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## Conceptual approaches to the internationalization of the activities of a commodity company

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### Abstract

The paper shows that one of the key elements of the internationalization process is the development of a strategy that defines the goals and methods of the company's interaction with international markets. To implement this process, it is important to form an effective management system. The process of internationalization of the company's activities is to expand its business beyond national borders and includes various types of international activities. It allows companies to access new markets, expand their customer base and increase profits. An analysis of international studies has revealed that the key feature of the internationalization process may be its long-term nature, since it requires serious preparation and adaptation to local institutional conditions and cultural and social characteristics. One of the key elements of the internationalization process is the development of a strategy that defines the goals and methods of the company's interaction with international markets, that the internationalization process is a key direction for companies that seek growth and development in the global market. It requires systematic preparation, consolidation of resources and adaptation, but can bring significant economic results by expanding sales markets, realizing new economic opportunities, increasing profits and increasing the company's competitiveness. On the basis of a meta-analysis of studies in the field of practices for carrying out activities in foreign markets, the author formulated the following restrictions on the internationalization of activities for a commodity company. At the end of the work, summarizing the practice of commodity companies, the types of management mechanisms for internationalization of detail are identified, and it is also shown that conceptual approaches to choosing the direction of internationalization should include taking into account local market factors and choosing one or more management practices.

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**Keywords**

Internationalization of activities, commodity companies, real sector of the economy, international markets, institutional conditions, international cooperation.

## Introduction

However, access to international markets has significant limitations. First of all, they include the fact that the profitability of raw materials companies directly depends on the prices of raw materials in world markets, and is subject to the influence of seasonality of production. In addition, all commodity companies are heavily dependent on equipment, personnel, and technology costs [Casillas, Barbero, Sapienza, 2015].

The sustainability of the activities of commodity companies significantly depends on the level of risks associated primarily with the likelihood of environmental disasters, which, in addition to the direct risks of penalties, also carry high image risks that affect the attitude of consumers and counterparties towards the company.

According to a number of experts [Su, Zhai, Landström, 2015; Tan, Mathews, 2015], in order to scale up the activities of commodity companies, there is a constant need to constantly search for new deposits to ensure their activities in the future.

For this reason, the search for models of internationalization of the activities of a raw materials company in the current economic conditions is a significant direction in the search for modern tools for strategic management.

## Main content

The process of internationalization of the company's activities is to expand its business beyond national borders and includes various types of international activities such as export, import, direct investment, franchising, licensing, etc. It allows companies to access new markets, and expand their customer base and increase profits.

International practice shows that the process of internationalization can be lengthy and requires serious preparation and adaptation to local conditions and cultural characteristics. Companies must take into account differences in legislation, economic conditions, language and culture in order to successfully conduct business abroad [Zhang, 2021].

According to the author, one of the key elements of the internationalization process is the development of a strategy that defines the goals and methods of the company's interaction with international markets. It is also important to form an effective management system, including by hiring top management personnel in the local market, which will allow you to control and coordinate the company's activities abroad.

In general, the process of internationalization is an important step for companies that seek to grow and develop in the global market. It requires serious preparation and adaptation, but can bring

significant benefits in the form of expanding the client base, increasing profits and increasing the competitiveness of the company.

The process of internationalization of the company's activities is to expand its business beyond national borders and includes various types of international activities such as export, import, direct investment, franchising, licensing, etc. It allows companies to access new markets, expand their customer base and increase profits.

A key feature of the internationalization process may be its long-term nature, as it requires serious preparation and adaptation to local institutional conditions and cultural and social characteristics. Many sources show that companies must take into account differences in legislation, economic conditions, language and culture in order to successfully conduct business in international markets.

According to the author, one of the key elements of the internationalization process is the development of a strategy that defines the goals and methods of the company's interaction with international markets. It is also important to implement an effective management system that will allow you to control and coordinate the company's activities abroad.

So, it is obvious that the process of internationalization is a key direction for companies that seek to grow and develop in the global market. It requires systematic preparation, consolidation of resources and adaptation, but can bring significant economic results by expanding sales markets, realizing new economic opportunities, increasing profits and increasing the company's competitiveness.

Based on a meta-analysis of studies in the field of practices in foreign markets, the author formulated the following restrictions on the internationalization of activities for a commodity company [Welch, Welch, 1996; Li, Yi, Cui, 2017; [Hojnik, Ruzzier, Manolova, 2018; Casillas, Barbero, Sapienza, 2015]:

1. High investment costs, which depend on the level of internationalization of activities, which in turn requires significant investments in various areas such as production, logistics, marketing, etc.

2. The need to adapt operations to local conditions. In particular, the company must adapt to local conditions, such as culture, legislation, market conditions, the social structure of society, which significantly affects the processes of recruitment, technology transfer, etc.

3. When carrying out activities, there are risks of currency fluctuations, in particular, the internationalization of activities may lead to the risk of currency fluctuations when selling in national currency on local markets, which may affect the company's profit.

4. Logical chaining limitations, which may cause a company to face delivery problems due to limited development or development of access to infrastructure associated with the transportation of raw materials and finished products from one country to another.

5. A high level of competition in local foreign markets, which may affect the ability to achieve the standard level of profit. In particular, due to economies of scale and the positive effects of the experience curve, local firms can benefit even if international and local firms are subject to identical access and taxation practices.

6. Negative impact on the environment during the implementation of operating activities for the extraction and processing of raw materials. For example, the expansion of activities can lead to a negative impact on the environment, which can affect the company's reputation and its relationship with government authorities.

Summarizing the practice of commodity companies, we can distinguish the following types of management mechanisms for the internationalization of detail (Table 1).

**Table 1 - The content of management mechanisms**

<b>Management mechanism for the internationalization of activities</b>	<b>The content of management mechanism</b>
Globalization	When implementing this management mechanism, the company can strive for global expansion by expanding its activities to international markets
Diversification	This mechanism assumes a variety of its activities, including the production and sale of several types of raw materials, in order to reduce dependence on price shocks for a certain type of raw material and the risks of its availability
Vertical integration	The company can integrate its activities at different stages of production, for example, own deposits, produce and process raw materials, and sell finished products
Collaboration and partnership	This practice allows the company to establish partnerships with other companies to jointly develop new fields or develop new technologies
Active risk management policy	To improve the reliability of operations, a company can develop strategies to manage risks associated with price volatility and environmental disasters
Participation in social and environmental projects	The company's activities may include participation in social and environmental projects in order to improve its reputation and relations with government agencies and society as a whole

Thus, conceptual approaches to choosing the direction of internationalization should include taking into account local market factors and choosing one or more management practices. At the same time, the following factors should be attributed to the formation of the foundations of the strategy:

- determination of the level of globalization of activities, within which the necessary level of cooperation with local companies should be determined, which can be achieved by creating branches, joint ventures, acquiring companies or establishing partnerships with local companies;
- assessment of the localization factor as a result of which the company adapts its activities to local conditions and market requirements. This may include changing products, packaging, pricing and marketing strategies;
- determining the level of transnationalization of activities, which determines the level of interaction when creating a global network that unites branches and representative offices in different countries, which allows to reduce costs and improve the coordination of the company's activities.

## Conclusion

Thus, one of the key elements of the internationalization process is the development of a strategy that defines the goals and methods of the company's interaction with international markets. To implement this process, it is important to form an effective management system, including through the recruitment of top management personnel in the local market, which will allow one to control and coordinate the company's activities abroad.

The process of internationalization of the company's activities is to expand its business beyond national borders and includes various types of international activities such as export, import, direct investment, franchising, licensing, etc. It allows companies to access new markets, expand their customer base and increase profits.

An analysis of international studies revealed that a key feature of the internationalization process may be its long-term nature, since it requires serious preparation and adaptation to local institutional conditions and cultural and social characteristics. One of the key elements of the internationalization process is the development of a strategy that defines the goals and methods of the company's interaction with international markets. The process of internationalization is a key direction for companies that

seek to grow and develop in the global market. It requires systematic preparation, consolidation of resources and adaptation, but can bring significant economic results by expanding sales markets, realizing new economic opportunities, increasing profits and increasing the company's competitiveness.

On the basis of a meta-analysis of studies in the field of practices for carrying out activities in foreign markets, the author formulated the following restrictions on the internationalization of activities for a commodity company. Summarizing the practice of activity of commodity companies, we can single out the types of management mechanisms for the internationalization of detail; conceptual approaches to choosing the direction of internationalization should include taking into account the factors of the local market and the choice of one or more management practices.

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## Концептуальные подходы к интернационализации деятельности компании сырьевого сектора экономики

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### **Аннотация**

В работе показано, что одним из ключевых элементов процесса интернационализации является разработка стратегии, которая определяет цели и методы взаимодействия компании с международными рынками. Для реализации данного процесса важно сформировать эффективную систему управления. Процесс интернационализации деятельности компании заключается в расширении ее бизнеса за пределами национальных границ и включает в себя различные виды международной деятельности. Он позволяет компаниям получить доступ к новым рынкам, расширить свою клиентскую базу и увеличить прибыль. Анализ международных исследований позволил выявить, что ключевой особенностью процесса интернационализации может быть его долговременный характер, так как он требует серьезной подготовки и адаптации к местным институциональным условиям и культурологическим и социальным особенностям. Одним из ключевых элементов процесса интернационализации является разработка стратегии, которая определяет цели и методы взаимодействия компании с международными рынками, что процесс интернационализации является ключевым направлением для компаний, которые стремятся к росту и развитию на мировом рынке. Он требует системной подготовки, консолидации ресурсов и адаптации, но может принести значительный экономический результат посредством расширения рынков сбыта, реализации новых экономических возможностей, увеличения прибыли и повышения конкурентоспособности компании. На основании проведенного мета-анализа исследований в области практик осуществления деятельности на внешних рынках автором были сформулированы следующие ограничения интернационализации деятельности для сырьевой компании. В заключение работы, обобщая практику деятельности сырьевых компаний, были выделены виды управленческих механизмов интернационализации детальности, а также показано, что концептуальные подходы к выбору направления интернационализации должны включать в себя учет факторов локального рынка и выбор одной или нескольких управленческих практик.

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### **Ключевые слова**

Интернационализация деятельности, сырьевые компании, реальный сектор экономики, международные рынки, институциональные условия, международная кооперация

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