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THE INTERNATIONALIZATION PROCESS OF COMPANIES IN THE AIR OF GLOBALIZATION

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***Abstract*: The current international economic environment is characterized by its dynamism and imposes on companies a cosmopolitan vision of economic activities and commercial strategies. In the current situation, internationalization is one of the key elements for the smooth running of a company and its future prospects. But we must bear in mind that exporting is not an easy activity and requires a medium-term vision and a clearly defined strategy. In any case, the decision to internationalize a company responds to the desire to grow. In this sense, the size of the company should not be an obstacle to its expansion beyond the national territory.**

The process of internationalization is a gradual one: first, it involves exports or occasional imports, followed by a phase of regular international activity, and finally settling abroad through commercial or productive subsidiaries. The main objective of the present study is to evaluate the different types of processes involved in the expansion of a company's activities abroad.

***Keywords*: Internationalization, company, Foreign, Investment, Market, Export, Incoterms, SWOT analysis**

I. INTRODUCTION

Globalization defines the integration of markets on a global level with, at the heart of this principle, the implementation of international commercial strategies leading to a unified world market. Globalization characterizes in particular the development of exchanges and human interactions all over the world. This process has been made possible by trade liberalization, advances in information and communication technologies, and the modernization of transport means. In theory, globalization is accompanied by the disappearance of national borders.

Internationalization aims to open up new market shares internationally by finding commercial outlets. It is an offensive expansion strategy. The principal motivations of companies to internationalize are among these: To increase the independence of the local market's economic cycles, Access to a wider market to find more outlets, improving the image, Getting more profitability, Increase production capacity, Diversifying commercial and supply risks, Reduce costs by increasing production efficiency.

A. EXPORTATION

Export can be seen as the beginning of internationalization. It is the action of marketing abroad part or all of the production of an enterprise from one country to another.

It is a means for the enterprise to ensure its development and to face international competition.

It has many advantages and also risks, to do so you need to know-how and master all the processes and procedures which are involved.

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a. Types of exporting companies:

There are consisted of two types:

- Exporting companies
- Partially exporting companies

b. The different types of exports:

- *Direct export:* the company sells its products itself via the Internet or through a sales force in the country of the destination.

- *Indirect export:* the company sells its products abroad through specialized companies.

- *Partnership and alliance*: This consists of the union of companies of identical nationality that export complementary or similar products.

c. Advantages and disadvantages of the different export modes

Mode of export	**Specifications**	**Benefits**	**Disadvantages**
Direct	***Direct export through a foreign agent (as a foreign intermediary)***	-Low entry fee -Moderate financial risks -The agent overcomes entry difficulties	- Low transaction profitability -Strong dependence on foreign distributor/agent -Inability to gain international experience - The agent/distributor can find a better supplier -High transport costs -Potential trade barriers
	Direct export via a foreign distributor (such as a foreign intermediary)	-Relatively low staffing requirements -Lack of marketing costs	
	Direct export via a representative office	-Physical presence on foreign markets -Direct contact with foreign customers -The permanent possibility to respond to foreign market signals	-The relatively high costs of maintaining a representative office -High transport costs -Potential trade barriers
	Direct export via an own foreign distribution company	-Physical presence in foreign markets -Very good direct contact with foreign customers -Full control of the sales process -Relatively high profitability compared to other forms of exports	- High cost of entry - High cost of maintaining own distribution network - Construction time of the company's own distribution network
Indirect	*The sale of goods or services through the national intermediary*	- Low entry fee - Low financial risk - Entry difficulties are based on the domestic intermediary - Low staffing requirements - Lack of marketing costs - The least complicated mode internationalization - Relatively simple extension sales markets	- Low transaction profitability - Total dependence on domestic intermediaries - Lack of knowledge about foreign markets - inability to gain international experience - The domestic intermediary can find a better supplier - An intermediary can himself start production in the country
Partnership and Alliance	*Export grouping*	- Distribution of costs for partners - Synergy effect	- Dependence on the export partner(s)

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B. EXPORT PROCEDURES AND FORMALITIES

a. Incoterms:

For all export activities all over the world, there is a universal language between the different actors in this field.

They determine the division of roles between the contracting parties, i.e. their respective responsibilities regarding the transfer of costs and risks between the seller and the buyer.

This language is called incoterms which is an abbreviation of (international commercial terms) Incoterms are indispensable and unavoidable.

The four important pillars:

- **Delivery**: Where and when has the seller fulfilled his obligation to deliver the goods?
- **The documents:** Who must make available which documents or EDI messages (Electronic Data Interchange Equivalent)?
- **Risks:** Who bears the risk of loss or damage to the goods?
- **Costs:** Who pays what?

b. The 9 services to be divided between the buyer and the seller:

1-Packing

2-Pre-routing

3-Customs export formalities

4-Loading main transport

5-Main transport

6-Transport insurance

7-Unloading Transport

8-Import customs formalities

9-Post-transport

c. The different types of Incoterms 2020:

<u>ANY MODE OF TRANSPORT</u>

Incoterms	**Main characteristics and transfer of risks between the seller and the customer**
EXW **Ex Works**	The seller is only responsible for having the goods packed made available at the seller's premises. The buyer bears the full risk and costs from there to the destination including the loading of the cargo.
FCA **Free Carrier**	The seller is only responsible for delivery to the named place. The seller is responsible for loading. Risk and cost are transferred to the buyer as soon as delivered to the named place. Unloading is the buyer's responsibility
CPT **Carriage Paid To**	The seller arranges the transportation and costs to the named place at the destination. Risk is transfered to the buyer once delivered at first carrier.
DAP **Delivered At Place**	The seller delivers the goods to the agreed place at the destination. The seller assumes all cost and risk until the goods are ready for unloading at named place at the destination.
CIP	The seller arranges the transportation, costs, and insurance on behalf of the buyer to the named place at the destination. Risk is transferred to the buyer once delivered at

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Carriage and Insurance Paid To	first carrier. The seller is required to obtain extensive insurance cover complying with insurance cargo clauses (A) or similar clause in the buyer's name.
DDP **Delivered Duty Paid**	The seller delivers the goods to the agreed place the destination. The seller assumes all costs- including import formalities, and risks until the goods are ready for unloading at the named place at the destination.

SAE & INLAND WATERWAY TRANSPORT

Incoterms	**Main characteristics and transfer of risks between the Theseller and the customer**
FAS **Free Alongside Ship**	The seller Is responsible for delivery of goods at the port alongside the vessel. From this point onward, risk and cost transfers to the buyer.
FOB **Free On Board**	The seller is responsible for delivery of goods loaded onboard the vessel. Risk and cost are as soon as the goods have been loaded onboard the vessel.
CFR **Cost and freight**	The seller cover costs of freight to the named port of the destination or place. Risk is transferred as soon as the goods have been loaded onboard the vessel.
CIF **Cost Insurance and Freight**	The seller covers cost of insurance and freight to the named port of the destination or place. Risk is transferred as soon as the goods have been loaded on board the vessel. The seller is required to obtain minimum insurance cover complying with Institute Cargo Clauses (C) in the buyer's name.

C. FOREIGN DIRECT INVESTMENT

a. Settling abroad as the final phase of internationalization

Moving abroad is seen as the last stage of internationalization, and even the beginning of the multinational.

This expansion of the company can take place in different ways which are:

- The creation of a subsidiary or branch office
- The acquisition of an existing production or marketing unit
- Setting up a joint venture

Companies generally take these measures when:

- ✓ There is a potential market
- ✓ Tariffs or other restrictions that make it difficult to export, among other things.
- ✓ Local government provides incentives to invest in the country
- ✓ There are productive resources that make the investment profitable, such as low labour costs.

b. Advantages

- ✓ Good image of such a company on the local market
- ✓ Reinforcement of the company's network
- ✓ Innovation
- ✓ The highest potential is profitability
- ✓ Rapid entry into the target market, in the case of (acquisition of an existing unit)
- ✓ Take advantage of the resources of an established partner, in the case of (Joint venture)

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c. Disadvantages:

- ✓ High cost of entry
- ✓ High risk
- ✓ Registration and complicated procedure
- ✓ Conflicts of interest, in the case of (Joint Venture)

D. RISKS RELATED TO INTERNATIONALIZATION

SECTORS	RISKS
Economics	• Exchange rate loss • Inflation • Recession • Currency shortage • Tax • Tax increase • Tariff increases • Currency shortage
Legals	• Changes in product regulations • Legal insecurity • The Complication of contract fulfillment • Corruption
Commercials	• Distribution • Changing customer needs • Payment defaults • Cancellation of orders
Competitors	• Product copy • New competitors • Product substitution
The personals	• Infringement of the law • Blocking • Injuries • Lack of loyalty
Politics	• Social unrest • Terrorism • Trade embargoes • Export Restriction • Nationalization
Naturals	• Earthquakes • Epidemics • Volcanic eruptions • Floods • Landslide • Storms
Products	• Faulty operation • Responsibility • Diversion of the function (Dual Use property)
Distributions	• Delay • Damage during transport • Losses during transport • Incomplete deliveries • Customs formalities • Incomplete documents

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II. CONCLUSION

The internationalization of a company's activities takes various forms, ranging from exports to direct investment abroad. To achieve this requires courage, patience, and determination. The main advantage of this strategy is the distribution of costs and benefits. When a market stagnates in one area, it is compensated by growth in another area. Overall, the company continues to increase its turnover by taking advantage of global growth. The complexity of penetrating a foreign market varies according to the opportunities, the mastery of the market, and the financial capacities of the enterprise.

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