Strategies of Multinational Enterprises

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Abstract
The strategies used by the multinational enterprises are extremely diverse. Our purpose in this paper is not to explore their multitude, but to have a better picture of the most successful strategies employed by large multinationals, analyze their strengths and weaknesses and derive the main factors that create a difference. We found innovation, cost reduction and market conditions as key elements supporting a successful internal strategy and strategic alliance and diversification to be among the most widely applied strategies for a foreign market penetration and development, while fusions and licenses were the least preferred.

Key words: multinational enterprises, strategy, competitive advantage, innovation, international strategic alliance, diversification

1. Introduction
World Economics follows a continuous dynamic pattern of development within which multinational enterprises (MNEs) are main nodes linked in a complex network. MNEs assume various risks on the markets they implement their subsidiaries in, like nationalization, expropriation, embargo, political instability. Restrictions that MNEs are confronting with have a wide spectrum of variance: environmental regulations, competition laws or specific rules for a region, the need to use the local language, lobby groups that influence the current legislation, favoring certain groups of firms and so on.

Therefore, they are obliged to find the most adequate strategies in order to decrease the risk of becoming global and being also motivated to attain their own objectives and stay competitive. In order to constitute a source of competitiveness, an enterprise should create value added better than its competitors. In what follows, we will briefly go through the main concepts of strategy described in literature review, exemplify
several efficient strategies undertaken by large MNEs; next, we will analyze the main types of strategy and will derive which are the common key factors that lay at the basis of the successful strategies.

2. Literature Review

The term of strategy was initially used in Military field when leading an army facing the enemy with the purpose of attaining the victory; with the passing of time it was also used in governing a region or for global governing and planning, being afterwards transferred to the business environment.

There are several definitions used for the term of strategy, out of which we will point out below the most significant ones.

A strategy can be formally considered as “a function defined on information taking values on all the multitude of alternatives existent at that moment” (Zahiu & Nastase, 2005). In games theory strategies are viewed as optimum earnings function.

A strategy is composed of four elements according to I. Ansoff:

- The array of geographical growth based on the couple product / market which leads the direction of the enterprise;
- Gaining the competitive advantage by identifying the strengths of each couple product / market;
- Using resources efficiently;
- Flexibility, based on resources and interdisciplinary knowledge (Stoicescu, 2009).

G. Hofer and D. Schendel define the strategy as the fundamental structure of allocating the resources, the present and forecasted resources, their interaction with the environment, and indicates the way it will attain its objectives (Stoicescu, 2009).

H. Mintzberg gives a complex definition of strategy as a: 1) plan to solve a situation, 2) tactic to uncover the intention of competitors, 3) model of actions, 4) position on the market, 5) perspective as a way to perceive the external environment (Stoicescu, 2009).

A synthetic and clear definition is given by O. Nicolescu and it highlights the long term time period: the assembly of major objectives of the organization on a long term, the main ways to accomplish them together with the allotted resources, in order to obtain the competitive advantage according to the mission of the organization. A strategy includes the following components according to the authors (Stoicescu, 2009): mission, objectives, strategic options (diversifying production, specialization, new markets penetration, offering new products), resources, deadlines, and competitive advantages.

The well-known LCAG (or SWOT) model of the enterprise strategy of Learned E.P., Cristiensen C.K., Andrews K.R., Guth W.Q., is based on internal and external analysis (environment, respectively, the enterprise itself) pointing out the strengths, weaknesses, opportunities and threats of the enterprise. By integrating the values of the society and the one of the managers, the analysis leads to the final decision and format of the strategy (Therin, 2003).

A strategy is exogenously conditioned by: the environment (politics, climate) where it operates and endogenously by: the owner/s, the management, the dimension of the enterprise, the age of the organization, the complexity of the firm, location, technical and technological capacity, human capital, information management, economic potential, organizational culture (Stoicescu, 2009).

Starting from the objectives and taking into account the means, the strategy offers the enterprise the direction needed to obtain a competitive advantage and obtain the desired results so that it can adapt to the
environment where it operates. Three main elements can be thus derived: purpose, objectives and means. Efficiency, prioritizing and risk analysis play a key role in forming a strategy.

Competitive strategy of an enterprise aims at establishing a profitable and sustainable position against competitors (Ogutu & Samuel, 2007).

Chandler had long ago shown the importance of congruency and consistency between a firm’s strategy and organizational structure needed for implementation, taking into account the response to environment as well (Heather, 2009).

An enterprise should engage itself in the field where it can make a difference through quality, low cost, service provided, proximity toward the client for example, and should have very well clarified the following issues: direction, the amount of investments and the mean to materialize the strategic investments. There are two key elements determining the success of the strategy: first, sector’s attractiveness and profitability, and second, competing position of the enterprise.

Global strategy consists of strategic objectives and it is based on commercial strategy containing the following elements (Zahiu & Nastase, 2005):

- Commercial objectives;
- Market analysis;
- Market positioning.

For an efficient positioning, the enterprise should have information about the needs and wishes of consumers from the target markets and about the advantages they follow, to know the strengths and weaknesses of the competitors of the enterprise, be informed about the way the enterprise is perceived comparing to the competition.

Market analysis is founded on the „4P’s”: product, price, promoting and positioning and also on taking into account the lifecycle of the product: launching, growth and development, maturity and decline.

Porter’s approach of product positioning strategies is two folded (Heather, 2009):

- Differentiation strategy, based on unique features of the product improved through research, development, innovation and technological skills, that earns the company price premiums;
- Cost leadership, based on standardized products, low cost, economies of scale.

In time, competitive advantage goes through several stages: initial upraising, collecting benefits (when strategic movements from the first phase produce results) and erosion, with different duration and intensity depending on the type of the sector. In the first phase, the enterprise adopts an offensive strategy. The second phase depends on the time reaction of competitors. Here, the enterprise recuperates initial investments and obtains profits above average. In the third phase the competitive advantage of the firm decreases. Therefore, in order to maintain the initial advantage and to enter the first phase from a new cycle, the enterprise in the second phase should prepare the launching basis for another competitive offer (Someşan, n.d.). From a managerial and organizational point of view, this drives change on a strategic level, in order to attain a higher flexibility and adaptability and a more efficient way to adopt decisions.

Internationalization theories focus mainly on large MNEs, while small and medium sized ones are increasingly going global and should be given due importance. Researchers explained internationalization of small and medium enterprises (Hashai & Almor, 2002) by using several concepts: process (how they become global), content (the way in which they insure competitive advantage and configure the value added chain) and context (depending on which, the most efficient strategies are selected).
3. Categories of Strategies

Depending on the type of relationship between the subsidiaries and the parent company, we can derive the following categories of strategies of organization of a MNE in a foreign market:

- Autonomous subsidiaries: are copies of the parent company at a smaller scale where the control is exercised by the latter one through ownership and flows of resources. Examples include mainly producers of large mass consumer goods like Coca-Cola, Philip Morris, Procter & Gamble and so on.

- Simple integration: implies the interdependence between the parent company and its subsidiaries. Here examples can be found in automotive and electronics industry, which combine large scale advantages to low cost suppliers’ network. Some production processes are delocalized and products are distributed on the home market or on tertiary markets. The organization is similar to a hierarchy.

- Complex integration: consist of a profound specialization depending on the local market workforce capabilities and existent technology, consequently any subsidiary can entirely perform a certain function itself or in collaboration with the parent company. There are constant flows between the parent company and the subsidiaries and the difference of status is less significant. The organization resembles a network, so the total performance depends on the results of each subsidiary. More and more MNEs aim to reach this stage.

Neutral strategies, also known as stability strategies (Stoicescu, 2009), are specific to large enterprises aiming for stability and predictability:

- Profit strategies: directed at obtaining profit on a short term or decreasing investments and costs related to marketing or research and development;

- Consolidation strategies: in order to stabilize their position following large investments;

- Recovery strategies: finding solution of improving financial performances so as to recover and exceed past period results.

Diversification strategy (Management Strategic, 2010) can be of two types:

- Correlated: is applied when a company can use resources and competences developed from a field of business to another field, similar to the first one, with low risks and low costs.

- Uncorrelated: reunite business having no connection either through acquisition and restructuring, either through an efficient allocation of capital in investments with various degrees of risk.

McKinsey Global Institute identifies 5 main types of strategy restructuring for the global industry (McKinsey & Company), non-excluding one another and not necessarily sequential:

- ENTRANCE ON THE MARKET: Entrance on a new market with a production model similar to the country of origin in order to enlarge the consumer base.

- PRODUCT SPECIALIZATION: Producing most of the components in a single region and of final products in other regions specialized on each type of product.

- PRODUCTION CHAIN DEZAGREGATION: Producing components of a single product in various regions having the lowest costs for each component and assembling the final product in a single location.

- PRODUCTION CHAIN REPROJECTION: Searching for efficiency or lowering the costs of processes.
NEW MARKETS PENETRATION: Entrance on new markets with products having low prices.

Nevertheless, N. Hashai and T. Almor averred a gradual pattern of enterprise internationalization following several stages of strategy implementation abroad: exports (stage 1), Greenfield subsidiaries (stage 2), mergers and acquisitions (stage 3), multiple modes (stage 4). They also claim that companies more experienced in managing subsidiaries are more likely to turn Greenfield strategy into acquisitions (Hashai & Almor, 2002).

4. Successful Strategies Used By Large Multinational Enterprises

The current international crisis led to sharp declines in sales, increased level of prices and of various taxes. MNEs in automotive field had to meet consumers changing needs as well as high standards of quality. They therefore had to reorganize their strategy, based on innovation and flexibility, in order to be environmentally friendly and set competitive prices to their products. For achieving these goals, automotive MNEs used mergers and alliances as strategies to enhance their know-how, to enlarge their market share, to widen their offer, to offer various new designs, to increase vehicles’ performances, to lower the costs of raw materials and workforce and re-launch brands through marketing campaigns (Scalera, 2011). It was the case of PSA Peugeot Citroen and Renault Group. They directed their efforts on better services, more environmentally friendly and innovative products, also innovative promoting and a series of international strategic alliances with other vehicle producers (Fiat, Mercedes Benz, Dacia, Nissan so on). Market conditions also favored their relocation to more costly attractive continents like Asia and Africa. PSA Peugeot Citroen registered a net profit of € 1.13 billion in 2010 as compared to a loss of € 1.16 billion in 2009.

Fiat Group instead chose reorganization followed by a sequence of strategic alliances. In September 2010, the Group split into two separated companies – Fiat Auto (comprising automobiles) and Fiat Industrial (comprising the industrial and marine sector production), each focusing on its own Strategic Business Unit. This brought along flexibility and a better business management. The alliance with Chrysler enhanced its sales’ network. Financial results supported indeed the strategies undertaken. After the loss of € 848 million in 2009, the following the profit amounted to € 600 million (Scalera, 2011).

International strategic alliances are widely used by MNEs of all dimensions as an entry strategy on new markets as well as a strategy of development, jointly using technology and sharing expertise. It is also a method to face competition of other strategic alliances already constituted.

Puma AG established a joint venture partnership with Swire Pacific in Hong Kong because the latter one had valuable market know-how. In order to spread the huge failure risks, U.S. giant Boeing was taken over by several European companies, forming a joint venture, Airbus consortium. Sony Ericsson is a joint venture equally divided between the Swedish telecommunication company Ericsson and the Japanese consumer electronics company Sony Corporation; it was created to combine the technological expertise of the two (Cullen & Parboteeah, 2010).

Japanese multinational Sony formed several strategic alliances with smaller firms having complementary competences and thus penetrating new markets. Procter & Gamble entered over 120 strategic alliances (Management Strategic, 2010).

Apart from international strategic alliances, more and more international multiple partnerships are being chosen by multinationals. Strategic networks are formed especially when distance among companies is
small. The example here is the clustered companies from Silicon Valley. One firm is generally the center of the network. The advantage is that participants are better informed and become more innovative.

The acquisition of Compaq by Hewlett Packard resulted in 25% increase in market share in PCs and similar return with its competitor, IBM. In 1992, American company Gillette bought the biggest producer of razors from China, a renowned razor producer in India and invested in a new factory in Russia, thus considerably extending its sales. Nevertheless, it continued making its own efforts for innovating products, thus, by combining the two strategies, it obtained a profit above average (Management Strategic, 2010).

L’Oréal diversified its portfolio of international brands targeting different categories of clients. The quality remained high and the identity of the global brand was maintained even though several brands kept their national prints, like Maybelline Miami Chill or Maybelline New York or L’Oréal Paris. From the beginning of the acquisition of Maybelline brand, from 1996 until 2003, the sales of L’Oréal doubled and its visibility increased in U.S.A.

This is opposed to the strategy used by Coca-Cola to create a global homogenous product with an globally unique identity (Haig, 2009).

The strategies adopted by multinationals are extremely complex, diversified and continually changing. Mercedes-Benz for example, adopted a totally opposed strategy compared to Nestle and different from the Mattel that produce the Barbie doll.

On the one hand, Mercedes-Benz initially concentrated its production of vehicles in Germany, extended the production of certain models in other countries, exported then the final product, on the other hand, Nestle factories keep less than 3% of the workforce, factories and sales in Switzerland, home base country. In 2002, Nestle had 508 factories in 58 nations. Unlike these strategies, Mattel assembles the components for the Barbie doll from a multitude of regions. Thus, the petroleum from Middle East is refined into plastic pellets in oil refineries in Taiwan, which are melted by Chinese workers and molded using the equipment made in U.S. or Japan, adding the nylon hair made in Japan and other components made in China (Cullen & Parboteeah, 2010).

Not only the lowest costs are kept in view but also efficiency is very important. Even though it is cheaper to manufacture in China (production cost for a pair of shoes is $ 1.3) compared to U.S. (4 $ for the same pair of shoes), managers from the American sports company New Balance decided not to externalize production and invest in workforce training. Thus, the company produces more efficient, at a rate of 24 minutes per pair of shoes compared to 3 hours per pair of shoes in China.

Another way of deriving competitive value added for the clients is the reconfiguration of products and recombining activities of the value chain - diversification.

McDonald’s introduced extra menus and extended its chain of deliveries over different locations, inside Wall-Mart for example. Amazon.com commercialized computers through its website and not only books. General Electric is widely diversified as a result of many company acquisitions from different industries.

Restructuring is efficient when general performance is sharply decreasing and the company loses its market share. Ford fired 35,000 employees worldwide in 2002, closed 5 factories, decrease production by 16% at the remaining factories, in order to increase profit by $ 9 billion in the following years.
Conceived as a method of improving strategic competitiveness, benchmarking has become very popular within MNEs. It consists of comparing the best practices used by competitors for each process, product or service offered and implementing the adequate changes to obtain at least the same performance. During 1965 and 1975 Rank Xerox Company had had 20% profit growth annually. When it no longer possessed the monopoly on photocopying and dealt with fierce competition, managers decided to apply benchmarking for each production stage and service provided. Each time they encountered a better issue at competitors, they set it as a performance objective of their own operations. Thus, they improved their financial position and increased consumer satisfaction by 40% (Management Strategic, 2010).

5. Analysis of Main Types of Strategies

In Table 1, we present the key benefits and disadvantages for several types of strategy frequently chosen by enterprises (Authors’ synthesis: Cullen & Parboteeah, 2010; Ghiță, 2006; Management Strategic, 2010; Stoicescu, 2009).

Out of the description of one hundred biggest and most famous brands in the world made by Matt Haig in his book (Haig, 2009), we found that the common ingredient of a successful strategy for each of the multinational depicted was innovation, enforced by research, but also as a source of innovation.

In China, foreign direct investments are directed towards geo-economic and resource seeking strategies, efficient search and market strategy (Rashad & Yan, 2011).

A study performed by Business Week and Wall Street Journal on fusions in U.S. (Management Strategic, 2010), concluded that over a half produced negative effects for their stakeholders. Approximately 20% of fusions and acquisitions are successful and approximately 60% bring inadequate results, rest being failures.

A Eurostat survey of international sourcing in 12 European countries on enterprises having over 100 employees (Eurostat, 2008), showed that during 2001-2006, 16% of the surveyed enterprises had outsourced or insourced business abroad. See Figure 1 (Eurostat, 2008).

On aggregated level, a higher percentage of core business was internationally sourced than support services.

The survey also revealed that the main motivation of internationally sourcing activities was the reduction of labor cost, chosen by 45% of the surveyed enterprises as opposed to the least reason, tax or other financial incentives (9%). “Access to new markets” and “strategic decisions taken by the Group head” was both the reasons in around 36% enterprises, followed closely by “reduction of costs other than labor costs” of 30% share.

Ogutu M. and Samuel C. performed a survey on 40 MNEs in Kenya in 2007 to identify their competitive strategies. A disproportionate stratified sampling technique was employed and interviews were conducted with management personnel. The findings are displayed in Table 2 (Ogutu and Samuel, 2007).

It is obvious that quality, customer service, innovation, differentiation and diversification were the most frequent employed strategies by the MNEs in Kenya, while franchising and licensing were the least preferred ones.

The authors have further found that diversification was used by large MNEs rather than by small ones.

Innovation and differentiation are the top two strategies used by foreign owned MNEs, while foreign and locally owned ones preferred to deploy better quality and customer services, differentiation and innovation as well.
As shown by OECD (Gestrin, 2011), mergers and acquisitions (M&A) investments reached $ 822 billion in October 2011, a value close to the one registered in 2006.

The Business outlook report of PwC surveyed the plans for M&A and other business initiatives of 240 CEOs of private companies in the U.S. in the second quarter of 2011. Out of them, 132 represented product companies and the rest service companies. We synthesized the results in Figure 2 (Private Company Services Trendsetter Barometer, 2011).

As we can see from the graphic: the majority of initiatives were directed towards new building strategic alliances, with 36 percentages in the second quarter of 2011 and being overall superior to all other plans for the next 12 months strategies. Second were considered new joint ventures increasing 4% from the prior quarter up to 23%.

We tried to verify whether there these changes are significant using a Chi-square test both on production and services companies separately. In the case of the 132 production companies, Chi-square result (11.08) leads to the conclusion that the difference is significant, due to some other factors than chance. For the other 108 services companies, the Chi-square test was not significant, so we can consider random factors account for the results.

Nowadays, informal managerial models are promoted, having in view the creation of a culture of organization. A higher amount of tasks are delegated and informational and communicational systems are widely spread across organizations. Activities not having a competitive advantage are outsourced, thus allowing the enterprise to focus on its core of business.

Hit by economic crisis, some MNEs had to close down several subsidiaries, cutting costs by repositioning of firing employees and so on. Others changed their strategy into an intensive one, by shortening internal processes and getting the management pyramid flatter.

Competition from online enterprises attracts more and more customers. In Romania, electro-IT retail online market share reached 20%. In online commerce, eMag shop has 70% of the market share in Romania and it is said to have the largest market share from South East Europe. In 2011, the number of orders registered rose to 1.3 million, 300 times more than 10 years ago. Total products delivered amounted to 2.1 million in 2011, compared to only 122 in 2001. eMag turnover was € 62 million at the end of the first semester of 2011 (Biszok, 2012).

Last but not least, proactive behavior is rather promoted than reactive one. A proactive enterprise aims the development by assuming risks, searching for new markets and trying new technologies. It rather forecasts than adapts to the market tendencies.

6. Conclusions

Enterprises have had to permanently adapt to market conditions, to identify the resources, use them efficiently, to be flexible enough so as to gain the competitive advantage on the market on a long term. They therefore have had to find the optimum strategy and redirect it depending on the economic context at the time being. A successful strategy is based on the added value it brings, on the way it makes a difference, on the sector’s attractiveness and on the market maturity phase, so that it helps the enterprise gain a profitable and competitive position.

Strategies used by multinationals can take a wide range of forms. In the current paper we go through the main types of strategies, we get an insight of the most successful strategies used by the largest MNEs and
analyze the strengths and weaknesses of the main types of internal and external strategies. We used data from literature review, MNEs reports and international studies performed on this subject.

In choosing the right type of internal strategy, MNEs take into account the primarily following key elements: innovation, trade costs and market conditions. As external strategy for expansion on foreign markets the most common and successful strategies employed by MNEs are international strategic alliances and diversification, while fusion and licenses were the least preferred.

Today MNEs are more and more complexly integrated, they rely on more intense communication and their behavior is rather proactive than reactive one. They also face increasing competition from online enterprises that are enlarging their market share.

For future work, we recommend a comparison of international strategies used by MNEs in time, as economic context and their organizational structure are extremely dynamic and complex.

References


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<table>
<thead>
<tr>
<th>Type of strategy</th>
<th>Advantages</th>
<th>Disadvantages</th>
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<tbody>
<tr>
<td><strong>INTERNAL STRATEGIES</strong></td>
<td></td>
<td></td>
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</tbody>
</table>
| Specialization | - Focus on one direction;  
- Simpler administration;  
- More efficient management;  
- Consolidating the image;  
- Increased productivity. | - Higher risk for bankruptcy or lower profit in case of a lower or inexistent demand;  
- Higher risk to be technologically obsolete;  
- Lower capacity to adapt to environment. |
| Specialization and diversification | - Higher economic efficiency. | - Lower risk of bankruptcy. |
| Diversification | - Decrease risk;  
- Probably increased profitability;  
- Efficient in mature or saturated markets. | - Low management efficiency;  
- Consistent financial resources needed;  
- More suitable in low intensive industry (example: services). |
| Outsourcing (Management Strategic, 2010) | - Focus on core competences;  
- Improve the quality of activities by outsourcing to specialized companies;  
- Cost reduction;  
- Innovation capacity decreases;  
- Job losses in the company deciding to outsource;  
- Risk of not obtaining the desired result;  
- Technology diffusion. | |
| Development strategies (growth, increased production & turnover, minimize costs through new products or new markets) (Stoicescu, 2009) | - Increased negotiating capacity;  
- Higher capacity to face competition;  
- Economic consolidation. | - Higher investments;  
- Risky alternative. |
| Internal growth by own means (Stoicescu, 2009) | - Offers results in the country of origin when faced with high competition on foreign markets. | - Long time period until attaining the objectives. |
| Benchmarking (Management Strategic, 2010) | - Find the best practices and apply them internally;  
- Motivate staff, stimulate creativity;  
- Enlarge professional knowledge. | - Possible unjustified costs relative to the profit. |
| Restructuring (Management Strategic, 2010) | - Savings due to jobs cuts;  
- Improved performance on a long term;  
- Major internal reorganization. | - Jobs and talents losses. |
| **EXTERNAL STRATEGIES - FOR ENTERING A MARKET** | | |
| License (Cullen & Parboteeah, 2010; Ghiță, 2006) | - Easy entrance, avoids entry barriers;  
- Low cost and least risky mechanism to go global;  
- Rapidity of diffusion on the market;  
- Only limited expertise for operations on the local market is needed;  
- Optimal for countries with unstable political regimes. | - Weak promotion of the good or service;  
- Competition between several producers acting under the same license or creating a new competitor;  
- Possible violation of the agreement. |
| Franchise (Cullen & Parboteeah, 2010; Ghiță, 2006) | - Rapidly globalize a brand with low investments;  
- Reduce financial risks;  
- Easier to operate on the local real market estate and deal with hiring and training the personnel, operating the shops of the franchisee; | - Possible low profits for franchisor;  
- Even though the franchisor requires strict rules and procedures, its control can lessen;  
- Risk that the franchisee become a competitor to the franchisor;  
- Difficulties to transfer the revenues to the parent company; |
- More attractive than exports in case of high tariffs, quotas, regulations, big distance between two countries that increases transportation costs, for small markets where investments are not worthwhile.
- Possible negative image in case the franchiser does not comply with the standards of the parent company;
- Possible standardized products or services;
- Success depends on the management and the local legislation.

| International Strategic Alliance (Cullen & Parboteeah, 2010; Ghiță, 2006) | - Lower cost with R&D and marketing;
- Reduced entry barriers;
- Risk sharing;
- Sharing technology;
- Generating economies of scale;
- Improved expertise and performance about the local market;
- Lower prices for final products due to lower costs supported by all partners, higher quality and quicker delivery due to complementary technology. | - Extended resources required (including time) from each partner;
- Cultural clashes;
- Failure in case of organizational culture incompatibility;
- Possible imbalance of forces resulting from the alliance. |

| Subsidiary (Ghiță, 2006) | - High control;
- Direct contact with the clients. | - High costs;
- Insure a minimum volume of mandatory activities. |

| Mergers and acquisitions (Cullen & Parboteeah, 2010; Ghiță, 2006) | - Economies of scale;
- Presence and immediate action on local plan;
- Increasing size;
- Overcome entry barriers and facilitate the development on a foreign market;
- Risk diversification;
- Access new strategic assets; start with a gained market share and existent clients, collaborators;
- Acquire the first position in the market and obtain profit on a long term. | - Takeover of the firm’s debts;
- Cultural and compatibility clashes;
- Excessive diversification;
- Coordination and restructuring difficulties due to size and other incompatibilities;
- Lower labor productivity;
- Inconsistent firm evaluation at acquisition moment;
- Possible loss of important clients. |

**Table 1** - Strengths and weaknesses of main types of strategies
Figure 1 - Motivation Factors for International Sourcing Activities, Eurostat survey
<table>
<thead>
<tr>
<th>Type of Strategy</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Foreign Owned Mean</th>
<th>Foreign &amp; Locally Owned Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better quality</td>
<td>4.48</td>
<td>0.85</td>
<td>3.64</td>
<td>4.75</td>
</tr>
<tr>
<td>Excellent customer service</td>
<td>4.48</td>
<td>0.79</td>
<td>3.71</td>
<td>4.63</td>
</tr>
<tr>
<td>Innovation</td>
<td>4.43</td>
<td>0.66</td>
<td>4.57</td>
<td>4.34</td>
</tr>
<tr>
<td>Differentiation</td>
<td>4.29</td>
<td>0.78</td>
<td>4.21</td>
<td>4.5</td>
</tr>
<tr>
<td>Diversification</td>
<td>3.73</td>
<td>0.94</td>
<td>3.71</td>
<td>3.88</td>
</tr>
<tr>
<td>Cost cutting measures</td>
<td>3.61</td>
<td>1.08</td>
<td>3.86</td>
<td>3.38</td>
</tr>
<tr>
<td>Strategic alliances, mergers, acquisitions</td>
<td>3.39</td>
<td>1.16</td>
<td>3.43</td>
<td>3.63</td>
</tr>
<tr>
<td>Low price</td>
<td>3.17</td>
<td>0.98</td>
<td>3.36</td>
<td>4.38</td>
</tr>
<tr>
<td>Franchising</td>
<td>2.81</td>
<td>1.40</td>
<td>2.64</td>
<td>3.50</td>
</tr>
<tr>
<td>Licensing</td>
<td>2.62</td>
<td>1.16</td>
<td>2.71</td>
<td>3.00</td>
</tr>
</tbody>
</table>

**Table 2** - Strategies employed and ownership by MNEs in Kenya, 2007
Figure 2 - Quarterly changes in planned strategy for the following 12 months, U.S. survey