THE ADEQUATE FRAMEWORK IMPLEMENTED AT STATE LEVEL FOR EMERGENT COUNTRIES

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The sustainable evolution of an emergent economy could be framed in a corporate model, highlighting one of the ideas Joseph Schumpeter rounded in his academic research, the idea that a corporate model can better protect a nation, region or state union by decreasing the need of an intervention through government action and only by maintaining a connection between market' needs and the private sector, having as result a smoother demand cyclicity (this way lowering the chances for technological breakdown on production factors and repercussions shifted in the economy). This research paper states that there are relations that could be built on capitalist structure with noticeable results in increasing economic performance, all these happening between state and corporations and also tries to underline the macrotrends that result from following this path.

Key words: *economic strategy, emergent countries, transaction costs, risk.*

JEL classification: F15, F43, F63.

1. INTRODUCTION

The sustainability idea results from Schumpeter's analysis on *"healthy"* economic growth of about 2% per year (according to the analysis done for the 1890 – 1940 timeframe, including also the unsustainable growth before the Great Depression, the yearly average for the 1890 – 1929 timeframe was of 3,8% economic growth). Practically, the relation between government action and corporate governance could be seen as the relation between urban management (city management) and business management, this way the research represents a reasoning vehicle for the economic environment of an emergent country by using an integrated corporate governance approach for solving the problem (Bodislav, 2014). The higher purpose for the city/corporation is to attract investors/shareholders by offering them advantages that are not found in similar areas, but in tune with the economic logic to maintain a competitive environment for the local governmental apparatus and an efficient relationship with the city's villagers, or maintaining the organizational culture that is in line with employees and the business's initial purpose.

For the complementary economic framework we could put the spotlights on the theory of a working political democracy in ideal conditions (Becker, 2003). This theory states that an ideal democracy is similar with the system of free enterprise in a given market, underlining here the ideological convergence between democracy and capitalism.

2. THE 360˚ PERSPECTIVE

The vantage point is strongly shaped by surfacing the idea of efficiency in *assuring functionality* (corporate governance) for an economic sector at a higher level than what could

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the state offer through governmental action by its doctrinal approach. The exemplification is done through a sector of the economy because according to the competitive approach in democracy we have similarities between an economy and its sectors and a corporation and its divisions, this shift in output development is based on a specialized governance that is done inside corporations (division directors or department' managers) and by individuals or work groups inside economic sectors (ministries and state secretaries – Bodislav, 2013).

Corporate governance models were always efficient solutions in obtaining sustainable economic growth, and now they could be used for solving governmental issues because they have similar constituent elements in their development as states or companies.

3. THE EUROPEAN CONTEXT

At European Union' level there are top – down pressure and bottom – up pressure that force countries and corporations to adopt practices that tend to be unique. These practices are accepted voluntary or imposed through European directives and create a sole market for countries and multinationals and singular markets for its mechanisms (Bodislav, 2014). This research draws an unique vantage points had by each nation from the institutional and multicultural perspective.

Functional connections between countries and corporations were underlined in the literature from the transaction costs (Williamson, 1975), organizational development (March, 1991, pp. 71 – 87) and business strategies theories' perspective (Porter, 1998), these being empowered by the cross-disciplines observed from the competitive advantage's perspective and from the development's perspective towards new geographical markets and the production method based on outsourcing.

To observe the parallel between developing a new direction for the new state governance model and the development cycle of multinationals, theories were rebuilt (Vernon, 1966, pp. 190 – 207) at mid 20th century and the result follows these 4 stages (Brakman et al. 2009, p. 342):

- A company brings to the market at sale' level a new product that fulfills the needs developed in a geo-economic market;
- The product develops momentum in the market; it is well received by new consumers. This fact drives the new product being exported to new markets, especially to markets where consumers tend to have same preferences with the initial market's consumers (the Linder Effect – 1961);
- External markets for exports are catching on momentum, this fact gathers to the natural pace of market development and spurs companies to open new subsidiaries to efficiently absorb the needs risen on the market;
- While external markets grow and the new subsidiaries develop, the rate of production development grows until costs drop (the so-called: *optimized scale economy*), reaching on the medium and long run the threshold of when subsidiaries become exporters to the initial market, all these moves on the medium run and long run being marked by the company's headquarter country' macroeconomic indicators because the capital flow is seen in the development of the Foreign Direct Investment indicator.

To observe the relation between being on your own and going large with external support, corporations need to develop relations with the exterior, especially with some companies that could vertically integrate some non-core business solutions, like the corporation's equity; this could be executed at state level also, because the state needs external partners to evolve (Bodislav, 2013). It could evolve without a direct connection with these partners (the case of creating GATT or the European Union), but with these connections activated it can function linear, without syncope and with vertical and horizontal work flows. Through new vertical and horizontal work flows we understand the idea of: development support, financial aid and direct economic support.

To select between a technical investment for development (*non-equity*: licenses, franchises, etc.) and a physical investment (*equity*: competitor acquisition, suppliers, integrators, Greenfield investments or alliances), we need to deduct also new paths for entering the markets (Bodislav, 2014). Another development type is based on the way through which it is distributed and executed the property right and the analysis for developing new operations on new markets or the acquisition of competitors on targeted markets.

Alliances deliver advantages that consist of better know how of the targeted market and risk reduction, but with a big disadvantage: an indirect control and vision of the future regarding the new developed entity. The transaction costs theory is an important component that validates the choices made through the multinational behavior (Caves, Mehra, 1986, pp. 449 – 481; Brouthers, Brouthers, 2000, pp. 89 – 98).

The choices made based on the option presented above show the development of multinational behavior, including strategies based on FDI flows and systems for new market entrance. To enter a market, the selection objective' function for multinationals is based on three major paths:

- The involved risk (at microeconomic and macroeconomic level);
- The size and forecast of the market;
- The availability and risen costs for entering the market with an effective production unit of a multinational.

4. CONCLUSION

The risk could be yielded through a simultaneous entrance on similar markets (we could call it: *country hedging through market portfolio* – Bodislav, 2014). The size and market forecast is yielded by correlating it with the external attractiveness of the market, especially the FDI flow created towards a country. The capital, labor and land represent an important component in executing new business on a new breached local market, this fact being rounded also by the cost and availability of needed raw materials. According to these descriptions made in the academic literature, this is the work vision of multinationals on entering new markets (Bartlett, Ghostal, 1989):

- **Global Strategy** – standard production, the focal point is maximum profitability by replicating the business model of the mother-company;
- **Multi-Domestic Strategy –** political, economic, cultural, social and national influences that are taken in consideration by the marketing, branding, business development components and the link to the new market's country' government is tight for succeeding in integrating the local market in the global business' flow;
- **Transnational enterprises –** balancing between the options presented above and including equilibrium between decentralizing and centralizing.

To sum up, we could state that the information presented above clearly states that globalization empowers the idea that it offers geo-economic space to multinationals, this way having the possibility to choose one of the work models presented above and on the long term could represent the adequate framework implemented at state level for emergent or developing countries.

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