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## Formation and Development of Foreign Economic Management Tools in the Enterprise

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### ABSTRACT

Under foreign economic activity (FEA) to understand a set of directions, forms and methods of trade-economic, scientific-technical cooperation, as well as credit and currency-financial relations of this country with foreign States for the purpose of effective use of advantages of international division of labor. Trade and economic relations cover trade and services. Management of foreign economic activity is a systematic influence on object of industrial structure, firms, organizations, groups of people to ensure their viability, coherence and achieve the end result. An important element in the management of foreign trade activities is the commitment, which acts as a foresight of results of management activities. Enterprises that are engaged in the export and import of goods, foreign trade management functions are based mainly in two forms: as part of foreign policy structure of the foreign trade Department and as a relatively independent organization is a foreign trade firm. In these conditions, the company must not only maintain their capacity, quality and range of products at the achieved level, but also to improve the export and import of goods. Currently, when sales and procurement of products become more complex, enterprises are seeking to cope with this own efforts. Economic policy in the sphere of export and import of goods holds the foreign trade Department, in which the main role belongs to the service marketing.

**JEL Classification:** F13, F23, M31.

**Keywords:** Foreign economic activity, marketing, management, foreign trade, import, export.

### 1. INTRODUCTION

Foreign economic activity is carried out at the level of production structures (firms, organizations, enterprises, associations, etc.) with full autonomy in the choice of the foreign market and a foreign partner,

the nomenclature and assortment of goods items for export-import transaction, in determining prices and contract value, volume and delivery terms and is part of their production and commercial activities, both internally and with foreign partners.

Foreign economic activity refers to the market sector, based on the criteria of entrepreneurial activity, a structural connection with the production and different legal and economic autonomy and legal independence from industry departmental custody.

Theoretical-methodological base of research were works of domestic and foreign authors in the field of foreign economic activity of modern Russia.

The study used the methodological designs of the research institutions on the research problem, the normative reference and analytical materials. The methodological basis of this work is a systematic and comprehensive approaches to the study of the processes of foreign economic activities and marketing.

## **2. MARKETING ACTIVITIES ON THE FOREIGN MARKET**

When entering a foreign market the enterprise finds itself under a harsh international competition. In these conditions, it is possible to operate successfully only by applying modern methods of management, including marketing. Under the marketing refers to the system of corporate governance aimed at studying and taking into account market demand and the needs and requirements of specific customers to the product for a more reasonable orientation of scientific-technical and production and marketing activities of the company to produce competitive products, to ensure that the planned size of profit. The marketing concept is that all company activity, including programs of scientific research, production, investment, Finance, labor utilization, as well as program sales, maintenance, etc., based on the current state of consumer demand and forecasting its changes in the future. Fundamental, fundamental differences between marketing to internal (domestic) and external markets there. In this and in another case used a variety of methods, tools, techniques and principles of marketing activities. However, take into account the peculiarities of foreign markets the management of the enterprise is necessary (Abdulzhanov, 2012).

## **3. EXTERNAL MARKETS AND NEW MARKET OPPORTUNITIES PRODUCTS**

Foreign markets provide new opportunities of marketing. With the undoubted benefits of output on foreign markets put the problem of policy development the international marketing and organization of sales system to reflect new needs.

This is a particularly difficult task for companies that previously served only the domestic market and did not have permanent foreign trade relations. International transactions and deliveries usually take longer, often require the use of new types of transport and is affected not only by local but also foreign legislation.

Despite all the difficulties associated with entering foreign markets the international strategy of sales is the necessary condition for the success of the modern enterprise in the fierce competition.

Having made the decision to enter the foreign market, the firm must choose the best one for this situation marketing strategy (Gorbachenko, Kuznetsova & Silnov, 2016).

There are three possible strategies for entering foreign market:

- export;
- joint entrepreneurial activity;
- direct investment.

There are the following stages of marketing development:

- international marketing - exporter deeply explores the market and uses for processing the entire set of marketing tools, and various forms of foreign economic relations: scientific-technical exchange, joint ventures, contract manufacturing, subsidiary, etc., and not only exports (Assel, 2010).
- traditional sale of goods over the border without further support. The exporter is liable to the buyer until delivery or sale and, as a rule, is not interested in the further destiny of the sold goods.
- export marketing - exporters systematically handles the foreign market and adapt their production to the requirements of this market. The exporter, we are continuously researching the market and trying to control the entire path of the goods to the final consumer.

Marketing activities abroad covers not only sales, but almost all the functional circuits of activity of the enterprise: procurement, research and development, production, Finance. In fact, it is market-oriented enterprise management in overseas conditions.

#### **4. INTERNATIONAL MARKETING**

The highest form of international marketing is the multinational marketing – implementation of marketing operations at the scale of the economy as a whole. The last form of marketing operations peculiar to multinational corporations.

If the conditions of the international marketing firms focus on one or several foreign markets, produce goods in your state, then marketing them abroad, the transnational companies operate in different countries and use overseas manufacturing and sales offices that operate on the world market as a whole (Ilyasov, 2004).

Hence, international marketing is a complex of actions of the enterprise for sale of goods and services outside their country.

“Domestic” and “international” marketing is inseparable and essential terms do not differ. However, international marketing is a more complex procedure, since it requires the manufacturer to adapt to the foreign consumer, have taken more efforts in exploring overseas markets (Kovalev & Voilenko, 2010).

International marketing needs to take into account different economic, cultural, and legal environment of each national market. Finally, the international marketing more complex than domestic due to the various risks associated with transactions in foreign currency, with price, transport risk if non-payment or failure to comply with conditions of delivery of goods.

Not eliminated the difficulties associated with customs formalities and other factors existing in world trade.

Thus, the international marketing increases the profitability by reducing risk and uncertainty in global markets, which is much higher than the national.

Development of complex of measures on realization of goods and services to foreign markets is a management process that includes the following stages: analysis, planning, organization and control of marketing activities.

Base all decisions in international marketing serve marketing research breadth and depth of coverage and the underlying information base. However, significant differences between national marketing (i.e. marketing in the domestic market) and international marketing is not allocated, as they are based on the same principles (Kovalev & Voilenko, 2010).

It is necessary to establish a close direct connection with the sums owed by foreign customers, intermediaries, brokers, participate in stock trading, auction, auctions, fairs and exhibitions, to enter into consortia, associations and other organizations that promote the expansion of foreign economic relations.

And finally, any major decision to enter the world market must be based not only on current interests and needs, but also meet long-term goals of foreign policy, i.e. the company needs to be a strategy of export-import for the future (5 to 15 years) (Assel, 2010).

As international experience shows, especially in promising and profitable export goods “market novelty”, which are either open to the consumer the ability to meet completely new requirements, or raise to a new qualitative level of satisfaction of already known needs or allows a wider range of customers to satisfy on a certain level, known need. The sellers of such goods have an opportunity for a certain time to nominate monopoly prices and earn higher profits.

In the international marketing, should take into account the differences between countries, which are sometimes quite deep. Therefore, only thoroughly having studied the market of a particular country, you can begin to identify the range of products that will be offered to its population. Key marketing solutions is presented in Figure 1.

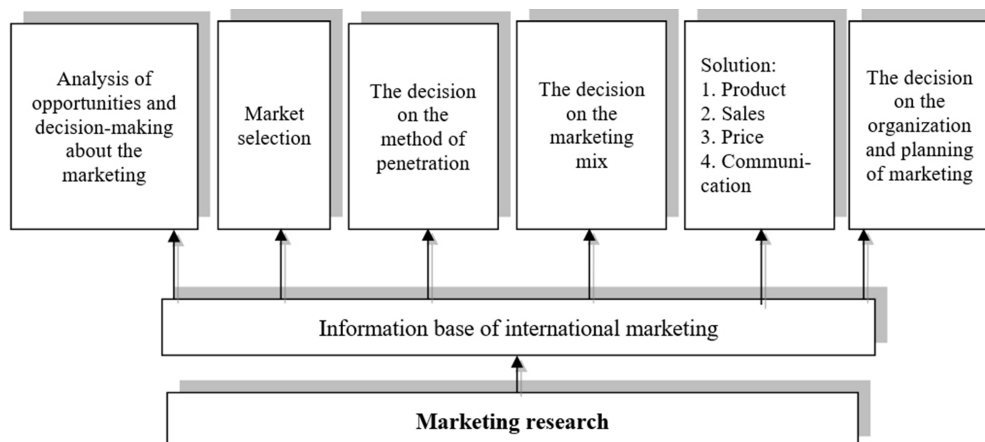


Figure 1: Basic marketing solutions

When evaluating options for the development of marketing processes find the application of methods of simulation modeling, the essence of which is that the mathematical model of controlled and uncontrollable factors of marketing environment. In most cases, it is possible to obtain analytical dependence of the result

of the marketing system from environmental factors. Finally, the data from the conducted marketing research must be accumulated in the marketing information system of the enterprise. The advantage of this method is that it provides an opportunity to establish personal contacts with potential buyers, to procure samples of the goods most in demand in this market, to survey customers and so on.

Market research allows us to receive and process primary information, which, although more expensive, but gives you the opportunity to find out the real demand and requirements of customers to the products and also to find out the real market demand and customer requirements for the product, and take into account the results of the study to develop a firm management tactics market performance, including the development of pricing and marketing.

Maintaining personal contacts with representatives of foreign firms is important in the study of the market. These contacts are established through mutual visits of firms during the business meeting at the international trade fairs, exhibitions, international auctions, commodity exchanges, etc.

## **5. DEVELOPMENT OF COMPETITIVE ADVANTAGES IN FOREIGN MARKETS**

Foreign trade is considered today as an important sector of the national economy has a significant impact on the economic development of the country. Currently, there is virtually no industry, which directly or indirectly would not have contacts with external markets. Quickly develop direct links and joint ventures established, a growing number of barter transactions. In these conditions the issues of efficiency of foreign economic activity are becoming increasingly important.

For effective operation in foreign markets need a very flexible use of various marketing techniques taking into account market fluctuations and forecast of development of foreign markets, trade customs (Rylov, Shkurkin, & Borisova, 2016), and features of the surrounding marketing environment. It is especially important to consider the specific social and cultural environment, as the goods are indifferent to buyers in one country can be quite important to buyers in another country. In addition, when access to foreign market further have to analyze the customs regulations, exchange rates, etc.

The main motive of the exit of firms into foreign markets is the international markets. So, many of the largest firms have more than half their income from sales carried out abroad.

Success or failure in foreign trade is largely related to the competitiveness and supply on the world market of goods.

Active penetration of international markets American, Japanese, Western European companies has transformed world market in the arena of heated battles, and acute rivalry. This explains the importance that the strategy of international marketing policy is to achieve competitive advantage.

## **6. POLICIES TO ACHIEVE COMPETITIVE ADVANTAGE**

Competitiveness is a set of consumer and cost characteristics of goods that determine their success in the market, i.e. the ability of the product to be exchanged for money in a wide product offering.

A competitive product is a commodity with a high value for the consumer. The competitiveness of a product depends on consumer properties, including services and prices. The higher the consumer properties of the goods, the more real the possibility of its realization. Comparison of prices and benefits of the product with similar indicators for other goods gives an idea about the level of his competitiveness.

When promoting products on the market, such as household products, manufacturers stress that they do not sell the machine and technology, there is a way to solve the problem of the buyer. In advertising the emphasis is not on technical features, and benefits received by the buyer, by purchasing this product (Konoplev, 2011).

Advertising is very important in marketing. It involves the transmission of messages the customer or the merchant, or reseller, in which the firm seeks to explain why the buyer should buy the product. In other words, the purpose of advertising is not in itself the perception and execution of application functions, which is necessary to induce buyers to take the necessary advertiser solutions – in other words, to persuade buyers to purchase.

To do this, advertising must use a variety of reinforcement techniques. Thus, a significant role in its perception and memorization is its repeatability. On the emotional state of a person the most effective advertising impact, for example through the selection of colors, music, aromas, song, demonstrations of feelings. Considerable influence advertising has on the human consciousness, that is, it demonstrates the benefits of waiting consumers.

Create a proposal which, in the opinion of the company, will be attractive to a buyer (the firm must produce what the buyer likes, not her), is one of the most important problems to be solved in the framework of the policy of achievement of competitive advantages (Konoplev, Kunelbayev, Mekebaev, Kabdoldina, Seidildayeva & Silnov, 2016).

Each firm is unique in its own way, and her behavior in the market is determined only to her peculiar combination of strategic ideas. Some firms go to market with traditional and well-known in the industry of goods and services. And to increase their competitiveness, it is necessary to take care of the price reduction and quality improvement, on the improvement of at least some consumer properties of the product.

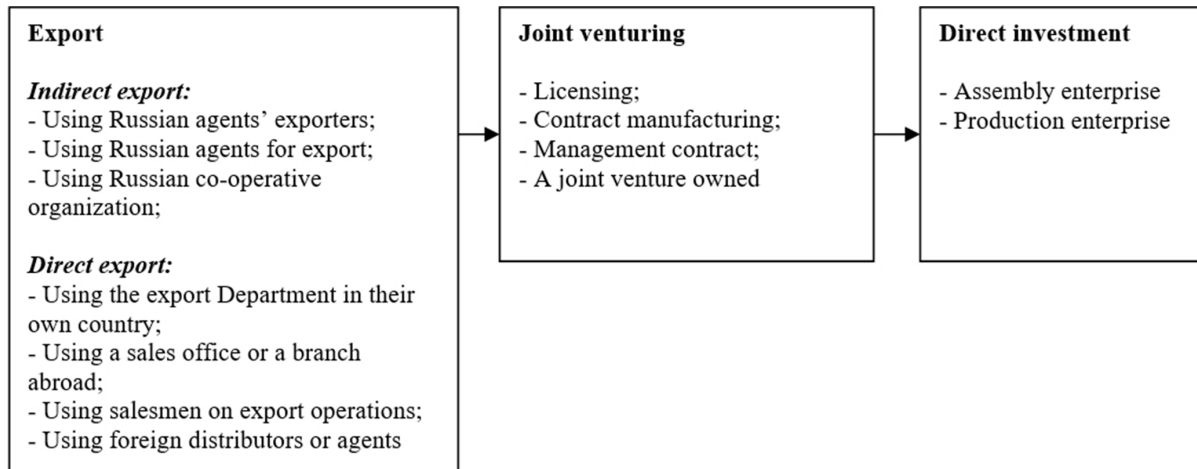
Other firms are focusing on producing relatively rare or absent while in the market of goods and services. In this case, the firm should have in mind that the newer, technically superior product, the more innovation, inherent in it, the greater the commercial risk exposes himself to the firm, as it is difficult to ask people how willing they want to buy something never seen before and what is still needed (Leshcheva, 2003).

## **7. EXIT STRATEGIES FOR FOREIGN MARKET'S**

Any firm entering markets, strives for success. The success depends on the ability of a firm, first, to identify the most important requirements of the market, secondly, to decide which of them it can effect their ability to satisfy better than your competitors do, and thirdly, to develop on this basis a program of action marketing program that would be able to provide her with a leading position in the market.

Global trends of globalization, rapid technical and technological upgrade of production to increase the rate of development of national markets has significantly increased competition. Maintaining successful, efficient operation, especially in a foreign territory, without the development of proper balanced marketing strategy in modern conditions is impossible.

There are several ways of penetration to foreign markets, of which the company, after analyzing all the internal and external factors, selects the most suitable. The company can focus on exporting, a joint business or direct investment abroad. The strategy of entering foreign markets are shown in Figure 2.



**Figure 2: Exit strategies on foreign markets**

When you exit the company's, foreign market must take into account foreign environmental factors, which include:

- Political and regulatory factors;
- Legal;
- Economic;
- Socio-cultural;
- Scientific, technical, demographic, natural-geographic and other (Pokrovskaya, 2010).

It should be noted that this division is rather conditional, since the factors are interrelated, interdependent and often operate simultaneously. On foreign markets, the company is faced with many challenges that she had never encountered in the domestic home market:

- Problems with currency conversion;
- Corruption;
- Instability of the governments;
- Technological piracy;
- Measures of tariff and non-tariff regulation, etc. (Voronina, Dynnikova, Ustinov, Chebotareva, & Gurvich, 2001).

International marketing here as an integrating element. Each subsequent strategic approach requires the greater amount of liability, risk and control, but also promises higher returns, very useful in this case is the choice of the matrix method to access external markets, which is shown in Figure 3.

All of the above shows that in modern conditions it is unacceptable to ignore such a question as the development of the marketing strategy of output on foreign markets. Marketing strategy development allows us to consider the situation together and soberly assess what the correct approach will allow to develop a real program of action that meets the requirements of the market and to meet the real objectives of the enterprise.

	Low	Average	High
High	Franchising	Assembly	A fully private enterprise abroad
Average	Contacts for the sale of licenses, know-how	Industrial cooperation (contract manufacturing)	A joint enterprise on a parity
Low	Export through agents or importers	The management contract	Export sales through its own representation
	The attractiveness of investing		

Figure 3: Matrix choice of the method of entry into international markets

The formation of the penetration strategy is a very important task for the company, as it may be fundamental to the success of the unfamiliar field of activity, and Vice versa, a poorly designed marketing strategy to penetrate the enterprise on foreign markets may hit the image and cause significant financial losses and loss of competitive position.

For the organization of own production abroad requires substantial financial resources, a review of the mission and development strategy, major changes in the organizational structure of the company, besides the required experience of doing business in a foreign country, the ability to work with foreign partners and employees (Konoplev, 2011; Ksenofontov, Savon, Serba, & Shkurkin, 2016).

A serious problem is also not the ability of marketing departments of many companies to operate effectively abroad due to the lack of suitably qualified staff.

Thus, marketing strategy of entry into foreign markets is one of the most important tools in the implementation of the internationalization activities of the enterprise.

Developing an effective marketing strategy an exit of the enterprise on foreign markets reduces the potential risks associated with penetration and increases their chances of success (Ilyasov, 2004).

Base all decisions in international marketing serve marketing research breadth and depth of coverage and the underlying information base (Ilyasov, 2004).

## 8. STATE REGULATION OF FOREIGN ECONOMIC ACTIVITY

One of the most important spheres of activity of the Russian enterprises at the present stage is foreign. Before the fall of the administrative-command system the economy of our state was represented by a closed mechanism. For many years, the authorities pursued a policy of autarky, which held back economic and technological progress. Under such a policy, domestic enterprises did not need to access external markets, and promoting foreign economic activity did not represent for them interest. After the fall of the “iron curtain” enterprises can now take advantage of foreign economic relations and integration into the global process of integration and cooperation production. Domestic enterprises began to be active in foreign trade



activities. This has created the need to study foreign trade. Because for the most efficient implementation is very important to have sufficient theoretical and practical knowledge in this area, which, unfortunately, there are many leaders at Russian enterprises.

Foreign economic activity is one of the areas of economic activities of the state, enterprises, firms, closely connected with foreign trade, export and import of goods, foreign loans and investment, joint implementation with other countries in the projects.

State regulation of foreign economic activity is an integral part of state economic policy in modern conditions. But, given the world experience, completely to open the Russian market for foreign companies it is possible only gradually, as most of our manufacturers do not stand with them for competition.

State regulation of foreign economic activity in Russia is based on the following principles:

- quantitative restrictions of export and import do not exist, except in special cases where it is necessary to ensure national interests of the country and to fulfill international obligations of the Russian Federation;
- imported into the territory of the Russian Federation the goods must comply with technical, pharmacological, sanitary, veterinary, phytosanitary and ecological standards and requirements established in the Russian Federation;
- in order to protect the national interests of the Russian Federation when carrying out foreign trade activities in respect of arms, military equipment and dual-use goods and compliance with international obligations on nonproliferation of weapons of mass destruction and other most dangerous types of weapon and technologies of their creation in the country has a system of export control;
- for certain types of goods for export and (or) import is established by the state monopoly;
- special modes of execution of certain types of foreign trade are cross-border trade and the free economic zone;
- the equality of participants of foreign economic activity is carried out and their protection by the state.

State regulation is based on certain principles laid down in the legislative acts of the state, as well as in international agreements. To the basic principles of regulation of foreign economic activity are:

- foreign economic activity is an integral part of foreign policy;
- the priority of economic regulation;
- the unity of system of state regulation of foreign economic activity and control over its implementation;
- equality of rights and responsibility of subjects of foreign economic activity and the protection of their interests by the state;
- state interference must be justified and will not harm the participants of foreign economic activities and population in General;

- national security, political, economic and military interests of the country and the international obligations of the country to prevent the export of weapons of mass destruction and other most dangerous types of weapons;
- the unity of the customs territory.

The main methods of regulation of foreign economic relations is financial, currency, credit, customs tariff and nontariff regulation; export control (Silnov, 2016); definition of policies in the field of certification of goods in connection with their import and export; administrative means of regulation. But in recent years the government has almost completely abandoned the administrative methods (in addition to specific types of trade) and export quotas. Also, abolished export duties.

The specific mechanism of regulation of foreign economic activity is determined by presidential decrees and Government decisions, which concertize legislative provisions. They establish the procedures for licensing and quotas in foreign trade, the rates of customs payments and the procedure for their collection.

## 9. CONCLUSION

Foreign trade is entrepreneurship in the field of international exchange of goods, works, services, information and intellectual property.

The terms and conditions of the international division of labor on a significant scale arose in the era of the development of capitalism through the industrial revolution, the emergence of machine industry, specialization of production. The demand for certain types of goods in various countries that could not produce and to produce them in sufficient quantities, stimulated the development of foreign trade deficit in goods. Trade and recoverable benefits have induced countries to expand the production of such goods, with the result that the work in these countries concentrated on the production of certain types of economic output.

Industrial cooperation in the composition of foreign economic activity of enterprises and firms is also a form of cooperation between foreign partners in different but structurally related processes of technological division of labor. The manufacturing process of the division of labor means distribution of the participants in the chain of creation and sale of products on its main phases, from the study of needs on the domestic and foreign markets before bringing it to final consumers. Industrial cooperation is typical for homogeneous spheres of production and circulation, scientific-technical, investment and service areas, for example, for the manufacturing industry.

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