security and the preservation of peace, natural environment and human environment, as well as moral, religious and philosophical values – all depend on the way the economies of separate countries grow and interact.

The value of global issues has increased especially in the second half of the twentieth century. They significantly affect the structure of national and world economies. Historically, the world economy as a whole was formed by the beginning of the twentieth century. As a result most of the countries of the world were integrated into one single system of interactions and connections (Gregory and Stuart, 2014). By the end of the twentieth century the territorial division of the world was more or less accomplished and in the world economy there were formed two poles. At one extreme end were the industrialized countries, and on the other less developed countries, which according to some authors may be called their colonies - agricultural and raw material appendages (Serequeberhan, 2003).

The latter were involved in the international division of labor long before the formation of national markets. The idea goes that the involvement of these countries in global economic relations actually happened not because of the need of their own development, but was a product of the expansion of the industrialized countries. Thus after the world economy was formed, the former colonies were forced to maintain the relationships between center and periphery for many years. Such contradictions could be found in many aspects of human activities starting from basic individual needs for food and water and ending with the levels of education and the aftereffects of poor knowledge between societies. That's where the current global problems and contradictions were originated (Wells, 2006). The main criteria for classifying a particular problem in the category of globally recognized contradictions therefore are the assumptions of its scale and the need for joint efforts to address it.

Over the last decade, the expansionary fiscal policy of the USA and the rapid growth of China were the two main engines of global financial flows. Today both of these trends create a risk for the global economy, as they have reversed and have an inversed dynamic now. The economies throughout the World and especially the developing countries should now adjust to the changes and stay prepared for the forthcoming threats. Being able to recognize the trend in time is a crucial ability.

The financial stability is crucial for the economic growth and development. Following the Asian financial crisis of 1997-1998, developing countries began to accumulate significant foreign currency reserves to protect against the risk of external indebtedness. This was an aftermath action to what had already happened. But they made the same mistake by ignoring the global trends and still were not able to spot the internal difficulties, e.g. with the fundable loans markets or mortgage bubbles. After the global financial crisis that erupted in 2008, interest rates have dropped, entire businesses of the size of small European economies went out of action (The Telegraph, 2008), and eruptions in the lending markets were caused. The private sector of largest emerging markets, including the BRICS countries or even South Asian developing economies like Indonesia were affected (Thejakartapost.com, 2009).

Although the help of the domestic capital resolved these bursts, these economies developed a habit of being dependent on the financial flows from developed economies. North American and European economies pumped large amounts of liquidity into the financial markets, which today are global. The U.S. Federal Reserve has suddenly become a very powerful organization with strong positions influencing the developing countries, causing their reliance on capital inflows from abroad. Such processes are obviously dangerous.

The crisis of 2008 caused funding cuts in foreign currencies due to the increase of loans in local currency for the developing countries, but paradoxically since the central banks of developing countries relied on large capital inflows from abroad to stabilize the exchange rates of their currencies, the local exchange rates became more stable and as a result, the global impression that the currency risk is reduced was present, which led to even bigger foreign capital inflow.

With that in mind, the long-term depreciation of the currencies of developing countries and, in turn, a significant rise in interest rates threatens to bring credit crises like those that plagued the developed countries in the last decade.

The interdependence of economies and the inner circulation of global economic processes once again showed the significance of the awareness about how the global economy functions. Today, it not enough to implement a ready-made solution for crisis evasion from a detached economy in another economy.

According to the "Global Risks Report 2013" by the World Economic Forum, significant income disparity and chronic financial imbalances are the most serious global risks for 2013. The first place among the biggest concerns of 2014 belongs to the *Fiscal crises in key economies, which is then followed by structurally high unemployment/underemployment risks*. Severe income disparity is the fourth major concern for 2014. It is also worth mentioning that the *Failure of a major financial mechanism/institution* or a *Profound political and Social instability* are among the top ten concerns.

The results of such anxieties may be the following: if investors are concerned about the extreme debt burden of any state, the respective governments will face a rise in interest rates, inflationary pressures and difficulties in paying debts to other countries will occur.

Rising unemployment regardless of the cyclical character, if it remains high for a long time, causes the labor force to simply lose their skills. In countries such as Spain, where youth unemployment exceeds 50%, the risk of losing an entire generation of professionals is severe (THOMPSON, 2013).

The increasing gap between the richest and poorest citizens in some countries may lead to social bursts and the downfall of governments that are normally harmful to economic development. Global differences and the polarizing incomes between developing and developed economies is another threat. The excessive wealth and extraordinary corruption were among the motivating factors for the recent revolution in Ukraine for example. The difference between the level of life of the corrupted empowered nomenclature and people who were struggling to survive under unbearable working conditions and increasing risks of repression was a huge contributing factor to the following economic and social disaster (Yanukovich.info, 2014).

Five years after the collapse of U.S. investment bank Lehman Brothers, many economists still fear a repetition of such a disaster, expressing doubts about the asset quality of today's major financial giants. A similar bankruptcy of a major bank or foreign exchange regime will again have a shocking impact on the global economic system, as happened back in 2008.

Ukraine's crisis showed the whole world that worsening political and social instability causes not only economic difficulties but also lets unfriendly states use the situation to their advantage (Kyiv Post, 2014). The chauvinistic and senseless behavior of a political figure (meaning of course the *almighty* Russian president) that is apparently not "in touch with reality" may cause dramatic disaster on the global scale (Paterson, 2014).

Economic collapses may lead to governmental collapses, social riots, regional or global instability and armed conflicts. Military aggression and the aggressive international trade policy of one of the countries may worsen investment and undermine the financial market in the region (Lally and Branigin, 2014).

The WEF has grouped the risks into five categories for the 2014: economic, environmental, geopolitical, technological and social. Economic risks, apart from the mentioned above, also include a *liquidity crisis of banks or in capital markets, economic shocks from oil price hikes*, the *failure of large infrastructure networks* as well as the *declining importance of the U.S. dollar as a global reserve currency*.

Among the geopolitical risks are *increased corruption, intensifying activities of international crime and trafficking, large-scale terrorist attack*, as well as the *deployment of weapons of mass destruction, provoking international conflicts.*

According to the WEF, the world is at risk from international disputes, which can escalate into violence and armed conflicts. Disquiet also causes resource nationalization as well as the desire of some countries to expropriate or restrict exports of important resources for the world economy.

Tragically, the world is able to witness all of the above-mentioned risks actually being implemented into life today. The occupation by the Russian military forces of the entire region of Ukraine should, with the strongest appeal, bring the interest of all governments and economic agents to the problems of global risks. Otherwise, they may soon face the reality of foreign aggressors nationalizing their property (Siddique et al., 2014).

1.4 The Growing Importance of International Marketing

In today's global market, the term *marketing* is often perceived as a term international marketing, it is implied to be international. Local marketing activities are conducted in relation to the international environment and are frequently a part of the global marketing strategy of an enterprise.

Mankind saw rapid development and improvement in the communication and transportation technologies over the past few decades. The strengthening of international relations as well as an increased mobility of the population in developed and developing countries allows the World's diverse geographical regions to become more interconnected and codependent. The faster these processes are progressing, the more there are opportunities for companies to expand internationally. Developing countries have plenty of tasks to solve, and race the developed world to catch up with western living standards and technology.

Nevertheless, each country or nation has a rich history, customs and traditions and distinct cultures. Within the G20 countries, there are nations, which differ greatly. These states represent around 85% of global gross domestic product and over 75% of global trade. Representing two-thirds of the world's population these economies differ significantly. Simply looking at a map of this group of countries gives a clear picture of the diversity. As a result, even the most successful countries require some adaptation to local market conditions from their partners and vice versa. Additionally, the legislation of many nations creates some barriers of entry of foreign goods and companies on the local market. Together with the turbulent international environment and global risks, the need to adapt products and marketing strategies brings new challenges to the business environment.

International marketing is normally assumed to be a set of activities and concepts of management of international activities of the company that focus on problems of end clients or customers in different countries. The construction of international marketing strategy of a company has to comprehend the strategic goals of optimization and often expansion of business activities abroad. The marketing activities in a globalized environment cover activities for standardization of products, prices, marketing communication mix including the distribution channels and promotional campaigns (4 Ps). Globalization does not generally respect the differences between nations or regions; however, internationalization respects market segmentation, adaptation of marketing mix and strategies, which should be tailored in accordance to the local needs. The successful strategy is to combine both approaches in a mix.

One of the conditions for existence of international marketing as we know it today with instant information exchange, rapid changes in every aspect of marketing mix, high levels of knowledge between groups and market segments etc. – is the existence of fast technological process and rapid development of telecommunications. Under the condition global supply and demand, the isolation of a national market is simply unimaginable; it is impossible to function in the isolated business environment.

Also, one of the distinct representatives of *today's marketing environment* are the multinational companies (MNCs), companies that perform international activities, various affiliated companies (subsidiaries, branches, joint-ventures with international structure etc.). International activities, which are believed to be the object of international marketing, can be classified according to different principles: scale, geography (exporting and importing activities, foreign trade, and foreign trade activities), forms and types of transactions (regular trade, international construction projects, scientific and technical cooperation, acquisitions and mergers etc.).

To stay effective and to become highly competitive, companies are required to implement the methods of international marketing. Furthermore, to endorse new product or service with specific characteristics, the marketing strategy and mix is to be selected and developed separately. The reason is to fulfill the companies' goal in the globalized world, which pushes the enterprise to become more versatile as well as to stay localized and to be protected against the risks of the environment.

1.5 International Trade and Key Trade Theories

International trade in a simple form is a system of international economic relations, which contains import and export of goods and services and is based on international division of labor. The world market is a set of interconnected and constantly interacting national markets of separate countries, which participate in the international division of labor and are related to each other in the system of international economic relations.

The main forms of economic relations between two countries are:

- International trade
- International export of capital

- International labor migration
- Scientific and technical cooperation
- International financial and credit relations

Foreign trade is a trading system of countries. It consists of the export and import activities with commodities and services. The development of international trade was mainly due to the unequal distribution and of economic resources and affordance in different countries. Some countries are able to be more effective and productive along with the different level of technological progress around the World.

Foreign trade can be measured in absolute and relative terms. The main markers are the volume of imports/exports, the value of trade (sum of exports and imports), foreign trade balance (the ratio of exports and imports), export potential and export opportunities.

The main objective of international trade is the capability to overcome the limitations of the separate nation's limited resources (both natural and gained) as well as an increase of capacities and the entrance on the external markets. The subjects of economy need to stay connected with international markets and use the advantages of the differences in production costs and technological development.

There are three basic theories of foreign trade:

- Absolute advantage theory (Adam Smith)
- Comparative advantage theory (David Ricardo)
- Heckscher-Ohlin theorem

According to the theory of absolute advantage, a greater gain can be obtained if each country will specialize in the production of goods in which it has the exclusive or absolute advantage. According to the theory of comparative advantage, each country can gain more rewards, specializing in production of those goods, in which it has a comparative advantage. This country will then exchange such goods for the goods, the production of which is a comparative advantage of the other country. Finally, according to the Heckscher-Ohlin model, countries will seek to export the excess production factors and import scarce factors of production. In other words, the circulation of goods between countries is to be compensated by relatively low provision of factors of production within the global economy (Heckscher et al., 1991).

The American scientist of Russian origin Wassily Leontief carried out a famous study, which did not confirm the conclusions of the Heckscher-Ohlin model, in 1953. By conducting a few empirical tests, he showed that the conditions of Heckscher-Ohlin are not true in practice. However, today labor rich countries export capital-intensive products, while countries with excessive capital export labor-intensive products.

There are a number of factors which influence the competitiveness of different countries; these include the level supply of resources, the demand conditions, the number of active firms/subjects, the related and supporting industries as well as foreign trade policy of a country.

The trade policy can be characterized by the level of the openness of the economy and the will of the government to build barriers of entry on their home markets. Free trade policy is the theory and practice of non-interference in international trade; on the contrary, protectionism is the practice of foreign trade regulation aimed at protecting economic entities of the national economy through fees, taxes or administrative regulations of trade. The aim is to protect one or more sectors of economy from foreign competition. The measures of protection therefore may contain tariff barrier - levying customs duties.

Basic forms of such duties are:

- Ad valorem tax- a fixed percentage of the price of the good;
- Specific taxes - fixed rate per unit

- Mixed taxes – a combination of percentage of the price and a specific tax

Along with the direct approach, a government can choose a more sophisticated form of protectionism. This includes non-tariff barriers like export and import quotas, the introduction of a state monopoly on trade in certain goods, licensing, export restrictions, complicated customs procedures, technical and sanitary standards or currency export restrictions.

Chapter 2. Market Entrance Strategy Alternatives of B2B Oriented Companies in the East-Asian Geographical Region

This chapter is concerned about a deeper insight into the interconnectivity of the globalized world and international economic relations. A bigger emphasis is shown for the more practical aspect. The chapter starts with a discussion on the specific ways of entering a foreign market and continues with the practical part of the work – the studied cases. The cases are devoted to specific companies involved in international trade and production. The chapter ends with an insight on the significance of an informational framework for strategic marketing planning.

2.1 Market Entry Strategies and Methods of Global Companies

As a first step, the company essentially should analyze the possibilities of the international market. To do this, managers need to understand the influence of the global market, especially the international trading system. Managers should be able to assess the political, economic, legal and cultural characteristics of each separate foreign market and their interactions as a whole. The company must decide whether it will enter the international market considering the potential risks and benefits of such a step. Secondly, a company decides and chooses which markets to go to. This decision involves determining the capacity of international sales, production capacity, and the number of potential partner-countries, most likely rates of return on investments and the levels of risk.

Before entering an overseas market, a company usually tries to determine the goals and strategies of its international marketing strategy. Most of the companies heading for new markets start small. Some purchase minor shares in joint ventures, hoping for future growth and at the same time minimizing the current risk. Other companies have more extensive plans and deeper cooperation; they view international business as equal to domestic business or even considering international cooperation as a vital continuation of the company's growth.

The next step for entity is the decision on how many markets it is going to enter. Generally, it makes more sense to operate in fewer countries, concentrating activities in each region. The attractiveness of a new market depends on the particular product, geographical factors, the average annual and other macroeconomic data on the population, political climate and other factors. Companies may give preference to certain groups of countries or regions (Jagdish N. Sheth , 2011).

It is appropriate to analyze and evaluate each option according to several criteria, including market size, market growth potential, cost of doing business, competitive advantage and risks level. The aim is to determine the capacity of each market using indicators such as those listed below:

- **Demography** (population, the population growth rate, degree of urbanization, the population density, age structure and composition of the population)
- **Geographical characteristics** (the physical size of the country, topographic and geological characteristics, climate, geographical position, accessibility of the main logistic routes etc.)
- **Economic factors** (GNP per capita, distribution of income, the growth rate of GDP, the ratio of investment to GNP and numerous other macroeconomic data)

All resolutions in the expansion of the marketing activities should be considered in conjunction with these measures. The decisive factor is the acceptance or non-acceptance of goods in the markets of the targeted countries or regions, as well as returns on investment. In that regard, deciding on which markets provide the greatest long-term return on investment is an effective and simple tactic.

The next logical step for the company is deciding on how to enter the market, either through export of business activities or via direct investment. Many companies start out as simple exporters, gradually moving to joint business activities and finally starting to invest directly into infrastructure and the foreign market in general. However, more and more businesses are using joint ventures as a starting point in international cooperation in today's globalized world.

Additionally, the firm should be prepared to allocate the necessary resources to secure the initial and further stable position in the market. This brings the company to developing a strategic marketing plan, having considered the levels of adaptation or standardization of all elements of the marketing structure or in other words the 4Ps: product, place, price, promotion.

The key factor for success is also a functional team for effective implementation of a strategy. For international operations, a firm can create different organizational structures. Some companies eventually become global organizations; global marketing is planned and managed by senior officials of the company. Global organizations see the whole world as a single borderless market. Managers constantly evaluate their international marketing plans and apply control methods to produce the desired result of the operation.

Managers should be able to implement a series of measures to prevent any sort of global risk. Such instruments may among others include system re-engineering, partnership, agility practices and a risk management culture. Managers quite naturally try to implement practices of risk mitigation and impose strategies, which systematically improve company's tactics to making global sourcing decisions (Christopher, Mena, Khan, Yurt, 2011).

2.2 Research Methodology for the Studied Cases

In short, the methodology for the studied cases will be based on theoretical aspects and assumptions, ideas and concepts as well as comparative cases. From the point of view of methodology, it is significant to note that research and the selection and implementation of a strategy are the two main aspects and are of equal significance. The stages of the two activities are performed simultaneously. Pursuing a strategy implemented on the basis of previous studies ideally allows continuing to conduct research to find new strategic decisions or extend the scope of existing strategic alternatives.

Any market research is based on a systematic continuous processing of information on the market situation. Globalization brings three trends that lead to the need for more adequate and extensive marketing information:

- Transition from local marketing to national scale marketing.
- Conversion from buying needs to customer needs.
- A tendency to customize goods and not compete on price. Make the best out of other features and search for bigger value added.

The main sources of information are chosen to present the most diverse and the most common opinions and research. The data processing is made from official statistics -- i.e. official statements, business information appearing in periodicals, brochures, etc. On the basis of such data, conclusions on the main market trends and forecasts are made. The vast theoretical data from marketing and economics is used to build the foundation of practices and to explain the future projections.

Segmentation of the market is the first step taken to breakdown the potential customers by geographical, economic and other characteristics in order to find the most promising market segment to focus on. The aim of this work is to concentrate attention on industrial goods, so the objects of research and interest are the size of business or the importance of firms and customers, total and relative numbers of contracts, specificity of primary production, goodwill, solvency or the level of technical evolution and quality of production.

However, the research is tightly connected to the problem of foreign direct investment, so a crucial piece of research is the principles and practices of the investment process in the particular region. The market segmentation in a global scale with a further division into subsections is taken into account. The study of macroeconomic dynamics, industrial restructuring and conditions, infrastructure development, trends in scientific and technological progress is all examined to predict the investment activity shifts. It is also important to allow for the priorities of the state policy, as in terms of the significance of economic power, as well as in terms of specifics of the East-Asian geographic region.

2.3 Case Studies

2.3.1 Description of and Rational for the Selected Case Studies

The author has chosen two cases of international cooperation of two Western companies in the East Asian market. The first one is a high-tech company dealing with manufacturing of its goods in Asia. The second one is a more traditional business, concentrating more on the use of cheap labor force and searching for a perfect combination of skilled and cheap worker. The high-tech company is Apple Inc. and the second entity is a German foundry holding DIHAG, a company from Essen with more than 100 years of history.

Both of the companies originate from developed countries, both have expertise and both use the latest technologies. However, the difference between them is that Apple's key markets are Western countries whereas DIHAG's aim was to enter the Chinese market. Both companies searched for and used the most out of collaboration with a local partner. The form of cooperation and the results of the cooperation were different. Additionally, the timing was perfect for the purposes of the research, as both of the companies have been active in recent years, i.e. a time of turbulent development of globalization processes in the World Economy.

Apple Inc. is an American company which designs and manufactures computers and telecommunications devices. Additionally, the company develops its own software and is active in the entertainment business through services of selling and buying of digital content. The company is a pioneer; it was first to produce a smartphone of the new generation – iPhone, the one that revolutionized the industry. Since then, the company has been active producing and presenting devices with groundbreaking features. The company is also well known for its personal computers, used by a wide range of customers: starting with industry professionals and finishing with housewives and celebrities. Apple Inc. was founded in 1977 and its headquarters are in Cupertino, California.

DIHAG GmbH, is a German foundries holding, serving the needs of manufacturers for more than 100 years. The company was established in Essen, Germany and it has rapidly developed into a holding with factories in Germany, Poland and Hungary. The company supplies the producers of machinery, shipyards, producers of wind turbines or smaller manufacturers of machinery parts like engines or bigger construction fragments. Eighty percent of the company's sales are in Europe and the remaining part comes from the Asian market. Only 2% of company's products are sold in the USA. The organizational structure of the holding is so that each separate plant is independent to a certain degree and is a separate legal entity. Thus, for example, the oldest factory in the group started its operations back in 1412. The company has a rich history and traditions and is headquartered in Essen, Germany.

2.3.3 Apple Inc. in East Asia

The first case the author will focus on is that of the American company Apple and their long-lasting relationship with the Asian market. Apple employs around 40 000 people in the USA; it is a micro figure for a company with market capitalization of around $500 billion (Finance.yahoo.com, 2014). The world has seen a steady development of technologies throughout its history. The last couple of hundred years has been the time, when people searched for the most proficient and cost-effective ways of producing goods, whether it is an assembly of a General Motors car in the USA or a stainless steel pan production in a small factory in France.

The biggest companies of the World, which deal with real production, employ hundreds and thousands of people. Years of specialization made whole regions or even countries experts in specific field of production. The cost of production is a crucial factor and as a matter of fact, a production cycle for one product may include several regions or countries. The question producers ask themselves is where these people/facilities are located and how the final assembly of a product is made. It is also interesting to find whether there is a connection between globalization and the practices of the producers. Should they adapt to the changing environment? How will the new challenges and global risks influence the marketing strategies of the future?

Before we can answer these questions, I would like to get back to the Apple case. If Apple's IPod is believed by some authors to be the product that saved Apple (Myslewski, 2011), iPhone is definitely a groundbreaking product, designed for the newborn generation of people, who will rely on technology packed in a small steel and glass device. The triumph of American technology and western "brains" is appreciated by millions of satisfied customers (The Times of India, 2014), yet probably nobody has given much thought to a phrase engraved on the back of the device: "Designed in California, Assembled in China."

Nevertheless, there is quite specific reasoning behind Apple's decision to manufacture in Asia. More than that, Apple's executives say that going overseas was the only possibility for the company to produce the device (Duhigg and Bradsher, 2012).The ideas and vision of the CEO (*Steve Jobs*), brought new challenges to the developing process, on the other hand minor changes to the design brought need for bigger changes to the production process. It was no longer a question of manufacturers' capabilities; it was a question of the will of the customer, or in the Apple case, the will of the company's CEO, Steve Jobs. For example, Steve Jobs wanted a glass screen for the new iPhone, which at that time was basically not possible according to the advisors. He wanted the screen, which would not scratch, which would have the specific dimensions and the exact finishing. It was possible to produce the required number of glass screens in the USA; however it was impossible to assemble millions of parts in precise times and in appropriate quality.

The solution came from a company called Foxconn, which just happened to employ 500 000 people in China, in one city with 13 of its factories, specializing in electronics contract manufacturing. The company with revenue of $128 billion was able to facilitate and produce the needed amount of products for Apple, in the short-term and best possible quality (hon industry, 2014). Foxconn operates worldwide and is producing by estimates around 40% of the World's electronics (Duhigg and Bradsher, 2014). The operations in China are very flexible; Foxconn is able to hire thousands of workers who work as long as 12 hours a day, live at the factory and are very skilled. Such working conditions are almost unimaginable in Europe or the USA. An iPhone made in China's Foxconn factory is worth $500-800 in retail prices in USA and Europe; however, only $11 worth of salaries and materials "stay" in China (Duhigg and Bradsher, 2012). It takes 141 steps required to assemble an iPhone and almost 24 hours of labor (The Week Staff, 2012). China is far away from calling itself a high-tech innovative power; however, they make everything possible to become more competitive under the new world order – In particular, by building technological innovation parks.

Key elements of such science parks are spaces, resources, services and workforce. A science park can be created in a German field near Munich or in Texas, but it will lack one condition – high-class professionals working there under acceptable conditions. Another condition of a successful science park is the close relation to the production facilities, easy interaction with the authorities, financiers and various stakeholders – all ideally located in one city or urban area.

There are 224 science parks of a national significance in China, 1344 at the provincial level, and 69 in universities. For example, one of the science parks, TusPark, provides students with practical training and part-time jobs as well as gives them an outlook for the future, all under governmental financial support. The park is located near the university, so scientists and students do not need to go anywhere or travel. These students are ready and willing to cooperate with the Western companies, developing new products and producing them in the facilities nearby (TusPark Co., Ltd Beijing P.R.China., 2007).

A company entering the Chinese market may spend half its time trying to negotiate with the various authorities; in a park, all of these questions are taken care of by the administration. Secondly, smaller sized companies are not able to start any negotiations simply because they are not big enough. This doesn't happen in parks. Any company with an invitation from a park will be invited to the table for talks. Companies may also enter the park and share a plot with another entity, cutting the costs and prospering from mutual cooperation (Doctroff, 2005).

Just recently, at the end of 2013, Apple and Chinese mobile operator China Mobile signed a long awaited agreement (Bradshaw, 2013). The agreement is that from January 2014 China Mobile starts selling iPhone 5S and 5C in People's Republic of China. Apple is going to get from this cooperation an entry key to the largest market in the world and billions of dollars in additional revenue. *"China - an extremely important market for Apple"*, said the head of Apple, Tim Cook (Bradshaw, 2013). China a huge market with 1.2 billion people and China Mobile alone has more than 750 million customers. Apple has led negotiations with China Mobile since 2011.

2.3.4 DIHAG A.G. Case

The Apple case showed an increasing popularity of cooperation between companies that are global in all aspects of their business. The most notorious peculiarity is the distance between the centers of where the decisions are made and the products are manufactured or sold. Ironically, an iPhone produced in China at $11 cost is then imported back to the country and is sold for around $800 after all taxes applied (Yu, 2014).

Over the decades, China has proved to be an increasingly good partner for international joint venture projects. Chinese obviously need sources of new technology and Western countries, those who possess a groundbreaking technology are in constant search of lower costs, labor in particular. Of course, the Apple case showed that not just the cost of the labor and the flexibility and the quality of the whole manufacturing process are all key elements. Without a doubt, China is also a huge potential market for the ready goods.

The case of a German company DIHAG, a manufacturer of steel products has cooperated with a Chinese venture – GSFFG in a form of an international Joint Venture to form a company with German technology and Chinese access to the market. In other words, the Germans provided technology, product design systems and training, while the Chinese side was responsible for marketing and selling activities.

DIHAG is a holding company, employing more than 2000 people in Europe; the annual turnover is around $800 million. DIHAG is essentially 11 foundries, producing a wide range of caskets and other steel parts. The major market for DIHAG is Europe, so, quite obviously the increasing demand in American and Asian markets is one of the major points of interest for the group. Their mission statement is to become the biggest foundry group in Europe by improving the quality and innovating products constantly. However, the holding wanted to cover the increasing demand in East Asia. The holding's existing clients were having troubles with ordering bigger parts and caskets directly from Germany; they needed the German quality but could not bear the shipping cost and shipping time. The aim of the holding was to use the advantage of the cheaper labor costs and use the best of the existing experienced workers from foundry sector. After consideration, the management decided to build a plant in China, transfer a molding line from Germany and establish a business partnership with a Chinese company, already operating in a steel casket sector. The right partner – GSFFG, was chosen.

DIHAG was entering into a thriving market, with the Chinese economy boosting year after year. Moreover, China became a member of the World Trade Organization on 2001, which brought new challenges to the domestic market as well as opened the path for foreign investment into the country.

2.4 Factors Influencing Strategy and the Significance of an Adequate Informational Framework

Among the variety of factors influencing the strategic decisions of CEOs and managers, the cornerstone is the risk they take, daily or repeatedly, when making the decision on the strategic steps. To this day there is an established understanding of the level of risk for specific entry strategies. However, the changing environment brings new challenges and the current assumptions may be alternated.

The simplest assumption management can make is of the potential profitability on the target market. However, in a global economy a company is faced with challenges of greater difficulty. For instance, it is vital to evaluate the needed market share in order to best use the economy of scales, or the production capacity to the fullest, or having such cost level of production, which will allow the company to stay *cost effective worldwide.* The ability to influence the price policy of the competition can also lead to an attainment of an exact market share for the company.

One of the lowest risks to be taken by a company is when entering the market directly (James, Chandran and Phatak, 1985). This can be implemented in a form of a new company established in the destination country, direct export or manufacturing contract. In a direct exporting strategy, the enterprise sells its products directly to customers or to the importer/partner in the foreign market. In this case, the company must apply a full set of marketing tools in accordance to the marketing research, ending in the development of a marketing strategy. The approach is straightforward and depends on the quality of the research and the abilities of the company to use a wide range of additional tools.

The scope of operation is another factor to be taken into account. If costs and production volumes in the enterprise vary according to a certain proportion, then we can talk about the effect of scale of production or the economies of scale.

In the process of analyzing, planning, implementing and monitoring of the effectiveness of marketing activities, a certain amount of information must be known by managers. A quality informational framework allows the company to reduce financial risk and a danger, gain a competitive advantage, monitor the marketing environment, coordinate strategy, and evaluate the effectiveness of activities or to guide the managers.

The information in the informational framework can be divided into two wider groups; it can either be primary or secondary. Primary data is originally and specifically conducted for a particular marketing problem solution or research. It is collected in accordance with the exact purpose and it has a recognized and controlled gathering methodology. Usually, the results are available to the company and should be protected from competitors or the public. Such information is reliable and accurate. Of course, thorough activities bring negatives in the form of longer processing time, higher cost and often inability of the company itself to collect all the necessary data and finish the project.

Secondary information is also a valuable source of data; however it is data, which was previously collected for purposes other than those of the particular marketing research in mind. Secondary sources of information can be divided into internal (like budgets, reports, invoices, inventory, previous studies, etc.) and external. From the globalization perspective, the external sources of information are becoming more interesting for decision-making. The main sources of external secondary today are considered to be official publications and data from national and international organizations (annual reports, analytics, etc.), government publications like ministries, municipal committees and public organizations. Additionally, publication of the chambers of commerce and associations, collections of statistical information, books, magazines and newspapers as well as publication of educational, research and design institutes and public research organizations are all a valuable source of information for marketers.

The informational age brings this information at almost no or very little cost; it is possible to process the vast clusters of data efficiently and in short time. Of course, such info may still be incomplete, old or not reliable. The biggest disadvantages of secondary data are due to the fact that this information was originally collected for purposes other than the customary objectives of a specific marketing research. Nevertheless, such data is vital for general economic characteristics review of the market, info on selected sectors, national and other features when entering a foreign market.

The inability of the company to correctly evaluate the results of the research or process the collected data may become a bigger problem with ongoing consequences in the future. The most important issue is the assessment of the reliability of the study or data. The question each researcher asks before the main work on the report begins is what range of information to use. The answer can be obtained by consulting, issuing questionnaires to understanding exactly what problems are to be investigated.

Managers then compare their strategy with the findings of the researchers and the obtained results. This is done to distinguish between what information is really new and valuable for the decision making process. In the case of Apple Inc., the data collection is a vital part of the product design and manufacturing. Apple commits to launching new products regularly, in specific time frame intervals. Time pressure on the research and development team leaves no space for mistakes. So, if the wrong kind of data is used to evaluate a certain stage of, for example, production or sales promotion – then in the interconnected system like Apple Inc. all the following or joined actions will have negative consequences for the company. Time is money as well as quality data is expensive, that is why it is important to have a stable and well-organized informational system in the company before entering any new market or spreading the activities overseas.

The main focus of this work is the risks influencing the global strategy of a company. The year 2014 has seen a devastating chain of events in the war conflict between Russia and Ukraine, when the Russian Federation annexed a part of the territory of an independent state.

In the modern communication space and in the global information society, the value of intangible resources like knowledge, information and communication is constantly growing. One of the most important factors is the information and communication technology. So, being able to control the stream of information and the sources, which spread the information, can be considered as a modern weapon. A number of authors have already described the Russian invasion of the Ukrainian territory and the annexation of the Crimea peninsula as the new kind of war (Applebaum, 2015). The informational war is not a new invention, yet, in the age of new technology, the significance and importance of spreading the lies has got long lasting consequences. The invasion of Russia is a great example, where the state propaganda machine spreads vast amounts of untrue facts influencing the mind of whole nations (Shinkman, 2014). Two types of risks are emerging because of the wrong and untrue data. The first one is the diluted information framework, which will lead international companies to erroneous and incorrect conclusions, for instance, on their decision to enter the Ukrainian market. The second type of risk has a criminal nature, it happens so that the whole nation can be manipulated into accepting a number of fictional stories as facts (U.S. Department of State Office of the Spokesperson Washington, DC, 2014).

“*No amount of propaganda can make right something that the world knows is wrong*.”
– President Obama, March 26, 2014 (U.S. Department of State Office of the Spokesperson Washington, DC, 2014) .

Chapter 3. Findings and Implications

This chapter examines the previously formulated assumption at an even deeper level with an insight into the future development and possible future theoretical research. In sections 3.1 and 3.2, the effects of the influence of a turbulent global environment on the marketing activities of multinational companies are discussed. These are seen from the perspective of tight interconnectivity of international economic relations. The new trends and specifics of our modern time are discussed in the next section. The chapter ends with a section dedicated to the futuristic insight, based on the current state of international affairs in the field of marketing in Global economy.

3.1 How Global Economic Risks Affect International Marketing

Globalization, rapid technological growth and political risks all begin to create unknown and unexpected conditions for international marketing decision-making process. The traditional patterns and risk assessment as seen in the Dihag A.G. case are almost powerless in the analysis of today's apparently random events. The ability to predict a firm's scenarios of future developments becomes limited.

The general offshoring trend to move capital and technologies from West to East and companies' strategies to focus on capitalizing on this trend have also led to new relationships and interdependencies between different risks. For example, the rapid growth of the middle class in Asia has made the region more economically stable. Wage increases in China bring challenges to the producers from the West, as companies are seeking to reduce labor costs and are shifting production to other countries in the region, such as Vietnam, Indonesia or India. Awareness of the complexity and intricacy of the presently existing risks requires companies to understand that creating a risk awareness internal culture will help reduce unexpected losses. Implementing a risk management culture between senior management can help in assessing the issues of current performance which can give a completely different result as was anticipated in planning and researching philosophy just a decade ago.

Companies searching for success should assess the risks of action and inaction, excessive and insufficient reaction or response. Being able to weigh these risks and make better decisions on the basis of available information is crucial. The use of analytical data models and tools to communicate information about decisions to quantify success and adjust the selected strategy in the implementation process is the correct way to survive in turbulent times.

One of the major challenges to global stability is macroeconomic risks. Debts and budget crises influence the wellbeing of people and reduce their earnings in many countries of the world, making the economies less flexible and leaving the youth with little choice. The growing property gap among the population can seriously undermine the position of the middle class, reducing the number of its representatives to a critically low level. High youth unemployment undermines the credibility of governments and leaves the countries without the main sustenance for long-term development. In recent years, the financial crisis forced the governments to cut spending, but the problem of the gap between expenditure and income was not resolved. All these processes can lead to significant social turbulence in the coming years.

The companies need to adapt to the new order and learn how to survive and expand under the conditions of fiscal crises, unemployment and underemployment or even lack of fresh water and climate change. Among additional problems are various forms of pollution, environmental and man-made catastrophes, use of the Internet for criminal purposes, risk of abuse of new technologies etc.

The interconnectivity of global processes creates a business environment, where companies think of competing in the long run, with plans for sustainable development. They base their marketing practices in accordance to the new, different environment.

The Dihag Case

In Germany, the growing engineering production produces an increased demand for forgings and castings, widely used in agricultural or mining industries but also in machinery production in general. The new German political will to decrease the influence of energy dependency from the East has led to a rapid alternative power development. One of the ways to receive alternative power is through wind turbines, manufacturing of which is almost fully dependable on the castings. So there is a great potential for casting producers as well as a greater threat in case the long-term governmental programs are terminated.

The strong global competition for parts and supplies also has an impact on the forgings and castings producers. The increasing demand for such products brings additional challenges and forces the companies to look for cheaper and more effective production possibilities, quite often outsourcing its production.

The technological progress brings new challenges to the usage of new materials or slightly modified ones. Shortages in the supplies or an increased demand for a specific component can have a significant influence on the price levels for both semi-produced and ready products.

Dihag A.G. was not able to provide more flexibility for management to respond to market risks and risks associated with the transformation of the business. Schemes readiness to accept risk can play an important role in improving the decision-making process with risk landscape in mind based and in accordance with the company's strategy. Due to the sensitivity to external risks such as energy prices and problems associated with the supply chain, Dihag A.G. needed to apply stress testing with double force. Understanding the impact of changes in the regulatory framework of the local market would have helped greatly too.

The global recession brings complications to the domestic markets and forces the start of deeper international cooperation in order to cope with the decreased domestic demand in Western Europe and an increasing demand in the East Asian area. The inability of supporting the foreign demand means an opportunity lost in a long-term with possible implications for the wellbeing of the company.

Apple Case

A study from the Asian Development Institute suggests that Apple's cooperation with East Asian companies and Chinese manufacturers in particular widens the United States' deficit. The study suggests that in the sector of high-tech innovative production, such as iPhone manufacturing, the global cooperation invented worsens the trade deficit of the inventor-country, in this particular case the Apple Inc. They suggest that the iPhone added US$1.9 billion to the American trade deficit with the People's Republic of China (PRC).

Among the reasons of such drastic consequences are the globalization processes, well-organized international production networks, rapid development of cross-country production fragmentation, and low transportation costs. All of these factors contribute to the decision making process of companies like Apple to cooperate with foreign business ventures, such as Foxconn. However, such decisions contribute directly to the US trade deficit reduction.

The global production network allowed to reduce the cost of manufacturing and reversed the trade patterns. Countries like the People's Republic of China or Taiwan produce and export high-tech products produced at a relatively cheap cost. However, the inventors of such high tech gadgets are importing these products back into their domestic markets, thus facilitating the movement of the products they invented themselves from a foreign country. Thus, there is a significant bilateral trade deficit between markets-absorbers and the export-platform countries (Xing and Detert, n.d.).

It is needed to mention that for such technologically advanced company as Apple Inc., risks associated with the impact of digital technology on intellectual property, reputation and brand value are very important for the upcoming years. Conducting audits of intellectual property, reputation and brand value today is engaged in a relatively small number of companies. Companies involved in production of consumer goods, like smartphones for instance, which are progressively entering the markets where there are no highly effective mechanisms to protect intellectual property, need to extend the application of intellectual property audits. In other words, the problem of intellectual property safety is crucial for future success and being able to stay competitive in such a complicated cultural environment as China.

3.2 Significance and Impact of Global Risks on the Business Environment and Marketing Strategies

Today, particular attention is paid to the analysis in the study of perspectives of marketing activities of a company in the environment heavily influenced by global risks. Management of progressive companies comes with response marketing strategies, in order to reduce the influence of factors of risks. One of the main marketing strategies, which needs adjusting to new global conditions is marketing entry strategy.

In order to withstand the changing environment, companies need a certain amount of resistance. They can actively increase resistance to emerging risks; for example – implementing a system to monitor the situation and have early warning calls, using scenario planning and having flexible collection of response to risk tools risk. People and organization are other vital factors. A growing number of companies that conduct arrangements, such as a development of incentive schemes for performance of the risk assessment and qualification of personnel in order to identify gaps in their skills in accordance to risks palette increase the chances of a company to withstand even severest turmoil.

Technology is the factor, which is hard to overcome in strategic planning. To eliminate the growing risks associated with digital technologies and social media companies should increase the audit of intellectual property, brand and reputation, as well as take measures to reduce the risks identified as technological risks. Companies of the future generations will most probably be able to introduce more sophisticated techniques to identify hidden influences and connections between risks based on large data collection. This would be impossible just a few decades ago. Surprisingly, the development of new technologies and more powerful computers also bring the pros. Fast growth of tools to integrate data into bigger clusters and process it faster will both help the companies and reduce the human factor involved in complex data processing.

In today's complex business environment, where organizations and markets form a multifaceted, interconnected, global network of economic relations – risk threats can spread with the speed of light. Such a simple and inevitable thing as a natural disaster can start a chain of events, which in the end will bring severe financial damage not only to specific individuals and firms but also to whole courtiers. It may start by destroying some local infrastructure, continue as a deficit of financial liquidity on the regional market and be transformed into a mini crisis of financial markets for instance. In fact the global aspect of such drastic consequences means the risk can spread between continents. In this regard, building a system of foreseeing such risks and having a set of tools for immediate action should become a part of any companies entry strategy planning. In other words, if somebody is anticipating an international activity on the global level, one should be prepared to act in accordance to global environment with its crises and huge collection of risks.

On the other hand, some consequences can be overseen and fears never be realized. Despite predictions that a Greek, Italian and Spanish default would cause a chain reaction collapse of the economies in Eurozone countries did not actually happen. The increasing standards of living in China bring the real estate market to the top, however the inevitable consequences of a new real estate bubble are not actually seen and haven't been reported in any major periodicals.

Under such conditions it is important for corporate executives to constantly keep improving the effectiveness of risk management systems that would cope with such shocks in an increasingly complex environment. As a result, those responsible for risk control in various industries, should expand the list of their methods of risk management, starting with the scenario analysis and stress testing activities. Due to the significant increase in the number of unknown risks, many companies should pay special attention to improving organizational sustainability and plan contingency scenarios.

Despite the fact that companies are adjusting their risk management strategies and are taking into account irregularities and changes in the global market, they also would have to deal with excessive demands and expectations on the part of external actors. Macroeconomic influences are a powerful driving force, which increases the risks associated with globalization, the emergence of new technologies, data collection and processing and other trends. This directly concerns the market entry strategy of a company, as the macroeconomic situation for the time of a life cycle of a product is a central influential factor.

However, it is important to understand all the complexity of this approach. The slow pace of the US economic recovery, economic and fiscal problems in Europe, as well as other factors can cause a situation, when investors become more cautious, even though the company's decision making, transformations and implementation of marketing strategy were previously adjusted to the local conditions and forecast of the local developments in China, for instance. On the other hand, governing public authorities, which in light of constant negative economic events and scandals in business community have consolidated an appropriate authority, extend the scope of supervision and control.

The client's base is another risk factor. Customers who have received more choices are becoming more demanding. The great example is Chinese metropolitan agglomerations, modern cities with the Western living standards and European or American nominal wages. Consumers there are armed with digital technology, forcing companies to deal with issues such as sustainable development, environmental standards, regulation of labor relations and the involvement of local resources – All under the formal communist regime. It is a situation, almost not imaginable just 20 years ago. Such influence of external players and factors further complicates the risks landscape as well as accelerates and increases drawbacks suffered by companies for their mistakes on part of the market and macroeconomic evaluations.

Summarizing the above, it is clear that the essence of the formation of a global marketing strategy in the first place is to make informed decisions about international markets in which the company will work, ways to reach these markets, as well as measures to adapt the basic marketing strategy to the specific conditions of local markets. At the same time, despite a huge amount of changes that occur in the global market, most companies have ambitions of internationalization of production and access to international markets in order to obtain benefits in terms of research, production, logistics, marketing, finance, which are not available to their competitors. On the other hand, there is always a certain amount of risks associated with marketing activities. These risks may have short-term or long-term consequences on the company's profitability or whatever goal it may have.

Being able to actively seek such risks and address them in timely manner may bring benefits to the company's performance. On the other hand, ignoring the risks landscape may put the business into trouble. The tricky part comes when the planning and managerial activities are conducted under the conditions of a modern globalized World, where the prediction of risks becomes harder and harder every day. Therefore, the activities aimed at eliminating such risks should take place from the very beginning of the building of a marketing strategy for the company and that is why global risks are significant to marketing strategy planning.

Thus, in accordance with the various forms of international activity a complex picture emerges from various aspects of international marketing. Of greatest interest here is the analysis of marketing in foreign trade/production and marketing of multinational companies. These forms of international marketing orientation are especially interesting for Western business (Bosman and Winden, 2006).

3.3 Information Access Challenges and the Ever-evolving Interconnectivity of B2B Relations Under Global Conditions

The dominant factor in the current stage of development of civilization is a phenomenon that can be defined as *information revolution*. The information revolution is the result of two parallel developing processes throughout the history of mankind. Firstly, it is a process of continuous increase of the role of information and an increase of the amount of information. On the other hand, these two processes were necessary to ensure the viability of human society, and the process of development and improvement of technologies, accumulation and dissemination of information.

Major factors of globalization in the late nineteenth and early twentieth centuries were a locomotive, steamer and telegraph. Major factors of globalization today are containers, jets, the Internet and mobile phones. Integration of communications and computers is a technological revolution of our time. It was hard to imagine today's level of communication just 30 years ago. Information increasingly adopts the digital form, and the world is becoming more interconnected. A revolutionary transformation has come.

Informational and telecommunication technologies play an important role in the marketing strategy planning of a multinational corporation. It involves easy moving of necessary information as soon as possible to any point on the Planet. Vast clusters of information can easily fit on a small physical carrier, or can simply be transmitted using the Internet. Electronic information can be transmitted without any extra effort. In addition, the information may create new types of information and types of marketing data.

Thus, many companies are dependent on information, and build their marketing in regard to the level of telecommunication the World has reached today. Sales of goods literally without any physical sales point are so frequent, that giants like Amazon are investing into technologies, when specialized robots will deliver the packages directly to the customer from a centralized warehouse without any intermediates (BBC News, 2013).

Consequently, marketing activities of modern multinational companies create new markets and support the old markets for goods and services between countries and sectors of the economies. This process also broadens the education between social groups on the new technologies and forces the global progress to step forward. The informational environment created by the knowledge that promotes the sale of goods directly or through intermediaries, allows a client or a business to business partner to have an independent access to the manufacturer and to reduce the costs and use the economies of scale to the fullest.

Digital transformation is becoming the latest source of new risks. The continuing evolution and wider use of new digital technologies and telecommunication technologies in different industries is leading to a number of risks for different companies. Such transformation of the business can make companies more vulnerable to technological risks in general. The most significant risk is the failure of large-scale software and IT technologies to provide the anticipated performance. Many development and software companies are aggressive on the market for new complicated software, which enhances the data processing, eliminates storage lost risks and speed up the communication.

However, the threat to security of cyberspace, including the potential theft of confidential information and other computer crimes, becomes a very serious problem for any sector of economy. Today, computers are everywhere; the cost of a computer is almost neglected. So, therefore, the access to technology is more affordable and brings in more players. Companies need to monitor the effectiveness of control for protection against cybercrime, because if it is broken, it can affect the safety and reliability of the whole business model. Thus, acknowledging such risk factors should become a vital part of the marketing planning.

Some concern is brought by the impact of social media. Considering social media as a valuable channel of communication is a popular trend. It brings certain benefits to gaining valuable marketing data, like tracking public opinion. However, companies should consider that social media could harm the brand or undermine their reputation. This question is particularly relevant for companies that face stricter regulatory requirements for marketing of products and services.

However, companies should continue to engage in long-term investments in technology. On top of that the additional incentive is to have a certainty, that their intellectual property is protected. The trend here is for the companies to establish and organize production in developed countries, where the laws governing intellectual property, ensure better protection compared with the legislation in emerging market economies. Innovative technologies can radically change the position of a company in terms of competitiveness.

In today's digital world, a variety of computer risks, ranging from system failures and gaps in protection of intellectual property, rights violations and negatives brought on the part of social media can have a negative impact on performance. It is crucial that those responsible for risk management, take into account the risks associated with digital technologies in their workflow and contribute to the distribution of information on these risks across the organization. This means that regular audits of intellectual property, brand and reputation to ensure adequate protection of your assets should be implemented in future in successful enterprises. Being able to afford adequate software and programs is a beneficial advantage. The company should obtain effective mechanisms for tracking new digital concepts and introduce new mobile technology for solving work tasks.

Marketing communications between corporations are based on the information resources and technologies that are the core infrastructure of marketing. The trend of recent decades as was said earlier is the movement of marketing technologies in the virtual world: the Internet, a specialized information network. B2B partners are no exception. New networks allow for deeper cooperation and interconnectivity. Speaking of post-industrial development, it is good to mention that such interconnectivity favors the process of globalization. They sweep away the state borders; the world itself has become a space of intensive form of communication, the availability of which is not limited by geographical distances. The results are modern global markets, sophisticated information society, new economic map of the world that creates preconditions for marketing technology of the future.

The basis of the control system in the postindustrial society becomes a network structure in which the global projects are unfolded. Using the principle of network structures – decentralized control systems appear. They are based on the design of the program approach to the organization of activities and the formation of partnerships between participants. The system allows partnerships to scale global projects in such a way that each participant carries out activities proportionate with their part of the project. Coordination is carried out by jointly developed priorities, goals, concepts (or design ideology) that define the general direction of developments. Network structures have a high degree of stability, based on a system of *risk sharing*. Therefore, in the globalized world, sharing the information about the risks landscape becomes more effective.

Hence, the network structures are changing the nature of competition: they tend not to monopolize, and to build partnerships that ensure stability of the system as a whole and allow the possibility of large-scale projects. The effectiveness of marketing techniques that rely on shared infrastructure created by the participants is increasing, thus saving costs.

3.4 The Future of the Risk Landscape Development and its Influence on Marketing Strategies

Vast amount of information is the distinctive characteristic of today's global economic environment. Integrated data on risks and their nature is often combined with a system of key risk indicators – all done in effort or the companies to try to make the data more transparent and accessible to the management of the organization.

As data volumes will continue to grow, the processing systems will come to the forefront of technologies. This means it will be harder to provide immediate results in research and analysis. This brings complications both to planning and everyday activities of the marketing departments of multinational corporations. The problem faced by many organizations is that they must collect disparate and complex data from hundreds of different source systems. The need in cutting-edge technologies will grow significantly. Data architecture in many companies is a tangled web of data in different places, with different types of systems for different purposes. It is important to mention again, that from the author's perspective, tools and technology to collect relevant data and process it is a vital part of marketing strategy planning in future.

Managers that are responsible for the risks should also take necessarily steps to adjust the traditional tools of risk analysis, as many companies lack capabilities to identify and anticipate emerging risks. Although the risk prioritization system is used widely, their methodological basis can have serious deficiencies and one-sided thinking and does not provide a rapid response to changing conditions.

For this reason, it might be possible and more efficient to create a system that can quickly identify communication and the impact of risks internally in the company. In the futuristic scenario, it would be brilliant to have a system, where with a *push of a button*, the senior management team can receive instant results and ready for planning materials. For example, a modeling system can be created, which responds in accordance to import data like macroeconomic indicators or a natural disaster scenario. As an output data it will provide the financial and marketing results of such devastating influences.

Of course, this is just a sci-fi assumption, but business transformation requires a balanced change in respect of the organization and risk management approaches. Time has change for the perception of risk and its interpretation. If a company does not learn how to resolve unforeseen risks and especially new combinations of risk, it may harmfully affect the confidence of their customers, shareholders and regulators. Enterprise managers and those responsible for risks have to get used to the fact that they need to apply more complex, objective, quantitative methods, and not just a personal judgment or older research techniques.

It is a good idea to determine whether the approach to risk management is in coherence with business transformation. Here, the main characteristics for assessment whether organizational structure is ready and is risk tolerated, whether management is able to suggest response to unforeseen, multi-level risks that arise in the process of market and business transformation. In today's unpredictable, unclear and dynamic business environment, corporations need structures that are resilient to any risk, no matter when and where they strike. Therefore, successful organizations of future will strengthen direct links between risk management, strategic and operational planning and implementation of marketing strategy to ensure timely transmission of information and efficient decision-making. This will also allow determining the strategic direction and the need to adjust the course of the company. Management team will more actively use the internal system to monitor the situation and have early warnings to identify existing trends, as well as stress test the company to identify the main weaknesses. More flexible scheme of management and planning and risk-based corporate culture that challenges traditional philosophies can enhance the effectiveness of risk management in future.

All of these trends should become a part of the marketing entry plan of a company, for as it was stated before, the vital part of business operation for the international player on global market is the ability to penetrate foreign market, implement its strategy and stay competitive and successful for the specified amount of time. This also brings the question of managing risks to be an integral part of marketing. Top management should be actively involved in the implementation of the changes and the formation of a conscious attitude within the entire organization. A strategy to secure potential risks, such as resistance within the organization and on the market will be the main priorities for companies in the nearest years.

Conclusion

Marketing in today's international arena assumes a use of the widest range of tools designed to help the company to orient production and sales in foreign markets. Businesses can choose a variety of methods based on the resources available to them and decide independently whether to implement market research or seek the internal help of their respective companies. In any case, it should be remembered that in the current situation markets are very dynamic: changes affect economic, political and socio-cultural spheres. The depth of these changes, the differences in each particular market, the rapid growth of developing countries etc., all add up to the rich palette of factors to consider when choosing a marketing entry strategy.

Consequently, the main requirements for international marketing activities can be summarized as flexibility and effectiveness under specific conditions. However, the term specific *conditions prescribes* the biggest issues in the area. My paper is consolidated on the matters of global risks and how they influence the market entry strategy of a company. My goal was through theoretical and practical examples to demonstrate that entry strategy depends significantly on the global risks landscape and is associated with and defined by the interconnectivity of global economic affairs. Circumstances can always arise in such a way that previously tested marketing techniques will not be effective at any stage of implementation. Therefore, it is necessary to continue to study international marketing in order to find new approaches to solutions in international trade and manufacturing.

Multinational corporations are a driving force in the worldwide processes of internationalization and mounting economic interconnections between the individual states. Due to the recent intensive development of the world economy, and especially due to substantial improvements in terms of trade and foreign direct investment, firms have a much wider than ever range of opportunities for the presence in foreign markets and are increasing their competitive forces.

Multinational corporations are rapidly expanding and diversifying their activities, based on extensive and intensive methods around the world. The activities of MNCs spread to almost all countries of the world, including Africa, Latin America and Asia. The particular interest of this paper was devoted to the area of South East Asia, where the rapid development of production in the past few decades allowed thousands of partner companies from the West to establish new subsidiaries and production facilities. These companies were actively involved in the trade and capital movement between nations. The scope of this paper did not allow for a much deeper study of a bigger number of cases; however, the author believes this work may provide a useful ground for further research. Given the up-to-date character of the matter, the problems of global risks and their influence on different aspects of company's activities, including strategic marketing planning will be deepening, thus opening opportunities for new scientific and economical studies.

Chapter 1 discussed the issues of today's global environment with reference to previous research and some theoretical pillars of the past. The modern environment brings new challenges in the form of global risks. It is important for present entities to study their risks landscape and be fully informed about the possible complications such risks may bring. The Global Risks report brings a comprehensive collection of data, freely available to corporations, where they can find valuable statistics and assumptions – which, in the longer, run can affect their activities and help exclude the risk factor from their business activity. On this basis, multinational corporations can focus on the optimal allocation of their own resources, exploit wider opportunities or minimize the unfavorable effects resulting from uncontrolled action on the part of the environment.

In Chapter 2 the agenda on global risks and their impact on marketing activities of multinational companies was discussed under the prism of practical data, based on the studied cases of two corporations. The inability to determine a precise risk landscape can lead to disastrous effects, as we have seen in the case of the German steel products manufacturer Dihag A.G. The failure to adjust to local conditions, unwillingness to accept the cultural differences and ignorance of the global risks, which deformed the price levels of sources and final products, collapsed the joint venture in China. The case about Apple Inc. could explain the fact that the strategies of multinational corporations increasingly involve new forms of functional and cross-functional integration between the divisions of the corporation. Following the strategy of comprehensive integration, MNCs organize and reorganize their operations around the world in such a way as to ensure the maximization of utility located in different countries of tangible and intangible assets. In this regard, an internal corporate system of international division of labor, in which individual units can be placed anywhere in the World is formed. It improves the profitability of the company as a whole. The strategy of such complex integration is aimed primarily at finding and maximizing the benefits derived from the activities of the company in numerous markets around the world and an integral part of the real embodiment of this strategy seems to be marketing entry strategy of a company.

Chapter 3 was focused on the assumptions of the current state in the international economic relations environment; part of the chapter was devoted to the search of future insights on the matter. The main trends in the world economy over the past decades have led to increased demands on the competitiveness of corporations. An effort to preserve and harden competitive advantages has become a part of a complex integration strategy of MNCs. As part of this strategy, strengthening of internal communication, internal market research becomes more extensive and more functional. It is important not to forget the influence of modern technologies and the extremely diverse world of information. The level of progress in telecommunications brought a new palette of risks associated with the cyber world and the world of computers. Risks associated with data protection and the effectives of internal processing are no longer a problem for a selected amount of companies with large capabilities. The wide availability and low cost of technology allows an extremely large number of companies to create a network of interconnected units, where internal interdependence is very strong. This brings threats along with the positives. The informational flow is smoother and faster, however any of such systems is as strong and adequately protected and as it's weakest part.

The pandemic nature of risks found in the interaction of seemingly unrelated events directly influences the political, social and economic life in different countries. Despite the fact that the economic literature prefers responsive or proactive strategies to reduce risks of international business, the turbulent globalizing economy is developing so rapidly, that the existing forecasting methods (under the condition of stable economic and political situation) are becoming unreliable. The fundamental requirement of risk management should be the cornerstone of the marketing strategy in general and of the market entry strategy in particular. Using the latest knowledge and learning about the current risks landscape may serve as a preventive measure and gain better results and profitability in future both for international and national business, which in the end helps the World become a better and safer place.

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