

The Most Common Entry Strategies for MNCs is The Joint Venture

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Abstract

What makes a completely owned subsidiary an attractive type of possession is that the MNC has downright control, and the firm trusts that administrative proficiency will be higher if there are no outside accomplices. Be that as it may, numerous MNCs are selecting joint ventures in light of the fact that the host nations regularly feel that the MNC is selling so as to attempt to increase financial control up nearby operations however declining to take in neighborhood accomplices. They likewise expect that the MNC will drive out neighborhood endeavors. Joint ventures take into consideration the sharing of ventures and hazard by the host nation and the MNC. There are numerous focal points connected with joint ventures, particularly for those organizations who need to grow all inclusive. Hence, this is a standout amongst the most suitable technique for development internationally for multinational partnerships.

over the business and share the revenues and assets of the business (Hill, 2008). The strength of control for each of the owning firms depends on its share in the company. If a joint venture is 50:50 then both companies has 50% of the ownership and thus

Joint venture is a form of business which is owned by two or more companies which are otherwise independent firms. It has been a very important and famous mode of entry in new markets. In joint venture, the owning companies exercise control

especially for those companies who want to expand globally. For this reason, this is one of the most suitable strategy for expansion globally for multinational corporations. First, when a MNC attempt to expand its business in another country it is unaware of the host country's competitive conditions, culture, language, business environment, and other political and economic situation (Le & Nhu, 2009).

The MNC has option to spend millions of dollars for the research to get knowledge of these conditions or to hire experts who, then, provide with the required information of the host country. However, with the help of joint venture, MNCs benefit from the local partner's knowledge of host country's political, economic, and competitive situation. Therefore, this saves huge amount of money for MNCs which could have been used for other fruitful operations of business. In 2012, Kellogg Company entered in

both companies has equal control of the joint venture. However, in case of 25:75 joint venture, company having 75% of ownership has tighter control over the assets and management of the joint venture. It is suggested that one third of American MNCs enter into foreign markets in the form of joint venture with the local firm (Dlabay & Scott, 2011). Fuji-Xerox is one the most famous joint venture in the world.

This is known as the longest running joint venture in the business world. This joint venture was established between Japanese firm Fujifilm Holdings and American firm Xerox in 1962. With the help of this joint venture, Xerox entered in the Asia-Pacific region for its document related products. Initially the joint venture was 50:50 but now Fujifilm Holdings has 75% of ownership of this joint venture (Yan & Luo, 2001).

There are many advantages associated with joint venture,

venture, Kellogg took advantage of existing selling and distribution network of Wilmar International Limited and thus reduced its development cost, which could have been very higher if Kellogg entered in Chinese market as an individual entity (Evrensel, 2013).

There are some countries in the world where joint venture is the only way to enter in the market for MNCs. As per government regulations, MNCs can only enter in the market of that country if they create a joint venture with a local firm (Bamford, Ernst &Fubini, 2004). One example is Mexico where it is required for all new MNCs, who want to start business in Mexico, to enter into a joint venture with any existing firm.

Another advantage of joint venture for MNCs is, it reduces the risk of being subject to nationalization by the government of host country. Joint venture also saves the MNCs

China through a joint venture with Wilmar International Limited. The purpose of this joint venture was to make sure that Kellogg was not much affected with the existing competitive environment of China and it can take advantage of the knowledge of a local firm Wilmar International Limited (Evrensel, 2013).

Development costs of starting new business in other countries may be higher than expected for a MNC. Entering in the host country as an individual entity may force the MNC to incur huge development expenses, which might not be expected by the MNC. So by going into a joint venture with a local firm, the MNC would share these high development expenses. In addition to this, the MNC will also be able to share the higher expected risk in foreign market (Bamford, Ernst &Fubini, 2004).

Talking about the example of Kellogg and Wilmar International Limited joint

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from any potential adversative
government influence (Hoskins,
McFadyen & Finn, 1996). So these are
some of the important advantages of
joint venture for MNCs which helps
MNCs to enter into a foreign market.
Although there are some disadvantages
of joint venture too but this depends on
the situation and nature of joint
venture. As long as the benefit of joint
venture exceeds its costs, joint venture
is a quite feasible strategy.

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