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## **Business Administration as a Basis for Development of Global Entrepreneurship**

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### **Abstract**

*The purpose of the article is to determine the role and meaning of business administration in development of global entrepreneurship. The work uses the proprietary methodology of evaluation of global competitiveness of enterprise and the proprietary methodology of evaluation of efficiency of business administration of enterprise, as well as method of correlation analysis. The authors determine the role of business administration in management of factors of development of global enterprise and offer the proprietary structural and logical model of organization of the process of business administration of global enterprise as a perspective tool for provision of global competitiveness of business and development of global entrepreneurship on the whole. The authors come to the conclusion that business administration is a basis for development of global entrepreneurship and plays an important role in this process, which consists in managing other internal and external factors of functioning of global business.*

**Key words:** business administration, economic development, global entrepreneurship.

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## Introduction

One of the most important phenomena in modern global economy that determines specifics of its functioning and development in perspective is globalization of global economic connections and relations. Combined with integration processes and scientific & technical progress, globalization stimulates elimination of national economic barriers and creation of favorable conditions for provision of global presence of modern enterprises.

Global character of activities provides multiple advantages for business, among which it is necessary to note expansion of sales markets, possibility of maximally effective use of production factors due to placement of separate production processes in different countries, and possession of large market power due to its global scale.

Global entrepreneurship also has advantages for society in the countries of its presence, as due to its orientation at long-term existence it is inclined to manifest corporate responsibility; also, possessing large possibilities in the sphere of implementation of innovations and use of scale effect, as compared to national business, it ensures accessibility of high-quality products for low price.

Therefore, determination of possibilities and perspectives of development of global entrepreneurship is an actual direction for conduct of research. An initial step of the research is the author's scientific hypothesis according to which business administration is a basis for development of global entrepreneurship. It determines the goal of this work which consists in determination of role and meaning of business administration in development of global entrepreneurship.

## Materials and method

Global enterprise is one of the participants of international socio-economic relations that conduct transnational commercial activities (Caiazza *et al.*, 2016). The most important characteristics and specific peculiarities of a global enterprise are the following:

- large number of countries of presence of enterprise (placement of business);
- stable position in the global markets and strong global brand (Fudge, 2015);
- universal character of production that allows enterprise to successfully adapt to national peculiarities of various countries (Kasemsap, 2015);
- possession of substantial resources (financial, human, and material), which allows conducting large-scale scientific research and realizing innovative projects (Wirtz *et al.*, 2015);
- mass character of production and possibility for obtaining advantages from the scale effect (Wu, 2016), etc.

The notion, sense, and specifics of global entrepreneurship, its role in development of modern global economy, key participants and regulators, as well as problems and perspectives of transnationalization of business are studied in multiple works of such authors as (Wu *et al.*, 2015), (Jordan *et al.*, 2015), (Popkova and Tinyakova, 2013), (Skiter *et al.*, 2015), (Dzhandzhugazova *et al.*, 2015), (Kravets *et al.*, 2014).

Analysis of the components of business administration, study of methods and tools of enterprise management, research of conceptual and empirical approaches to conduct of business administration, and consideration of factors and indicators of quantitative and qualitative evaluation of business administration are studied in the articles of such scholars as (Salvioni and Gennari, 2016), (Al-Maghzom *et al.*, 2016), (Metushi *et al.*, 2016), (Whiting and Birch, 2016), (Baldini and Liberatore, 2016), (Chu *et al.*, 2016), etc. Problems of business administration and marketing management are studied in articles of (Sozinova & Fokina, 2015).

Based on the conducted literature review on the studied problem, it is possible to conclude that works of modern researchers include foundations for global business and enterprise management. However, many practical aspects and dependence of development of global entrepreneurship on business administration are not sufficiently studied, which causes necessity for further research in this sphere.

Methodology for research includes the developed proprietary methodology for evaluation of global competitiveness of enterprise which supposes the use of the following formula:

$$GC = (Q + P + M) / 3 \quad (1)$$

where

GC – global competitiveness of enterprise;

Q – quality of sold products;

P – prices of sold products;

M – marketing component of business.

That is, global competitiveness of enterprise is calculated by finding mean average of quality, price, and marketing. These indicators are evaluated with the expert method through comparison with the selected rival (for example, with enterprise that has the largest share of the market) and are measures in shares from 1 (Fokina, Popkov & Suslova, 2015).

Quality of the sold products of enterprise is evaluated by the following criteria by finding their mean average: technical characteristics of products (e.g., term of use, level of consumers' satisfaction, etc.), service level (for example, convenience of location of enterprise, service quality, etc.), and level of post-sale service (e.g., defects liability period, etc.).

The price of sold products of enterprise is evaluated by the following criteria by finding their mean average: difference between cost of products and sale price (indicator of business profitability), price of product purchase for consumers and price of product use for consumers.

Marketing component of business is evaluated by the following criteria with finding their mean average: strength of global brand (level of consumers' loyalty to brand), level of adaptation of enterprise and its products to peculiarities of countries of presence, and width of coverage of global markets (e.g., number of countries of enterprise's presence, level of market power, etc.).

The work also uses the developed proprietary methodology for evaluation of efficiency of business administration enterprise which supposes the use of the following formula:

$$\text{EBA} = (\text{LA} + \text{LO} + \text{PR} + \text{FP} + \text{SR}) / 5 \quad (2)$$

where

EBA – efficiency of business administration of enterprise;

LE – labor efficiency at enterprise;

LO – level of optimization of business processes;

PR – profitability of relations with business partners;

FP – financial provision;

SR – successfulness of risk management.

All the above indicators are measures by expert method in points from 1 (the lowest) to 10 (the highest). For the research purposes, global competitiveness (y) and efficiency of business administration of enterprise (x) are evaluated in the dynamics of a range of years, which is followed by correlation analysis for determining dependence of y on x.

## Results

The objects of research include modern global enterprises: Rosneft OJSC, Sberbank Rossii OJSC, and Norilskiy Nikel OJSC. With the help of the developed methodologies, their global competitiveness and efficiency of business administration in 2011-2015 are evaluated. The results of calculations are given in Table 1.

Visual analysis of the data of Table 1 shows that the higher the efficiency of business administration of enterprise, the higher its global competitiveness. Thus, if the value of the index of efficiency of business administration is 7.49, global competitiveness of Rosneft OJSC constituted 0.79 in 2015.

**Table 1.** Dynamics of efficiency of business administration and global competitiveness of the studied enterprises in 2011-2015

Enterprise	Indicators	Values of indicators in years				
		2011	2012	2013	2014	2015
Rosneft OJSC	GC	0.75	0.78	0.74	0.76	0.79
	EBA	7.11	7.39	7.02	7.20	7.49
Sberbank Rossii OJSC	GC	0.65	0.66	0.69	0.68	0.71
	EBA	6.02	6.11	6.39	6.30	6.58
Norilskiy Nikel OJSC	GC	0.78	0.81	0.83	0.80	0.85
	EBA	8.10	8.41	8.62	8.31	8.83

Index of efficiency of business administration of Sberbank Rossii OJSC constituted 0.71 in 2015, and its global competitiveness constituted 6.58. Efficiency of business administration of Norilskiy Nikel OJSC constituted 8.83 in 2015, and its global competitiveness constituted 0.85.

Correlation analysis, conducted on the basis of data of Table 1, allowed finding strong direct dependence of  $y$  on  $x$ , i.e., global competitiveness on efficiency of business administration of enterprise. Coefficient of correlation in case of Rosneft OJSC constituted 97%, Sberbank Rossii OJSC – 98%, and Norilskiy Nikel OJSC – 99%.

The results of the conducted analysis show that business administration stimulates development of global entrepreneurship, which proves the offered hypothesis. In order to determine the role of business administration in management of factors of development of global enterprise, let us perform deeper analysis. For that, let us use Table 2.

As is seen from Table 2, this work distinguished two types of factors of development of global enterprise: internal and external. Internal factors depend on the global enterprise and are subject to management. These factors include innovational activity of global enterprise.

The more intensive and popular are the innovations, implemented by enterprise, the more successful it is in the global markets. The role of business administration in managing this factor consists in personnel management -motivation and stimulation of employees of enterprise for creation and implementation of innovations.

**Table 2.** Role of business administration in management of factors of development of global enterprise

Type of factors	Factors of development of global enterprise	Role of business administration in managing these factors
Internal	Innovational activity	HR management (motivation, stimulation)
	Efficiency	management of production processes
	Effectiveness	general management of enterprise and optimization of its business processes
External	Tendencies of global demand	conduct of marketing research and marketing policy
	Actions of rivals	
	Policy of countries of presence	adaptation to economic conditions
	Actions of contractors	management of transaction costs

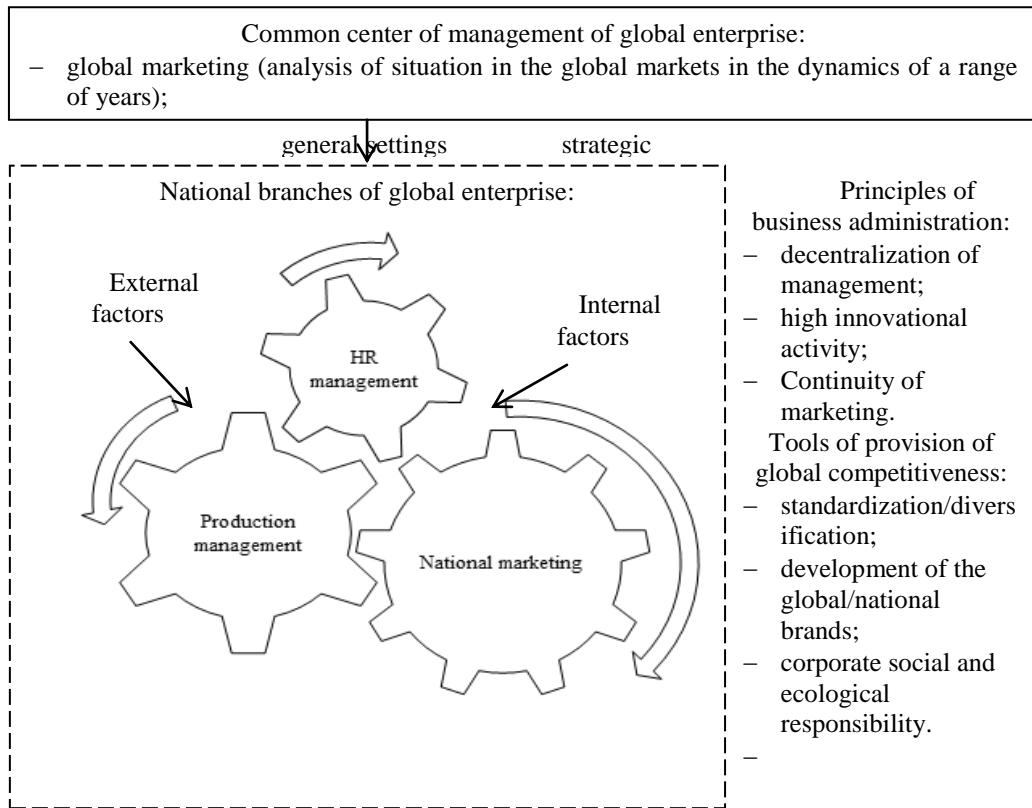
Another internal factor is labor efficiency and efficiency of enterprise, as well as its capability to obtain profit from scale effect. Business administration continues influencing this factor through management of production processes.

Another internal factor is effectiveness, i.e., ration of costs and profits in the sphere of any business process. It determines profitability of business. Business administration allows enterprise to perform general management of enterprise and optimize its business processes, thus influencing this factor.

External factors include situation in the global markets that include tendencies of global demand and rivals' actions (Sozinova & Fokina, 2014). Business administration allows managing these factors through conduct of marketing research and marketing policy. Strengthening of enterprise's brand allows for reduction of dependence on them.

The policy of the countries of presence also belongs to external factors. In order to manage this factor, business administration supposes adaptation to economic conditions. Another external factor is contractors' actions. Business administration supposes management of transaction costs, thus influencing this factor.

Therefore, efficiency of business administration determines the global enterprise's capability to manage factors of its development in the global markets. That's why a perspective tool of provision of global competitiveness of business and development of global entrepreneurship on the whole should be the proprietary structural & logical model of organization of the process of business administration of global enterprise, represented in Fig. 1.



**Figure 1.** Structural and logical model of organization of the process of global enterprise's business administration

As is seen from Fig. 1, the offered logics of management of global enterprise supposes distinguishing two main structural elements in the system of enterprise management: common center for management of global enterprise that conducts global marketing and developed common production strategy of enterprise and national branches of the global enterprise which conduct national marketing and manage personnel and production locally.

The most important principles of business administration of global enterprise should be decentralization of management, high innovational activity, and continuity of marketing, as dynamics of change of global markets situation is very high, and enterprise should track national changes of market environment.

The most important tools of provision of global competitiveness of enterprise are standardization or diversification of production depending on the strategy of risk management and general economic situation, development of global or national brands depending on specifics of business, and corporate social and ecological

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responsibility which is especially important for provision of loyalty to national branches of a global enterprise.

The offered model of organization of the process of business administration of global enterprise supposes division of authorities between management centers. This ensures high effectiveness of business management, as it allows tracking both global and national tendencies of market and adapting to them. Another advantage of the developed model is its flexibility, which is especially important for global enterprises.

### **Conclusion**

Thus, it is possible to conclude that in the process of the research the offered hypothesis was proved and it was confirmed that business administration is a basis of development of global entrepreneurship and plays an important role in this process which consists in management of other internal and external factors of functioning of global business.

The conducted research has a fundamental character. Its scientific and theoretical significance consists in development of conceptual foundations of management of global business. At that, the research is practice-oriented and its applied significance consists in the possibility for using the developed model for organization of the process of business administration of modern global enterprises under the condition of its adaptation to specific national peculiarities, price sphere, and current market situation.

It should be concluded that business administration is an important and strategic factor - but still one of the many factors of development of global entrepreneurship. That's why narrowness of the selected object is a limitation of this research. An important role in this process belongs to international economic organizations and integration associations of the countries of the world, as well as scientific & technical progress and information & communicational technologies.

Conduct of systemic analysis of these factors and determination of character and level of their influence on development of global entrepreneurship is one of the most perspective directions for further research. Perspectives of development of the theory of global entrepreneurship are related to determination of synergetic effect and forecasting its changes in perspective for increase of predictability and manageability of development of global business.

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