ADAU-nun ELMİ ƏSƏRLƏRİ

ISSN 2310-4104 E-ISSN 2790-5799

10.30546/2790-5799.3.2025.3038

ENTRY CONDITIONS FOR TRANSNATIONAL CORPORATIONS IN HOST ECONOMIES: AN ANALYSIS OF THE OLI PARADIGM AND PORTER'S DIAMOND MODEL

Khayal Turab Amiraslanov[1]

SUMMARY

The purpose of the research - To develop an integrated analytical framework through a analysis of the OLI paradigm and Porter's Diamond Model, thereby systematically examining how firms extend their operations beyond domestic boundaries and make strategic decisions in transnational contexts within the framework of their interactions with national economies.

The methodology of the research - A conceptual comparative analysis combining the three pillars of the OLI Paradigm with the country-factor focus of Porter's Diamond Model, supported by a model that addresses activity direction, operational country selection, and choice of entry mode

The practical importance of the research - To provide clear guidance to transnational corporations on location selection, entry models and strategic positioning, and to inform policymakers about the economic interdependencies between transnational corporations and national economies that affect growth and competitiveness, thereby contributing to new research in this area.

The results of the research - A structured classification of advantage categories ; a decision-support model covering three critical strategic questions (activity direction, country choice, operational form); enhanced understanding of conditions facilitating the transition from local to transnational operations.

The scientific novelty of research - Development of a decision model linking global business strategies with national economic policies and dynamics.

Keywords: transnational corporations, national economics, OLI paradigm, Porter's Diamond Model, entry modes

Introduction.

Over the years, there has been a noticeable increase in both the number of transnational corporations and the volume of international production. The dynamics of the transnationalization process are closely related to structural changes in the economy and the intensification of international cooperation under modern globalization. The share of these companies in global GDP, as well as in national economies, is now higher than at any previous time. In the 1990s, there were approximately 37,000 transnational corporations and about 170,000 foreign affiliates worldwide. By 2006, these figures had risen to approximately 77,000 and 770,000, respectively (Salako, 2020). According to statistics for 2024, the number of transnational corporations globally is estimated at around 85,000, while the number of foreign affiliates is nearing 850,000 (Borges, 2016). This growth trend in quantity is accompanied by a corresponding rise in both the positive effects of transnationalization and its potential risks in national economies. Moreover, the market capitalization of companies operating across various sectors has increased, with transnational corporations occupying consecutive positions on the list of the most valuable companies. These indicators provide substantial evidence of the strong incentives for firms to pursue transnationalization.

The table below, representing the 50 most valuable companies worldwide in 2023. Apple topped the list of the world's 50 most valuable companies with a market capitalization of $2.8 trillion, while Shell and Thermo Fisher Scientific closed the list at $204 billion each. Although not all are transnational, around 90% of these companies operate globally. They are mainly active in sectors such as technology, consumer goods, energy, finance, healthcare,

[1] Əsas müəllif/Corresponding author: Khayal Turab Amiraslanov, Azerbaijan State University of Economics, Phd student, Baku, e-mail: amiraslanov.xayal.turab.2023@unec.edu.az , https://orcid.org/0009-0009-9969-7832

ISSN 2310-4104 E-ISSN 2790-5799
10.30546/2790-5799.3.2025.3038

automotive, and luxury fashion. Only a few—such as IHC (UAE), Home Depot (USA), AbbVie (USA), and Kweichow Moutai (China)—focus primarily on local-scale production.

Table 1: Top 50 Most Valuable Companies in the World/Market Capitalization in USD Billions (as of August 16, 2023)

Information Technology	No.	Company Name	Market Cap (Billion USD)	No.	Company Name	Markrt Cap (Billion USD)
	1	Apple	$2800B	7	Oracle	$313B
	2	Microsoft	$2400B	8	Visa	$501B
	3	Nvidia	$1100B	9	Broadcom	$344B
	4	TSMC	$476B	10	ASML	$258B
	5	Samsung	$341B	11	Adobe	$235B
	6	Mastercard	$374B	12	Cisco	$216B
Consumer Discretionary	1	Amazon	$1400B	5	McDonald's	$208B
	2	Tesla	$715B	6	Toyota	$220B
	3	LVMH	$442B	7	Hermès	$227B
	4	Home Depot	$335B	8	Alibaba	$228B
Health Care	1	UnitedHealth	$469B	7	Thermo Fisher Scientific	$240B
	2	Johnson & Johnson	$448B	8	AstraZeneca	$216B
	3	Roche	$261B	9	Merck	$276B
	4	AbbVie	$267B	10	Pfizer	$216B
	5	Novartis	$261B	11	Abbott	$204B
	6	Eli Lilly	$519B			
Consumer Staples	1	Walmart	$429B	5	Coca-Cola	$262B
	2	Nestlé	$319B	6	Unilever	$266B
	3	Procter & Gamble	$361B	7	Kweichow Moutai	$319B
	4	PepsiCo	$250B	8	Danone	$213B
Communication Services	1	Alphabet	$1600B	3	Tencent	$389B
	2	Meta Platforms	$754B			
Financials	1	Berkshire Hathaway	$774B	3	Bank of America	$233B
	2	JPMorgan Chase	$437B	4	IHC	$240B
Energy	1	Saudi Aramco	$2200B	3	Chevron	$297B
	2	ExxonMobil	$430B	4	Shell	$204B

Source: Compiled by the author based on companies' 2023 reports

Based on this statistical evidence, it can be asserted that the transnationalization of firms facilitates a high level of market capitalization through their integration into global markets. This fact indirectly demonstrates the role of transnational corporations in economic globalization and underscores that globalization is fundamentally shaped by Western-centric values. Consequently, it is necessary to investigate the factors that determine the direction of the activities of such extensive spheres of influence, the selection of countries for production, and the forms of internationalization. In light of these considerations, the following three questions should be addressed in order to analyze the transnationalization process:

1. Under which factors do enterprises choose their directions of activity at the international level?
2. Under which factors do enterprises select the countries in which they will operate?
3. Under which factors do enterprises determine the form of their activities within these countries?

Of course, answering these three questions is not sufficient to fully understand how transnationalization is conducted. However, they provide a fundamental framework for establishing the necessary conditions. As a result, we will have developed an appropriate

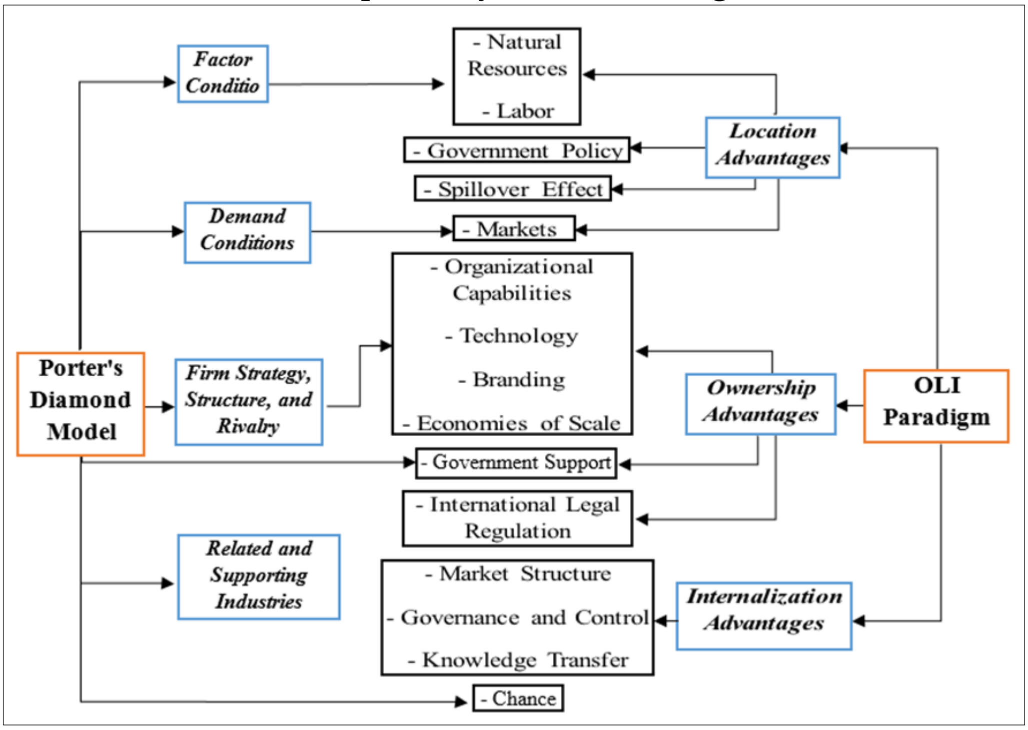
ADAU-nun ELMİ ƏSƏRLƏRİ
ISSN 2310-4104 E-ISSN 2790-5799
10.30546/2790-5799.3.2025.3038

method that can be employed to analyze both the initial conditions for the establishment of transnational corporations in various countries and their interactions with national and local companies.

Materials and Methods. In response to the aforementioned questions, John Harry Dunning (1977, 1988, 1993) developed the Eclectic Paradigm—also known as the OLI (Ownership, Location, and Internalization) Framework—to explain the motivations behind firms' international activities. In addition, a theoretical model, referred to as Porter's Diamond Model (Porter, 1990) was proposed to elucidate the formation of local enterprises and their access to international markets based on four primary and two supporting factors that account for countries' competitive advantages.

Scheme 1 illustrates the six conditions of Porter's Diamond Model alongside the three advantages encompassed by the Eclectic Paradigm and their constituent factors. It also demonstrates the mutual interrelation of the two theories. However, it should be noted that while the Diamond Model primarily focuses on the emergence and expansion of companies within their home countries, the Eclectic Paradigm emphasizes the motivations underpinning firms' cross-border activities.

Scheme 1: The Six Conditions of Porter's Diamond Model and the Three Advantages Encompassed by the OLI Paradigm



Source: Prepared by the author based on John Harry Dunning's (1977, 1988, and 1993) and Porter's (Porter, M. E. 1990) works.

Dunning (1995) reconsiders the relevance and structure of the eclectic (OLI) paradigm in the context of *alliance capitalism*, where inter-firm collaboration and innovation-led production increasingly shape international business activity. He argues that the traditional assumptions of the OLI framework require modification in three key ways. First, it must better integrate the role of **innovation**, learning, and technological accumulation as

ISSN 2310-4104 E-ISSN 2790-5799
10.30546/2790-5799.3.2025.3038

ownership-specific (O) advantages, recognizing that firms often engage in foreign direct investment (FDI) to acquire—not just exploit—knowledge. Second, the paradigm must acknowledge **cooperative strategies** (i.e., “voice” mechanisms) as alternatives to hierarchical control (“exit” strategies) in reducing market failures and promoting dynamic efficiency. Third, the boundaries of the firm must be redefined to include **inter-firm agreements** and collaborative arrangements as endogenous to a firm’s competitiveness. Dunning argues that globalization’s evolving nature-propelled by generic technologies and innovation-necessitates extending the OLI paradigm to encompass strategic asset-seeking FDI and dynamic learning. Citing empirical evidence of growing regional clusters, networks, and alliances in industries such as pharmaceuticals, electronics, and aerospace, he calls for deeper research into how these new organizational forms shape TNC strategies and location advantages. Ultimately, he upholds the eclectic paradigm’s enduring value but insists it must adapt to remain analytically robust in the era of cooperative capitalism.

Through the OLI Framework, the reasons for firms’ engagement in international production are explained via three factors:

Table 2: Advantage Combinations in Firms’ Decisions to Enter International Markets

	Foreign Direct Investment	Export	License
Ownership Advantage	Yes	Yes	Yes
Internalization Advantage	Yes	Yes	No
Location Advantage	Yes	No	No

Source: Stüting, H.-J., Dorow, W., Claassen, F., & Blazejewski, S. (Eds.). 2003

When all three combinations of advantages are present, transnationalization via direct foreign investment is regarded as the most appropriate strategy. In the absence of location advantages, the export strategy is considered the most successful course of action. Conversely, if a firm lacks any internalization advantage despite having location advantages, it is recommended that its operations be restricted to licensing.

Dunning (2001) underscores the OLI paradigm’s central role in explaining international production and FDI at the macro level, emphasizing its capacity to capture country-wide behaviors rather than just firm-specific cases. He argues that market internalization confers distinctive competitive advantages essential to the paradigm’s power. Although he notes its limited treatment of dynamic evolution, he contends that incorporating shifts in strategic choices and technological progress broadens its ability to explain changing FDI patterns. Distancing his approach from theories focused on managerial behavior, Dunning calls for a dynamic extension of the paradigm-one that integrates asset-augmenting FDI, non-equity partnerships, and evolving ownership structures-to more fully address the complexities of global business. Dunning and Lundan (2008) integrate institutional analysis into the OLI paradigm to better explain multinational enterprise behavior. They contend that both formal institutional structures and the underlying informal norms critically shape TNC strategies and value creation across borders. The authors argue that explicitly distinguishing institutional influences from other factors enhances our understanding of how firms adapt to changing global economic conditions and reduce transaction costs.

Eden and Dai (2010) revisit the “O” component of Dunning’s OLI paradigm, showing its evolution from the original, geographically focused Mark I into separate asset-based (Oa) and transactional (Ot) advantages, and later into institutional advantages (Oi) reflecting firm-specific norms and home-country institutional influences. They argue that while this tripartite breakdown enriches the paradigm, it also adds complexity and fuels debate over whether ownership should remain a distinct category or be absorbed into related theories such as internalization. Cantwell and Narula (2001) argue that despite its complexities, the eclectic (OLI) paradigm remains a robust framework for analyzing international production. They note that while the paradigm originally emphasized firm-specific geographic advantages, its evolution now demands the incorporation of dynamic factors-such as asset-augmenting FDI and strategic alliances-that reflect ongoing institutional and technological changes. Floriani et al. (2020) extend the classic OLI Paradigm by examining FDI determinants at the sub-national level. Conducting a systematic review of 41 studies published between 1990 and 2019, the authors employ inductive content analysis to explore how regional institutional factors influence transnational corporations' location decisions. Their analysis reveals that while the primary assumptions of the OLI Paradigm remain applicable at the sub-national scale, a modified perspective is necessary to capture region-specific institutional effects.

Results and Discussion.

1. Ownership advantages (firm strategy, structure, and rivalry). Firms may possess distinctive assets or capabilities that enable them to compete with other enterprises internationally, thereby gaining access to the global arena and sustaining a competitive position against existing multinational competitors. In this manner, firms establish their strategic directions at the international level. Moreover, a wide array of competitive advantages stimulates the integration of production processes abroad. Such assets and capabilities include the following:

1.1. Government support. It is widely recognized that transnational corporations play an indispensable role in the development of national economies. To enhance global competitiveness, secure and maintain strength in strategic sectors, and overcome market failures, governments implement incentive policies through various forms of financial support and indirect measures to foster the emergence and expansion of transnational corporations. Consequently, these firms are able to operate competitively in international markets.

Table 3 presents several examples of governments actively supporting the establishment and expansion of transnational corporations through various types of assistance. Such support measures encompass initiatives under frameworks like Industry 4.0, state programs such as "Made in China 2025," tax incentives or low tax regimes, and a range of subsidies that facilitate research, development, and export activities.

Table 3: Examples of State Support for Transnational Corporations

State	Type of Support	Sample TNCs
China	"Made in China 2025" Strategy, tax incentives, subsidies	Alibaba, Huawei, BYD, Lenovo, PetroChina, Sinopec
USA	R&D subsidies, trade policies	Amazon, Apple, Microsoft, Tesla
South Korea	Industrial parks, state loans, export support	Samsung, Hyundai, LG, SK Group
Germany	Industry 4.0 initiatives, research funds, tax incentives	Volkswagen, Siemens, BMW, BASF
Singapore	Low tax rates, free economic zones	DBS Bank, Singtel, Wilmar International

As a result, substantial transnational corporations have emerged across diverse sectors: in China, in industries such as oil and gas, e-commerce, and technology; in the USA, in sectors like energy, technology, and e-commerce; in South Korea, in electronics, semiconductors, telecommunications, and information technology; in Germany, in the automotive, transportation, and energy sectors; and in Singapore, in finance and banking, telecommunications, and information technology.

ISSN 2310-4104 E-ISSN 2790-5799
10.30546/2790-5799.3.2025.3038

1.2. Organizational capabilities. Organizational capabilities are one of the key factors in enabling transnational corporations to succeed in international markets. These capabilities secure a durable competitive edge by coordinating and integrating both internal management processes and global as well as local operations. Internal resources such as a strong brand, intellectual capital, and modern management technologies serve as the foundation of these capabilities, thereby enabling the firm to attain a distinctive competitive advantage on the international stage.

• Location (location advantages): Establishing organizational structures that consider the demands and specificities of local markets facilitates the optimization of global operations at the local level. This approach eases the firm's effective operation and adaptation in regional markets.

• Internalization (internalization advantages): Centralized or integrated management of international operations fosters the development of organizational capabilities and the implementation of a unified corporate strategy. This model plays a significant role in managing the uncertainties and risks encountered in foreign markets.

1.4. Technology. The development and deployment of modern technologies have long served as a catalyst for transnational corporations to penetrate international markets and secure a dominant presence in various segments of emerging economies. This dynamic is particularly observable in the interactions between multinational firms involved in natural resource extraction and the host nations where these resources are found. For instance, advanced methods—such as three-dimensional seismic surveys and deep-water drilling platforms, which are integral to oil and gas extraction—can reduce financial losses by nearly 30% during exploration and extraction phases (Brown, 2019).

Australia's Rio Tinto has demonstrated that automated mining—using self-driving trucks and drone surveillance—can double production efficiency in regions like Africa and South America (Tinto, 2021). However, such dependence on advanced technologies can erode resource sovereignty in developing countries: for example, ExxonMobil and Shell control roughly 80 % of drilling licenses in Nigeria and Indonesia, limiting local economic diversification and heightening the "resource curse" risk. Thus, while technology fundamentally enhances operational efficiency, it also contributes to global economic imbalances.

In summary, modern technologies are essential for optimizing production and enhancing efficiency. By investing in high-tech equipment and R&D, transnational corporations gain competitive advantage through superior product quality. For instance, Tesla leads the global automotive market by embedding artificial intelligence and automation in its factories, whereas Meta's nearly $20 billion metaverse investment illustrates the risks of R&D. Meanwhile, e-commerce platforms like Amazon and Alibaba overcome geographic limits to access global customers, and innovations such as AI, IoT, and RFID continually strengthen supply and logistics networks.

1.3. Branding. In both theoretical and practical examinations of transnationalization processes, the role of branding holds particular significance. Branding not only reflects the visual and emotional dimensions of a product or service but also symbolizes a firm's intellectual capital, reputation, and strategic resources. Consequently, for transnational corporations aspiring to enter and succeed in international markets, branding is regarded as an indispensable tool for distinguishing themselves in global competition and for securing long-term sustainability.

Modern data show that over 550 leading global brands are owned by just 12 major transnational corporations—Nestlé, PepsiCo, Procter & Gamble, Unilever, Coca-Cola, Mars,

ADAU-nun ELMİ ƏSƏRLƏRİ
ISSN 2310-4104 E-ISSN 2790-5799
10.30546/2790-5799.3.2025.3038

Mondelez, Danone, Kraft-Heinz, Associated British Foods, General Mills, and Colgate-Palmolive—whose 2023 revenues testify to the power of their branding strategies (picture 1).

Picture 1: Consolidation of Consumer Brands: 12 Corporations Controlling 550+ Global Products

Source: www.quartr.com/edge

This situation clearly underscores the power of branding and highlights the leading role that transnational corporations play in the market, particularly in the food and consumer sectors. By aligning brands with local cultural values and aesthetics, these corporations tailor products and services to diverse markets, cementing their dominance—especially in food, beverage, and household sectors. Strategies focused on branding—or even the tailored manipulation of market demands—can provide firms with regional competitive advantages, broadening their consumer base and enhancing global brand recognition. Thus, a well-established and trusted brand becomes a crucial factor in consumer decision-making in international markets, promoting customer loyalty and fostering long-term relationships

1.5. Economies of scale. Economies of scale refer to the phenomenon wherein an increase in the volume of production and operations leads to a reduction in the per-unit cost of output. This economic principle offers a strategic advantage to transnational corporations, as companies operating on a global scale can leverage extensive operations to achieve lower average production costs. The efficiency gains derived from high production volumes and the access to global resources not only enhance the competitive strength of a firm but also expand

ADAU-nun ELMİ ƏSƏRLƏRİ
ISSN 2310-4104 E-ISSN 2790-5799
10.30546/2790-5799.3.2025.3038

its market opportunities. Ultimately, these factors contribute to the sustained development and competitive positioning of transnational corporations in international markets.

2. Location advantages (factor conditions, demand conditions). There are a number of factors influencing the choice of country in which a firm conducts its production activities. The selection of countries where various stages of a transnational corporation's production process are carried out is directly linked to the presence of these factors.

2.1. Natural resources. The availability of abundant natural resources in other countries is one of the main drivers motivating firms to expand their local operations and secure a share in the exploitation of these resources, thereby achieving high revenues. The foundations of this process were laid during the Age of Discovery (15th–17th centuries), when European countries established various transnational corporations primarily for the purpose of searching for natural resources and generating profits from them. For instance, early transnational enterprises such as the British East India Company and the Dutch East India Company operated outside their home regions; their principal objective was to enrich themselves by controlling the abundant resources of South and Southeast Asia (Salako, 2020).

In the modern era, many developing countries are keen to pursue partnerships with transnational corporations in order to exploit their natural resources—particularly the rich oil and gas reserves present within their territories. The investments provided by these corporations (including financial resources, necessary technology, and expertise) offer opportunities to countries with limited experience in resource utilization. The oil and gas sector is especially lucrative both for nations and for transnational corporations, as evidenced by the high revenues generated by multinational oil and gas companies. The following table presents a comparison, based on 2023 data, between the revenues of the top 5 transnational oil and gas companies and the GDPs of 5 developing oil and gas nations:

Table 4: Comparison of Revenues of the Top 5 Transnational Oil and Gas Companies and the GDPs of Selected Oil & Gas Economies (2023)

Rank	Company Name	Revenue (Billion USD)	State Ownership	Country	GDP (Billion USD)
1	Sinopec	$454	+	Nigeria	$363
2	PetroChina	$453	+	Kazakhstan	$262
3	Saudi Aramco	$440	+	Algeria	$247
4	Exxon Mobil	$413	–	Iraq	$250
5	Shell plc	$323	–	Sudan	$109

Source: Compiled by the author based on companies' 2023 reports and data from the World Bank.

In Table 4, it is noteworthy that although the top three companies have state ownership, they conduct transnational operations with assets located beyond their national borders. The table also lists ten developing countries that possess oil and gas natural resources. The annual revenues of transnational corporations vastly exceed the GDPs of these countries, thereby demonstrating the extraordinary role that natural resources play in establishing transnational corporations as global economic powerhouses.

For this very reason, competition over natural resources between corporations and countries frequently results in the emergence of conflicts. In the formation of these conflicts, two central principles—neoliberalism and local resource sovereignty—play an essential role (Salako, 2020). The neoliberal principles of free trade and privatization are imposed by globalized nations on developing countries to facilitate the exploitation of their resources. Ultimately, this removes the obstacles to negotiations between impoverished nations and

ISSN 2310-4104 E-ISSN 2790-5799
10.30546/2790-5799.3.2025.3038

transnational corporations. In many instances, however, the sovereign rights of local populations to utilize the resources on their own lands are curtailed, leading to the unequal distribution of natural resources and the emergence of various social and environmental problems. These issues, in turn, fuel protests, and over time may culminate in conflicts and even wars. Examples of countries grappling with such challenges include Bolivia, Chile, Ecuador, Brazil, Nigeria, Angola, the Democratic Republic of the Congo, Chad, Sudan, Iraq, Iran, Kazakhstan, India, Bangladesh, and the Philippines, among others.

2.2. Labor. The state of the labor market is among the most critical factors that enable transnational corporations to generate high revenues. The majority of the home countries in which these corporations are legally registered are leading developed nations such as the USA, Germany, the United Kingdom, France, and Japan. Due to demographic factors, many of these countries experience a labor shortage, prompting them to take measures to fill the deficit by recruiting workers from abroad. Under such domestic circumstances, transnational corporations are compelled to access foreign labor markets in order to ensure an adequate workforce. In summary, the following three factors attract firms to operate in countries where these conditions prevail:

2.2.1. Weakly regulated labor markets. This includes aspects such as working hours, working conditions, forced labor, workers' rights, child labor exploitation, health, and safety, among others. Although international labor regulations—embodied in instruments such as the United Nations Convention on the Rights of the Child, the International Labour Organization’s (ILO) Conventions, and the OECD Guidelines—are beneficial in standardizing labor laws at the global level, transnational corporations often seek to exploit existing gaps in labor market regulations across different countries to expand their business operations (Borges, 2016). According to various sources, compared with local companies, transnational corporations tend to display higher levels of discrimination against employees, create artificial obstacles to unionization, neglect worker safety, compel employees to work under inhumane conditions, and even engage in child labor.

2.2.2. Abundant labor supply. In countries with a high supply of labor, transnational corporations gain access to both skilled and unskilled workers. Firms operating in labor-intensive sectors, such as textiles, electronics, and automobile manufacturing, tend to focus their operations in these countries. Several transnational corporations operate across various sectors in strategically chosen countries. In the electronics sector, Apple and Samsung have concentrated their manufacturing in China and Vietnam, respectively, with Intel also operating in Vietnam. In the apparel industry, brands like H&M and Zara source production from Bangladesh and Pakistan, while Nike manufactures footwear and clothing in Vietnam, Indonesia, and Bangladesh. In the automotive sector, Toyota operates in Mexico, India, and Thailand, whereas General Motors focuses primarily on Mexico. This distribution reflects a strategic emphasis on cost-efficient production locations. The companies and the countries in which they operate reflect several underlying reasons for these choices:

2.2.2.1. Availability of cheap labor, low labor costs, and a local consumer base. Transnational corporations often relocate their manufacturing and service operations to countries with low wages—a process known as offshoring. The primary reason for this is that conducting production in countries with low labor costs minimizes employee-related expenses, thereby reducing overall production costs and enabling the manufacture of products at competitive prices (Schenimann, 2018). For example, while the minimum wage in the USA is approximately 7.25 dollars per hour, in Bangladesh it stands at about 0.36 dollars per hour (https://www.dol.gov/general/topic/wages/minimumwage,https://natlex.ilo.org/dyn/natlex2/r/

ISSN 2310-4104 E-ISSN 2790-5799
10.30546/2790-5799.3.2025.3038

natlex/fe/home). The stark differences observed in wage levels across countries underpin the trend of firms operating beyond national borders.

2.3. Markets. Economic indicators and socio-cultural factors such as the number of consumers, demand volume, urbanization, demographic structure, and income levels are utilized to assess whether a country possesses a favourable market for the sale of a transnational corporation's products. The larger a country's population, the greater the potential demand for certain products. However, the income level and demographic profile of the population play critical roles. In a country with a predominantly low-income population, the sale of premium products may not be profitable, whereas in markets where the youth proportion is significant, technology and electronics products are likely to perform well. According to the UNCTAD 2022 report, transnational corporations prioritize investment regions based on the size and income levels of the consumer market. For example:

- Africa: South Africa, Nigeria, and Egypt have been chosen as premier investment locations due to the vastness of their consumer markets.

- Asia: China and India, each with billions of consumers, continue to be priority regions for investment by transnational corporations (UNCTAD, 2022).

2.4. Government policy. Depending on their economic strategies, several countries ease restrictive government measures to attract foreign capital and create a more favourable investment climate for direct foreign investments.

Taxes and duties. Corporate income taxes play a crucial role as a tool for attracting foreign investment. Even in cases where the overall economic and business environment is not particularly conducive for corporate operations, reducing taxes and duties can compensate for these deficiencies by increasing the profits that companies can earn. Thus, while tax incentives, various subsidies, and the establishment of free economic zones tend to increase a country's attractiveness to investors, conversely, the imposition of high tax rates may lead to divestment.

Legal system. In addition to international legal frameworks discussed under ownership advantages, the quality of domestic legal processes significantly influences firms' decision-making. Priorities in this regard include the protection of property rights, legal transparency, judicial independence from political influence, and the safeguarding of intellectual property.

Bureaucratic environment. Administrative inefficiencies and the complexities inherent in bureaucratic regimes can significantly impact the transaction costs incurred by firms. Transaction cost theory—extensively examined by Ronald Coase in his 1937 article "The Nature of the Firm" (Coase, 1937) and later developed by Oliver Williamson (Williamson, 2007) — discusses various costs arising during the execution of transactions, such as search and information costs, negotiation and decision-making costs, and implementation and monitoring costs. Factors such as a corrupt environment, delayed decision-making due to bureaucratic structures, and the multiplicity and complexity of regulations can increase these transaction costs, rendering the investment process more expensive. Consequently, transnational corporations tend to avoid investing in such countries, which are deemed high risk. However, in some cases, the strict regulations imposed by a government and the detailed reporting required of companies may also constrain their operational flexibility within the country, thereby reducing its attractiveness.

Political processes. According to political risk theory (Kobrin, 1982) and the nature of the prevailing political regime (e.g., authoritarianism, democracy, etc.), political stability and a predictable political environment are key factors in the decision-making process of transnational corporations. Furthermore, sanctions imposed on a country, whether for political

ISSN 2310-4104 E-ISSN 2790-5799
10.30546/2790-5799.3.2025.3038

or economic reasons, can lead to the withdrawal of firms from the market—for instance, the exit of companies such as BP and Shell from Russia.

2.5. Trade policy. When choosing which nations to invest in TNCs consider trade policy as a crucial factor. By facilitating simpler market access and reducing transaction costs, policies that support free trade—such as lower tariffs, the removal of non-tariff barriers, and involvement in regional trade agreements—increase a nation's appeal. On the other hand, protectionist policies that restrict possible market access and increase operational uncertainty, including import restrictions, high tariffs, and convoluted customs procedures, may discourage foreign investors. Furthermore, TNCs tend to favour nations with stable and open trade policies because they lower the danger of abrupt regulatory changes that could impair company performance. In order to better integrate into global value chains, governments aiming to draw in transnational corporations often implement open trade policies and conform to international trade norms.

2.6. Spillover effect. While no single factor determining the operational location of transnational corporations is sufficient on its own, the combination of these factors ultimately drives the selection of a target country. Suppose we designate a target country as A, and consider that a leading firm in a particular sector, Company C, makes an investment in country A. If other companies operating in the same sector perceive Company C as a threat, they may invest either in country A or in neighboring country B to secure their market share or to counteract any potential threats to their established positions. In some instances, noticing the entry of another competitor into country B, Company C may also decide to commence operations there. These reciprocal relationships among firms demonstrate that investment inflows into one country can stimulate similar inflows in neighboring countries within the region.

3. Internalization advantages. TNCs base their foreign investment decisions—whether greenfield investments, acquisitions, or joint ventures—on internalization advantages. These advantages not only address market imperfections (such as contractual difficulties, information asymmetries, and high transaction costs) but also foster secure knowledge transfer through enhanced management and control mechanisms. Moreover, interactions with the government and the local regulatory environment play a critical role in determining the choice of investment forms.

3.1. Market imperfections. Contractual issues, information asymmetries, and high transaction costs in foreign markets magnify the importance of internalization advantages:

- Greenfield investments: In emerging markets, such as India and Brazil, the legal and regulatory uncertainties incentivize multinational companies to establish their operations from scratch under full control in order to minimize market imperfections.

- **Acquisitions*:*** In markets like the United States and Europe, acquiring existing firms is often undertaken as a strategy to overcome deficiencies in market infrastructure through internalization.

- **Joint ventures:** Even when strategic alliances are formed with local partners, internalization advantages ensure the preservation and transfer of critical knowledge and management processes.

3.2. Management and control. The enhancement of management structures constitutes a second core aspect of internalization advantages:

- **Greenfield investments:** The establishment of a new enterprise from the ground up allows for centralized management and decision-making processes, which is particularly significant in emerging markets where close collaboration with the government and adaptation to the regulatory environment are crucial.

ADAU-nun ELMİ ƏSƏRLƏRİ
ISSN 2310-4104 E-ISSN 2790-5799
10.30546/2790-5799.3.2025.3038

- **Acquisitions:** The complete acquisition of firms enables the centralization of internal management structures, which helps resolve agency problems between the existing management and shareholders. In markets such as those in the United States and Europe, this strategy facilitates effective integration and creates synergies.

- **Joint ventures:** In strategic alliances formed with local partners, internalization mechanisms safeguard essential management and control procedures. Such systems are especially pertinent in countries like South Korea and China, where close regulatory ties with the state are prevalent.

3.3. Knowledge preservation and transfer. Securing and transferring knowledge is the third fundamental element of the internalization model, emphasizing the strategic importance of intellectual assets:

-*Greenfield investments:* Through the implementation of in-house knowledge management systems in newly established enterprises, innovation and technology transfer enable the optimal synthesis of local and global knowledge. This model secures long-term competitive advantages in developed markets.

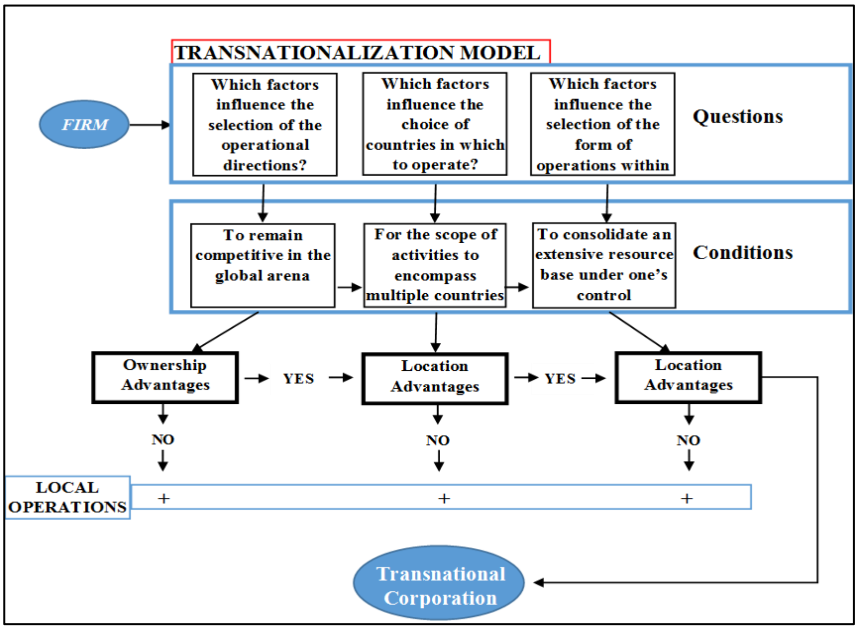
- *Acquisitions:* By acquiring existing companies, multinational firms can preserve and systematize critical tacit knowledge, managerial expertise, and innovation potential within the framework of internalization advantages. This model is widely used in the United States and European markets.

- *Joint ventures:* With the exchange of local knowledge and technological experience as a primary objective, internalization mechanisms safeguard intellectual assets. In technologically advanced markets such as Sweden and Finland, additional protective measures are implemented within the context of government collaboration.

Final Conclusion. Taking all the above into consideration, three fundamental conditions emerge for small and medium-sized enterprises (SMEs) to transform into large transnational corporations based on the three questions raised in the transnationalization process:

1. The ability to remain competitive in the global arena;
2. Operating across multiple countries;
3. Accumulating a broad resource base.

Scheme 2: Transnationalization Model



ISSN 2310-4104 E-ISSN 2790-5799
10.30546/2790-5799.3.2025.3038

The three foundational questions formulated to analyze the process of transnationalization, the initial factors that shape transnational corporations' operations in global markets based on those questions, and the three conditions identified as outcomes can be synthesized into a process model describing the formation stages of transnational corporations.

In the model (scheme 2), the firm is initially considered, and three fundamental questions must be addressed to determine its engagement in international production:

- What will be the *direction* of its activity?
- In which *country* will it operate?
- What *form* will its activity take?

Based on these questions, the analysis moves toward the three core conditions required for answering them (remaining competitive in the global arena; operating across multiple countries; accumulating a broad resource base), and the factors that lead to the formation of these conditions are assessed. These factors include economic (natural resources, market access, economies of scale, market imperfections, etc.), political (government policy, state support, international legal regulation, governance and oversight, etc.), and social dimensions (labor, spillover effects, technology), among others.

If the initial condition and its related factors (ownership advantages) are not met, it is more appropriate for the firm to continue operating locally. If these are satisfied, the second condition and its corresponding factors (location advantages) are analyzed. In the absence of location advantages, local activity remains preferable. If location advantages exist, attention then shifts to the factors determining the mode of operation (internalization advantages). As a result, the firm is positioned to emerge as a successful transnational corporation.

REFERENCES

1. Aisbett, E., Harrison, A. E., Levine, D. I., Scorse, J., & Silver, J. (2021). Do Multinational Corporations Exploit Foreign Workers. JHC Fritz Foley, Global Goliaths: Multinational Corporations in the 21st Century Economy, 259-300.
2. Borges, I. M. (2016). The Responsibility of Transnational Corporations in the Realization of Children's Rights. U. Balt. J. Int'l L., 5, 1.
3. Brown, A. R. (2019). Advances in 3D Seismic Technology for Hydrocarbon Exploration. Journal of Petroleum Science and Engineering, 178, 123-135.
4. Coase, R.H. (1937), The Nature of the Firm. Economica, 4: 386-405. https://doi.org/10.1111/j.1468-0335.1937.tb00002.x
5. Cantwell, J. C., & Narula, R. (2001). The eclectic paradigm in the global economy. International Journal of the Economics of Business, 8(2), 155–172.
6. Dunning, John H. (1977). "Trade, location of economic activity and the MNE: a search for an eclectic approach", in Bertil Ohlin, Per-Ove Hesselborn and Per Magnus Wijkman, eds., The International Allocation of Economic Activity (London: Macmillan Press), pp. 395-418.
7. Dunning, J. H. (1988). The theory of international production. The International Trade Journal, 3(1), 21-66.
8. Dunning, J. H. (1993). Trade, location of economic activity and the multinational enterprise: A search for an eclectic approach. The theory of transnational corporations, 1(1993), 183-218.
9. Dunning, J. H. (2001). The Eclectic (OLI) Paradigm of International Production: Past, Present and Future. In The Eclectic Paradigm of International Production (pp. 173–190).

10.30546/2790-5799.3.2025.3038

10. Dunning, J. H., & Lundan, S. M. (2008). Institutions and the OLI paradigm of the multinational enterprise. Asia Pacific Journal of Management, 25(2), 573–593. https://doi.org/10.1007/s10490-007-9074-z

11. Dunning, J. H. (1995). Reappraising the eclectic paradigm in an age of alliance capitalism. Journal of International Business Studies, 26(3), 461–491. https://doi.org/10.1057/palgrave.jibs.8490183

12. ExxonMobil Corporation. (2023). ExxonMobil 2023 annual report. Retrieved from https://investor.exxonmobil.com/sec-filings/annual-reports/content/0001193125-24-092555/0001193125-24-092555.pdf

13. Extractive Industries Transparency Initiative (EITI). (2023). Global Trends in Oil and Gas Licensing. EITI Annual Report.

14. Eden, L., & Dai, L. (2010). Rethinking the O in Dunning's OLI/Eclectic Paradigm. Multinational Business Review. https://doi.org/10.1108/1525383X201000008

15. Floriani, D. E., & Amal, M. (2020). The OLI Paradigm as a comprehensive model of FDI determinants: A sub-national approach. International Journal of Emerging Markets. Advance online publication. https://doi.org/10.1108/IJOEM-07-2019-0517

16. Kobrin, S. J. (1982). Managing Political Risk Assessment: Strategic Response to Environmental Change.University of California Press.

17. Porter, M. E. (1990). The competitive advantage of nations. Free Press.

18. Rio Tinto. (2021). Automation in Mining: Case Study of Pilbara Operations. Rio Tinto Group Report.

19. Salako, S. E. (2020). Transnational Corporations, Natural Resources and Conflict. International Law Research, 9(1), 56-71.

20. Schenimann, C. (2018). Corporate Outsourcing to Take Advantage of Cheap Labor in Developing Countries.

21. Stüting, H.-J., Dorow, W., Claassen, F., & Blazejewski, S. (Eds.). (2003). Change management in transition economies: Integrating corporate strategy, structure and culture. Palgrave Macmillan.

22. Saudi Arabian Oil Company. (2023). Saudi Aramco 2023 annual report. Retrieved fromhttps://www.aramco.com/-/media/publications/corporate-reports/reports-and-presentations/2023/fy/saudi-aramco-fy-2023-full-financials-english.pdf

23. Shell. (2023).Retrieved from https://www.shell.com/investors/results-and-reporting/annual-report-archive.html#tab-2023

24. United Nations Conference on Trade and Development. (2022). World Investment Report 2022: International tax reforms and sustainable investment.

25. Williamson, O. E. (2007). The economic institutions of capitalism. Firms, markets, relational contracting (pp. 61-75). Gabler.

26. https://natlex.ilo.org/dyn/natlex2/r/natlex/fe/home

27. https://www.dol.gov/general/topic/wages/minimumwage

28. https://data.worldbank.org/indicator/NY.GDP.MKTP.CD

TRANSMİLLİ ŞİRKƏTLƏRİN QƏBULEDİCİ ÖLKƏLƏRİN İQTİSADİYYATINA GİRİŞ ŞƏRTLƏRİ: OLI PARADİGMASI VƏ PORTERİN ALMAZ MODELİNİN TƏHLİLİ

XÜLASƏ

Tədqiqatın məqsədi - OLI Paradiqması və Porterin Almaz Modelinin qarşılıqlı təhlili yolu ilə inteqrasiya olunmuş analitik çərçivəni inkişaf etdirilməsi, bununla da şirkətlərin öz əməliyyatlarını daxili sərhədlərdən

kənara necə genişləndirdiyini və milli iqtisadiyyatlarla qarşılıqlı əlaqə çərçivəsində transmilli kontekstlərdə strateji qərarları necə qəbul etdiyini sistematik şəkildə araşdırılması.
Tədqiqatın metedologiyası - OLI paradigmasının üç əsas səviyyəsinin ilə Porterin Almaz modelinin ölkə faktoruna yönəlmiş aspektlərini birləşdirən konseptual müqayisəli təhlil, transmilli şirkətlərin fəaliyyət istiqamətinin seçimi, əməliyyat ölkələrinin müəyyənləşdirilməsi və giriş üsullarının seçimini əhatə edən modelin tədqiqi.
Tədqiqatın tədbiqi əhəmiyyəti - Transmilli şirkətlərin fəaliyyət göstərəcəyi yer seçimi, giriş modelləri və strateji mövqe seçimi ilə bağlı aydın məlumatın hazırlanması və siyasətçiləri transmilli şirkətlər və milli iqtisadiyyatlar arasında artım və rəqabət qabiliyyətinə təsir edən iqtisadi qarşılıqlı asılılıqlar haqqında məlumatlandırmaq və bununla da bu sahədə yeni tədqiqatlara töhfə verilməsi.
Tədqiqatın nəticələri - Üstünlük kateqoriyalarının strukturlaşdırılmış təsnifatı; üç kritik strateji sualı əhatə edən qərar qəbul etmə modeli (fəaliyyət istiqaməti, ölkə seçimi, əməliyyat forması); yerli əməliyyatlardan transmilli əməliyyatlara keçidi asanlaşdıran şərtlərin təkmilləşdirilməsi.
Tədqiqatın elmi yeniliyi - Qlobal biznes strategiyaları ilə milli iqtisadi siyasət və dinamikaları əlaqələndirən qərar qəbuletmə modelinin işlənib hazırlanması.

Açar sözlər: transmilli şirkətlər, milli iqtisadiyyat, OLI paradigması, Porterin Almaz modeli, giriş üsulları

УСЛОВИЯ ВХОДА ТРАНСНАЦИОНАЛЬНЫХ КОРПОРАЦИЙ В ЭКОНОМИКУ ПРИНИМАЮЩИХ СТРАН: АНАЛИЗ ПАРАДИГМЫ OLI И МОДЕЛИ «АЛМАЗА ПОРТЕРА»

РЕЗЮМЕ

Цель исследования - Разработать интегрированную аналитическую основу посредством анализа парадигмы OLI и модели «алмаз Портера», тем самым систематически исследуя, как компании расширяют свою деятельность за пределы национальных границ и принимают стратегические решения в транснациональном контексте в рамках своего взаимодействия с национальными экономиками.
Методология исследования - Концептуальный сравнительный анализ, сочетающий три основные компоненты парадигмы OLI с фактором страны, на котором сосредоточена модель «алмаза Портера», подкрепленный моделью, которая учитывает направление деятельности, выбор страны для ведения деятельности и выбор способа выхода на рынок.
Важность исследовательского приложения - Предоставить транснациональным корпорациям четкие рекомендации по выбору местоположения, моделей входа на рынок и стратегического позиционирования, а также информировать политиков об экономической взаимозависимости между транснациональными корпорациями и национальными экономиками, которая влияет на рост и конкурентоспособность, тем самым способствуя новым исследованиям в этой области.
Результаты исследования - Структурированная классификация категорий преимуществ; модель поддержки принятия решений, охватывающая три важнейших стратегических вопроса направление деятельности, выбор страны, форма деятельности; углубленное понимание условий, способствующих переходу от местной к транснациональной деятельности.
Научная новизна исследования - Разработка модели принятия решений, связывающей глобальные бизнес-стратегии с национальной экономической политикой и динамикой.

Ключевые слова: транснациональные корпорации, национальная экономика, парадигма OLI, модель «алмаза Портера», способы входа на рынок

Məqalə daxil olmuşdur: 19.08.2025
Təkrar işləməyə göndərilmişdir: 23.08.2025
Çapa qəbul edilmişdir: 05.09.2025

Дата поступления статьи в редакцию: 19.08.2025
Отправлено на повторную обработку: 23.08.2025
Принято к печати: 05.09.2025

The date of the admission of the article to the editorial office: 19.08.2025
Send for reprocessing: 23.08.2025
Accepted for publication: 05.09.2025