

## The Role of Transnational Corporations in Advancing International Entrepreneurship

### Abstract

The large-scale and diversified activities of TNCs, the rapid growth of their capital, their monopolization of key industries and spheres of economic activity, lead to a significant increase in their impact on the quantitative and qualitative parameters of the world economy functioning. This is reflected primarily in the impact of their bankruptcy at the same time on several sectors of the world economy, as well as the specific mechanism of its emergence, development, prevention and overcoming. Objective conditions for the functioning of the market mechanism are among the priorities of corporate management to improve both the methods of conducting business practices and methods of financial and economic analysis of TNCs.

**Keywords:** Entrepreneurship; Multinational corporation; Strategic alliance; Networking; World economy

### Introduction

Globalization processes, which intensified significantly at the beginning of the twenty-first century, have led to the systematic transnationalization of national economies, with transnational corporations (TNCs) dominating virtually all spheres of economic activity. Emerging through the evolutionary development of microeconomic structures and driven by diversified mechanisms of capital mobility and production internationalization, TNCs have become not only central actors in the global economy but also key drivers of economic, financial, scientific, technological, and innovative transformation worldwide.

International experience demonstrates that the successful integration of national economies into the global economic system depends on two fundamental factors. First, it requires effective participation in fragmented global production networks coordinated by TNCs. Second, it depends on the ability of countries to develop their own competitive transnational corporate

### Review Article

**Olena Marchenko<sup>1\*</sup>, Dmytro Savchenko<sup>2</sup>, Ihor Bondarenko<sup>3</sup>**

<sup>1</sup>*Department of Industrial Economics, Eastern European Institute of Technology, Warsaw, Poland*

<sup>2</sup>*Faculty of Business and Innovation, Central European University of Management Studies, Prague, Czech Republic*

<sup>3</sup>*School of Applied Sciences, Baltic International University, Riga, Latvia*

**\*Correspondence:** Olena Marchenko, Department of Industrial Economics, Eastern European Institute of Technology, Warsaw, Poland,

Email: [olena.marchenko.researchoffice@gmail.com](mailto:olena.marchenko.researchoffice@gmail.com)

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structures capable of operating successfully in international markets.

In conditions of cyclical global instability, intensified competition for markets and raw material resources, ongoing post-industrial transformation, and the increasing networkization of the global corporate system, only the most adaptable and competitive corporations can meet the demands of emerging market criteria. These challenges significantly heighten the importance of comprehensive financial and economic corporate analysis and the modernization of existing methodological approaches. Such updates are essential to strengthen corporate resilience, enhance strategic decision-making, and prevent the potential bankruptcy of transnational corporations.

### Review of Previous Studies

An analysis of contemporary theories suggests that the internationalization of production is often asso-

ciated with corporations that possess monopolistic advantages such as advanced technologies, unique resources and raw materials, diversified production capacities tailored to different markets, and access to profitable financial sources. However, attributing the emergence of transnational corporations (TNCs) solely to these factors reflects a limited perspective. The movement of financial resources occurs not only within TNC structures but also beyond them, indicating that transnationalization is a broader and more complex phenomenon [1,2].

The evolutionary development of TNCs demonstrates that the current (fourth) stage of transnationalization is closely associated with the acceleration of globalization. This process extends beyond purely economic dimensions and encompasses the globalization of information, technology, finance, and other interconnected spheres [3,4]. Thus, transnationalization reflects the deep integration of global systems across multiple domains.

At the beginning of the twenty-first century, the global networks of controlled entities established by TNCs reached an unprecedented scale. Production facilities located in host countries increasingly operate for the global market rather than solely for domestic consumption. New factories are established across regions to manufacture identical products using standardized technologies, resulting in a high degree of international production unification [5]. Consequently, TNCs have evolved into integrated global systems of international production, and transnationalization itself has assumed a distinctly global character.

Modern economic scholarship devotes considerable attention to the phenomenon of TNCs, particularly to defining the concepts of “transnational corporation” and “transnationalization” [6,7]. Nevertheless, due to the complexity and dynamic nature of these processes, no single universally accepted definition exists. Furthermore, the interrelationships between these concepts and other economic categories remain insufficiently systematized.

Scholarly perspectives on transnationalization vary. Some economists interpret it primarily at the production level, linking it to the international cycle of industrial capital [8]. Others limit transnational production to processes occurring directly within the sphere of pro-

duction, even though such processes are inherently mediated by the procurement and exchange of raw materials, intermediate goods, and other inputs [9].

Transnationalization of production is typically characterized by several core features [10]: the presence of extensive vertical and horizontal flexible linkages among production units, trade and commercial enterprises, and credit and financial institutions; the emergence of new integrative properties, including synergistic effects resulting from coordinated operations; and the continuous transformation of internal organizational structures in response to changes in the external environment.

Transnational entities function as open components of economic systems, as they operate through interconnected information, financial, material, and other resource flows. At the same time, the heterogeneity of socio-economic environments and the pronounced asymmetry of global economic development act as significant drivers of the expansion and evolution of transnational structures. Effective coordination within these entities enhances their competitive capacity, both within markets and in competition for markets.

## Methodology

The research is grounded in the principle of the unity of theory and practice and focuses on forecasting the development of economic processes through the method of scientific abstraction. The study employs a combination of methodological approaches, including scientific abstraction, system-structural analysis of economic processes and phenomena, as well as analytical and synthetic methods to ensure comprehensive and coherent findings.

## Results and Discussions

Characterizing the key directions of global TNC expansion, it is impossible to overlook the active adoption of qualitatively new organizational forms and the broadening of transnational leadership functions. This transformation has been driven by the evolution of corporate activities—from the simple export of goods to the export of capital in diverse forms, including foreign direct investment, strategic partnerships, and cross-border financial operations. As a result, large, monopolized financial, industrial, and trade associations have emerged. These associations operate

across multiple regions worldwide, consolidating substantial financial resources, advanced production capacities, and extensive distribution networks.

This process has been accompanied by increasing complexity in both internal corporate governance and intercompany relationships. Traditional forms of TNC collaboration have acquired new characteristics, shaped by innovative management structures, digital integration, and strategic coordination mechanisms. At the same time, new legal and regulatory frameworks have developed to align with the higher level of productive forces and the growing sophistication of global markets.

Agreements among major corporations have become increasingly widespread. Initially, such arrangements led to the formation of industrial groups within specific sectors. Over time, these structures evolved into financial-industrial complexes that integrate legally independent entities—industrial enterprises, banks, trade organizations, transport companies, and insurance firms—into coordinated systems. Ultimately, further consolidation has resulted in mergers among powerful financial corporations, forming vast “union alliances” that resemble giant financial empires with significant influence over global economic processes.

Strategic alliances possess three fundamental characteristics that clearly distinguish them from traditional inter-company agreements:

- **They establish bilateral relationships grounded in co-creation and knowledge sharing, particularly for the development of new technologies, production processes, and marketing strategies.**
- **They are primarily contractual arrangements that do not involve cross-shareholding or equity participation between partners.**
- **They form an integral component of a company’s long-term strategic planning and operational development.**

The objectives of strategic alliances are diverse and multifaceted. These include entering new markets, reducing risks through shared responsibility, combining complementary expertise and assets that would be difficult to develop independently, achieving cost efficiencies, overcoming trade and investment barriers, sharing research and technological capabilities, developing common technical standards, and expanding product portfolios.

The principal motivation behind forming strategic alliances is to enhance the overall efficiency of transnational enterprise networks. Specifically:

- **Research and development alliances improve efficiency by reducing costs for each partner, enabling economies of scale through pooled financial resources, providing access to additional funding sources, and facilitating broader risk sharing.**
- **Production-oriented alliances, particularly in the joint manufacturing of components, enhance efficiency by lowering production costs of final goods.**
- **Marketing and distribution partnerships generate economies of scale, reduce costs through shared distribution networks and retail infrastructure, and allow for coordinated advertising and promotional campaigns.**

Over recent decades, global competition has intensified under the influence of several factors: increasing internationalization of economic activity, technological progress, advancements in global production and marketing systems, growing consumer demand, entry of new competitors from both developed and developing economies, expansion of foreign direct investment (FDI), growth in licensing agreements, and the transfer of technical expertise and intellectual services. As a result, competition in the global marketplace has evolved into a fierce struggle for leadership among corporations.

Transnational corporations (TNCs) are the primary actors in this competitive environment. They consider competitiveness a decisive factor in determining the success of their international expansion strategies. A key element of this expansion is the careful selection of foreign markets based on price preferences, supply and demand conditions, and alignment with corporate capabilities and objectives.

When formulating international expansion strategies, corporations typically address several critical issues:

- **Identifying potential markets and determining appropriate market entry strategies and tactics;**
- **Defining consumer requirements while balancing product cost characteristics;**
- **Deciding the level and allocation of marketing efforts over time across different markets.**

As competition increasingly permeates all forms of international economic activity, firms must maximize

efficiency through three primary sources:

1. A portfolio of proprietary (firm-specific) assets;
2. A portfolio of assets linked to optimal production location;
3. Managerial expertise required to effectively combine and transform global resources into competitive global products.

Additionally, TNCs leverage advanced communication systems and extensive global networks of subsidiaries, affiliates, and controlled enterprises. This structure enables them to maneuver resources efficiently and rapidly adapt product offerings and advertising strategies to suit local market conditions.

The competitiveness of TNCs is further strengthened by the growing interdependence and complementarity of national economies and industries. Enterprises within different TNC networks are increasingly interconnected, resulting in competition not only between individual firms but also between integrated corporate systems. These systems compete with their combined research capabilities, financial strength, and ability to exploit international division of labor advantages.

In conclusion, strategic alliances and transnational networks have become central mechanisms through which corporations enhance efficiency, expand globally, and sustain competitiveness in an increasingly complex and integrated world economy.

## Recommendations

In our view, the activities of transnational corporations (TNCs) cannot be assessed in a strictly unequivocal manner. Their strategic objectives and operational priorities do not always align with the interests of their home country, the host country, or, in some cases, either of them. Consequently, any evaluation of TNCs must acknowledge the complexity and context-specific nature of their economic and socio-political impacts.

Without attempting to provide an exhaustive account of all the potential positive and negative consequences associated with TNC operations, this study primarily focuses on their effects on host countries. At the same time, we recognize that TNCs function objectively as economic actors across three interconnected dimensions: within their home country, within the host country, and within the global economy as an inte-

grated system.

## Conclusion

The most significant contemporary feature of transnational activity is its networkization, which allows transnational corporations (TNCs) to efficiently integrate geographically dispersed industries into a unified and highly coordinated system. Through specialization and complementarity, these corporations combine production units across different countries to deliver final goods and services effectively. At the same time, they diversify their financial sources to ensure stable and continuous capital flows.

Modern multinational corporations operate as deeply integrated network-based entities. They encompass enterprises of various legal forms and business activities, function in at least six countries, and pursue a unified corporate strategy. This strategy is implemented through one or more centralized decision-making centers, supported by strong coordination across industrial, commercial, financial, investment, scientific, and technological domains.

The global positioning of multinational corporations is defined by both qualitative and quantitative diversification of their investments, production systems, commercial operations, and financial activities. They continuously expand product portfolios, enhance market entry mechanisms, and refine international expansion strategies. Organizational modernization is another defining feature, with TNCs increasingly focusing on capital export in multiple forms, developing vertically integrated structures, establishing regional innovation clusters, and creating global centers of capital accumulation through their foreign subsidiaries.

In many cases, global TNCs dominate the process of capital and production transnationalization. Their scale and influence grant them a level of operational independence from national jurisdictions, enabling them to shape economic policies and influence governmental decision-making. As a result, they play a central role in defining major trends in global economic development and restructuring the architecture of the world economy

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