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ПИРОТ

STRATEGIC PARTNERSHIPS AS A FORM OF INTERNATIONAL COOPERATION

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Resume: *Global business is increasingly facing the companies with the need for strategic partnerships. The advantages of creating strategic partnerships are mutual, as for the companies from highly developed countries which, by a rule, tend to improve their favourable market position by utilizing new opportunities in these markets (easier access to new and favourable purchasing and sales markets), and as well as those from less developed countries. Attracting and retaining foreign direct investments is the main goal of many countries, since it is quite clear that they have an important role in creating new jobs, increasing export, transferring of technology and business knowledge, increasing competitiveness, improving overall production and finally reducing poverty through general economic growth and development.Therefore, the goals of Serbia's economic development must include more intensive foreign investments through strategic partnerships in order to increase innovative activity and create a better position of our companies both in the domestic and international markets.*

Key words*: strategic partnerships, countries in development,globalism*

1. Introduction

Activities on the accomplishment of long-term business cooperation with foreign partners should represent strategic developmental goal of both individual companies in Serbia and economy as a whole from the perspective of micro and macro developmental aspect. Cooperation strategy should, to the greatest possible extent, be adjusted with the strategy of development of economic relations with foreign countries, especially regarding

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the cooperation across the border, technological development strategy, and regional development strategy. New tendencies in international business environment with the impact on the business activities of the company should be taken into account. These comprise: globalization, regionalization, economic integrations, etc. Strategic partnerships are attractive, but also essential form of contemporary enterprise and include a complex process of changes, research and management. They are formed with the aim of expansion of the market and company enterprise. Via the dynamism interest opposites make all involved partners more careful and thus contribute to the faster economic growth. In that sense, partnerships may play an important role in training of Serbian companies for efficient inclusion in world processes of capital movements and technology transfer.

The entrance of domestic companies into strategic partnerships should enable property transformation of domestic companies. Also, strategic partnership should contribute to the creation of technological horizontal and vertical networks, consortium agreements, especially in the field of research and development. By entrance of domestic companies into strategic partnerships the permanently sustainable economic development is provided and also employment would be on increase, export would rise, even regional development would be provided and more efficient use of existing resources would be enabled. Furthermore, global companies would see their opportunity of entrance into strategic partnerships with domestic companies in entrance in new markets where they would use cheap resources, access cheap highly qualified workforce, etc. Moreover, one of the goals of investment policy is gradual diminishing of regional differences primarily by rational and more complete use of development factors of certain areas on the basis of market criteria and by keeping appropriate incentive policy.

2. Strategic connection of companies in the globalization conditions

The surrounding in which companies have their business activities is permeated with changes which primarily refer to the globalization of world business, more intensive technological changes which dramatically reduce the lifetime of a product, more stiff competition and more complex requests of consumers with regards to quality and variety of product and service supply. The tide of changes at the end of 20th and beginning of 21st century influenced the reorganization of companies and reduction of their size as well as the connection and cooperation of companies. Big companies have become less important and small and medium-size companies get more promotion and they are predominantly oriented toward customers and their needs aiming at satisfying them as completely and adequately as possible. Big, small and medium-size companies increasingly turn to networking and strategic partnerships as obvious strategic options for accomplishment of competitive advantage.

The globalization process led to the creation of global companies and global economies. Economic globalization offers many opportunities to countries around the world. Owing to these opportunities many countries made progress and may serve as a good example to other developing countries which have just started their conquest of the market. The globalization process is getting faster and developed each day and sets new requests and challenges before companies. The end of last and beginning of this century are characterized by a few trends with dominant influence on functioning of a company and they refer to the following [Evans, et al., 2002]:

1. Hyper-competition – At the world market there are many companies from all around the world competing with each other. The most numerous participants of the market game are companies from China, which apart from traditional conquering of the market using the cost leadership strategy start more seriously to compete using the differentiation strategy.

2. Deregulation – Globalization is based on the neoliberalism ideology, which is promoted by the most powerful economies and political factors in the world and includes deregulation of financial transactions and free trade promotion [Cormier i Targ, 2001]. The entrance of foreign companies to domestic market will have an impact on the alteration of the economic structure. Due to that, individual economic sectors will simply disappear or they will be forced to lay off great part of workforce with the purpose of productivity and efficiency improvement.

3. Technology development – modern technologies such as the Internet and network connecting offer opportunities to small companies to compete on global level because they are provided with fast information flow regardless of the physical locations of buyer and supplier. Internet offers a wide range of possibilities, such as video conferences which enable sellers to present their products to potential buyers around the world without physical presence. The content of work is also changed by the development of artificial intelligence and robotics. As robots become more numerous and more up-to-date in technological and technical respect, their influence will be greater on organization productivity and employee performance output [Cormier i Targ, 2001]. It is evident that the people's work is to a great extent replaced by the work of intelligent machines, which inevitably leads to reduction of workforce and increase of productivity.

4. Knowledge era –Knowledge becomes the most important resource of a company. Traditional resources are the means for accomplishment of competitive advantage via knowledge. Knowledge management strategy must be a part of general strategy of the organization. The growth of employment in the following decades will probably be focused on human resources possessing specific knowledge. The number of manual labor force (qualified and unqualified) reduced from 80% to less than 25% of the total workforce. Creating and keeping of the competition based on knowledge require continual and systematic work on productivity of employees who are ready to acquire new knowledge.

The stated trends have impact on business operations of all companies. Also, it seems that the greatest impact is on the companies from countries in transition or underdeveloped countries, which increases the competitive gap even more in comparison to companies from developed economies. Due to strategic connection, there is an opportunity for companies entering strategic partnerships to operate together with other companies on attainment of mutual goal. Apart from profit as motivational factor, there are other factors influencing the entrance of companies in strategic partnerships based on joint efforts in construction of innovative projects in marketing, joint sale and distribution, but also in exchange of knowledge and modern technologies. The aim of joining forces is to reduce the risk to minimum level and achieve benefits for all partners.

3. Strategic partnerships of companies from developed and developing countries

The absence of market orientation, irrational employment policy, outdated technology, lack of innovations and insufficient motivation of employees as well as other similar factors resulted in low productivity and inefficiency, which were serious threat to the survival of many companies of developing countries. In such situation it was necessary to initiate privatization process and implement economic reforms. The reforms simultaneously led to the opening of developing country market. In most of the cases these are the markets which were previously "craving" for many consumer goods sold in Western Europe or the USA. The potential of markets of these countries at the same time uncovered was an opportunity for many companies from developed countries to use it. Due to that, the conditions for development of strategic partnerships were created. For many of them partner arrangements are practically the only way to use new market opportunities stemming from globalization, more open boundaries, easier (electronic) communications, cheaper transportation, etc.

Most of the companies from developed countries choose partner forms of presenting itself in which joined investments with foreign partner assume especially important position. This statement is confirmed by Shama research [Jovanović, 2004], which specifically observed and tracked countries of the former Soviet Union and other former socialist countries of Central Europe. Over 50% of western companies used joint investments in the presence at the market of the former Eastern Bloc. There are some slight differences between Russia and other countries of the former Soviet Union at whose markets 52% of western companies is present using joint investments whereas on entering the market of former socialist countries of Central Europe somewhat bigger number of companies, 59% of them chose this form of more international business operation. In the presence at the markets of former socialist countries of Central Europe, 27% of western companies chose export arrangement while 11% chose to establish partnership with local companies on the basis of the license contract and be present at this market in that manner. Only 2% of companies from developed countries, while being present at both market, used direct investments in the companies of developing countries. It may be said that in the activities at the market of developing countries, companies from developed countries predominantly apply some of cooperative forms.

There are numerous factors aggravating the cooperation between companies from developed countries and companies from developing countries. These aggravating factors direct many companies to the establishment of partner arrangements in order to overcome them more easily. Some of aggravating factors are [Moosa, 2002]: the existence of the mixture of traditional and contemporary institutions and bureaucratic and market approach to business operation; greater number of instances (authorities, organizations, institutions, norms and rules) which should be faced with; legal regulation may be interpreted in different ways and subjectively because there is no corresponding, clearly established and functional legal frame; even governments of these countries most frequently cannot find the real answer to the question how and whether to provide privileged status to domestic companies by applying different foreign-trade measures (duties, attracting foreign investments); private connections and acquaintances in these countries are of great importance for performing business transactions; the great presence of corruption is noticeable and there are also problems regarding infrastructure.

Taking into consideration all aforementioned factors and all changes occurring in the environment, it may be stated that the environment of business activities is complex, with certain risk of the independent presence of the company. Apart from the benefit of the entering into the partnership and finding a local partner, who will enable reducing or overcoming of problems, companies of developed countries use the opinion that a local partner handles business activities in the given environment better and that, if they have an interest strong enough, they will do everything that is necessary in order to fit the activities of the mutual enterprise in the existing environment in an optimal manner. The partnership with companies from other countries usually comprises risks which emerge due to cultural differences and differences in partner goals [Mani and Romijn, 2004] and the need for overcoming certain differences in culture shown in different patterns of people behavior in everyday life, while shopping or working in the company. Companies from developed countries therefore must adjust both to the culture of the market and consumers in the developed country they are present in and the organizational culture of the company they establish partnership with.

Companies from developed countries usually have goals related to the market of placement of their products and goals regarding the production resource procurement. Entrance to new markets creates possibilities of accomplishment above average profit. Since the entrance to new markets implies high risk of complexity of surrounding and prominent change dynamics, there is a need to find a local partner who will using their knowledge and connections help provide faster and less risky penetration of the market with partnership reducing also the level of necessary investments. The essence of cooperation between companies from developed countries and companies from developing countries sometimes lies in the aim to provide cheap inputs. It is primarily referred to workforce and raw material.

Multinational corporations via foreign direct investments contribute to the increase of industrial efficiency in the resource allocation by entering the strategic departments where there are complex entry barrier affecting the reduction of competition in the host country. This may increase competition pressure and thus force domestic companies to improve efficiency of their business operation. The competition pressure will increase if the affiliation does not keep up with the strategy of "gentleman competition" [Stephen, 2007]. The entrance of multinational companies to the market of the host country increases competition pressure and market performance more than the entrance of a domestic company with the same initial positions would lead to that. This effect has more powerful manifestation in the transition countries where in the previous period there were extremely high entry barriers for foreign direct investments.

The entrance of multinational companies may significantly reduce the volume of domestic sale, which will have a negative impact on the business activities of domestic companies, primarily via reduction of production capacity use. It will result in the reduction of domestic company productivity, which will eventually have negative impact on their competitor position. Since the competition is getting stiffer at the financial and procurement markets, the situation with the position of domestic companies is getting more complex. In these cases there is frequently the emergence of monopoly position of a multinational corporation, which will most probably transfer the achieved profit to the mother country, which worsens financial situation of the capital import country [Dallago i Guglielmetti, 2010]. The described negative effect may be enhanced if the observed multinational corporation uses transfer prices due to tax deductions.

The emerged phenomenon is usual in situations when the motives of foreign direct investments, avoiding duties and conquering local market are predominant. It may happen that local authorities offer too big facilitations during the implementation of their policy of attracting foreign direct investments, which additionally boosts negative consequences. This condition may contribute to unequal contributions aside and domestic capitals, which would cause reduction of competition capability of domestic companies in comparison to multinational corporations. Too big competitive strength of multinational corporations reduced the capability of domestic companies for taking over of new investments. In the beginning, foreign direct investments may reduce the level of concentration at local market and thus enhance competition pressure, however, the total dynamic effect may be negative if the stated phenomena occur.

On the other hand, companies from developing countries aim at accomplishment of some other goals by partner arrangement.

Namely, companies from these countries face many problems such as significant absence of market orientation, outdated technology, low level of capacity use, chronic lack of capital and similar problems which direct these companies to see partnership as a manner of overcoming stated problems. It is precisely based on stated problems that the goals of the companies from developing countries are formed as following [Mani i Romijn, 2004]: to reach new technology or business system; to acquire knowledge on market business operation and manner of presentation at foreign markets; to improve the manner of company management; to provide the missing capital and implementation of innovative processes.

It may be said that knowledge, capital, technologies and innovations represent key contribution of a foreign partner and main reason of entrance into strategic partnership of companies from developed with companies from developing countries. It is expected that partnership provides improvement of business operation quality and competitive position of companies from developing countries first at domestic and in some future also at foreign market. In order to have successfully functioning partnership, taking into account the readiness to mutual adjustment with respect for specific features of the other side, it is necessary to include local managers in the decision-making, to respect their standpoints and manner of thinking, as well as determination of purpose and goals of partnership with the dynamics of their realization because it contributes to strengthening of partner understanding and trust. Also, the partner complementarity should be determined because if all parties participating are not satisfied with work, then success cannot be expected.

4. Measures and incentives for increase of foreign investments in Serbian economy

Developmental behavior of a company is conditioned by the state of product and capital market, by innovation and organizational form development [Siedschlag i Nijkamp, 2011]. Mostly in contemporary conditions quality is confirmed more and more, and not the quantity of the company growth. Sudden technology development, on the one hand, and liberalization of legal regulations on the other hand affirm connections of companies in constant tendency to adjustment to business environment and in that direction of companies by connecting (strengthening mutual dependence) the competitive position at the market is increased. Therefore, under the influence of globalization, there is the creation of partnerships and coalitions based on which (via synergy) the growth of all companies included in partnerships is increased.

Many authors name various strategic options at global market and different variations of generic strategies (leadership in costs, differentiation and focus –based on costs or differentiation) used at domestic market. Basic strategies at global market are [Lasserre, 2003]: 1. Global strategy of high involvement (big dominant company –economy of scale), 2. Global strategy of local involvement (big companies –strategic differentiation) and 3. Strategy of global "niche" (big and small companies which are not dominant –product focusing). Furthermore, four manners of accomplishment of competitive advantage not mutually exclusive may be emphasized: 1. Global mega companies (operating at world market), 2. Companies oriented to geographic "niches" (choice of targeted consumers), 3. European specialists (present at national and regional markets of Europe, i.e. regional specialists), 4. Companies "portfolio users" (big diversification). Since Serbia is a small country in economic sense, the only manner of achieving economic growth is to have its companies internationalize their business activities and start having business activities to a greater extent at foreign markets.

So far the results accomplished by Serbian companies by export activities during last few years cannot be perceived as satisfactory, but significant progress was made in last five years. According to the data of RSB, in December 2016, the value of goods export amounted to 1,170.6 million euros, import 1,658.7 million with deficit of 488.1 million euros. In comparison to December 2015, export increased by 18.4%, import by 11.8% and deficit decreased by 1.3%. In December, the record monthly value of import was accomplished (previous record was 1,620 million in June 2016), while export was close to record monthly value (1,205 million in September 2016). Domestic companies are not competitive enough at foreign market. It actually means that domestic companies are not capable of being more successful at foreign market than other companies from the same sphere of business activity [Makroekonomija, 2017].

The export potential of our company is characterized by low competition with high level of diversification and small effect of the economy of scale [Mitrović, 2008]. Therefore, the priority should be given to export-oriented, profitable programs in metal and chemical complex, car industry, machine construction and production of telecommunication equipment but also in traditionally export spheres such as wood-processing, textile, shoe and leather industries, production of non-ferrous metal and metal processing and especially in the field of IT. Entrance into partnerships means also the fulfillment of certain conditions and micro and macro level, and Serbian companies should take an active stand with respect to strengthening their own competitiveness. Domestic companies need to keep up actively with contemporary trends and show more interest in growth of market participation, but also to recognize and develop their internal abilities and develop critical factors of success as a precondition for strengthening their strategic position and improvement of competitive advantage.

Directions of development of Serbian economy in future will depend on the survival and prosperity of all domestic industries and scopes of activities as well as on their competitiveness and export. In that context, the state is expected to make systematic efforts to improve conditions for investments and creation of stabile business environment in order to use completely positive effects of foreign investments on competitiveness, business and export performance of all Serbian economy participants in general. The emphasis should be on attracting foreign capital in spheres where Serbia has necessary resources, infrastructure, trained and qualified or cheap workforce or some other comparative advantage. The governmental activities should aim at accomplishment of a more dynamic economic growth through strengthening of economic sector and solution to the problem of its insufficient competitiveness and illiquidity due to which it cannot assume the deciding role in creating competitive market economy, termination of privatization process and restitution of taken property as one of fundamental preconditions of defining ownership, more successful implementation of regulatory reform, improvement of stock market business operation, establishment and keeping of inflation on reasonable level and improvement of perception of political risk [Premović, et al., 2011].

The features of Serbian labor market are inconvenient tendencies among which a special emphasis should be on historical minimum level of the employed, which is partly a consequence of unqualified, uncompetitive workforce supply as well as absence of adjustment of supply and demand of workforce. In future, the state should be engaged in improvement of education and training system in order to have the quality of workforce matching the needs and demands of the labor market. It is necessary to have a deep and comprehensive reform of the education system in order to create quality staff capable of responding to the requests of employers, especially of foreign companies which predominantly have more strict criteria of employment and higher expectations of employees. Providing high-quality education and more highly-educated workforce is crucial precondition of economic growth and attraction of foreign capital [Premović, et al., 2011].

One of priority goals of Serbian economic policy should be the improvement of business environment for attraction of foreign investments in general, especially in certain industries. Economic growth and development of Serbia should be based on its comparative advantages among which prominent are: long-lasting tradition and work force qualification in certain industries, geographic position along Corridor 10 and potential use of air, road and sea transportation, availability of natural resources necessary for production of certain groups of products, proximity of the EU, lower transportation costs as preconditions of fast and efficient response to dynamic market changes [Redžepagić, et al., 2011]. With entrance of foreign investments some of key problems of Serbian industry could be solved, most of all outdated equipment and technologies, over-indebtedness of companies, high production costs, absence of adequate raw material base, insufficient use of capacities and difficulties in spare part procurement, in which strategic partnerships could play the crucial role. However, inefficient implementation and still unfinished privatization process, presence of shadow economy and unfair competition have contributed to insufficient interest of foreign investors in investment in Serbian companies.

With the aim of more intensive attraction of foreign investments in Serbian economy, it is necessary to complete the privatization process, to have more determined engagement of the state in shadow economy and unfair competition repression and consistent application of customs procedure with goods import and regulation which refers to declaration of goods before its placement in the market, as well as in improvement of existing infrastructure in order to use convenient geographic position which enables investors to have their competitive advantage based on significantly lower transportation costs in comparison to countries on Far East. It is evident that the entrance of foreign capital draws a series of procedures and requests to be met so that global companies would decide to invest at all. In future, Serbia would have to implement more reforms and measures with the aim of creating convenient environment for foreign investments.

5. Conclusion

Strategic partnerships are very flexible and attractive form of realization of developmental goals of companies. Developmental conduct of companies rely more and more on a bigger number of partners and special forms of cooperation with the aim of maintaining company vitality and to increase the resistance to the market strikes. In that sense, developmental conduct of a company and internal configuration are in correlation with relativized independence, self-sufficiency and limits of external growth. Therefore, strategic partnerships emerge more and more as a rational form of developmental conduct of a contemporary company in its tendency to adjust itself to the changed market, technological and social trends.

Solving of key problems of Serbian economy is one of the assumptions of more intensive attracting of foreign investments and it primarily refers to acceleration of economic activity growth, stoppage of negative trends at labor market and reduction of budget deficit and public debt as preconditions of foreign investment increase. Investment climate is also conditioned by the human capital quality and its potential to create economic value and to have the competitive advantage of the company based on that.

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STRATEŠKA PARTNERSTVA KAO OBLIK MEĐUNARODNE SARADNJE

Rezime: *Globalno poslovanje sve više pred preduzeća stavlja potrebu strateškog povezivanja. Prednosti sklapanja strateških partnerstava su obostrane, kako za preduzeća iz visoko razvijenih zemalja koja teže da, po pravilu, dobru tržišnu poziciju poboljšaju korišćenjem novih mogućnosti na ovim tržištima (lakši pristup novim i povoljnim nabavnim i prodajnim tržištima), tako i za ona iz manje razvijenih zemalja. Privlačenje i zadržavanje direktnih stranih ulaganja glavni je cilj mnogih zemalja, budući da je sasvim jasno da ona imaju važnu ulogu u stvaranju novih radnih mesta, povećanju izvoza, prenošenju tehnologije i znanja u poslovanju, povećanju konkurentnosti, unapređenju ukupne proizvodnje i, konačno, smanjenju siromaštva putem opšteg privrednog rasta i razvoja. Stoga ciljevi razvoja privrede Srbije mora da obuhvate intenzivnija strana ulaganja kroz strateška* *partnerstva u cilju rasta inovativne aktivnosti i stvaranja bolje pozicije naših preduzeća kako na domaćem tako i na međunarodnom tržištu.*

Ključne reči: *strateška partnerstva, zemlje u razvoju, globalizam*