

Business strategy for expansion in usa market



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Joint venture is now considered as an important tool for the expansion of business in international market. Joint venture of the business enables the companies to access the required resources and capabilities of each other which are necessary to achieve the goals by bringing new products, services and technologies in the market. The partnership of two companies is helpful in expanding the business not only in local area but also in international market. This report has been described about the joint venture of two multinational companies Anglo American and Alrosa. The target country of these companies is USA. The strategy of the companies through joint venture is to seek resources in the new country (Hollensen, 2007). Both the companies are famous metal and mining companies. The descriptions of both of the companies are as follows:

Anglo American-

Anglo American is the famous global mining company which was founded in 24 May 1999. Headquarter of the company is London. The company is engaged in the mining and exploration of costly base metals and ferrous metals. The main mining business of the company includes thermal coal, iron ore, metallurgical coal, manganese, phosphate nickel, minerals and many precious metals and minerals (Forbes Media, 2017).

Alrosa-

Alrosa is also a famous mining company across the world which was founded in 19 February 1992. Headquarter of the company is in Mirny, Russia. The businesses of Alrosa are production, processing, marketing, exploration and sale of diamonds. The company is operating different segments of market

such as social infrastructure, diamond transportation, trading, construction activity, electricity production and many other activities (Forbes Media, 2017).

It is not easy to enter in the international market. There are many rules and regulations which have to be followed by the companies while entering in the international market. USA is the developed country. It is well known that there are many resources available for the mining companies but it is very critical for the companies to enter in the USA market. For the expansion, especially in the international market, good partnership, proper research and resource, are very necessary (Cateora, 2008). Research of the target market is very important for the success of the business. Both the companies can use the unique strategy for the expansion of the mining business in USA market. The mining industries can face many risks in the international market such as rules and policies, impact of climate change etc (Ingram, 2015). Along with this, tax and regulations are different in USA from Russia and UK. So, it is very important to do proper research about the market while going to start the mining business. By the research, it can be seen that there are the good scope for mining business in USA. There are many resources available in USA for the mining industry as USA's mining sector has increased its area in 21st century. The companies can find innovative ways for mineral extractions by special initiatives in the USA market. Along with this, there are USA laws and regulatory agencies which provide framework to increase sustainability for mining activities. Companies also have to consider the impact of formal and informal institutions for the formation of the companies (Ahammad & Glaister, 2010).

In present time, joint venture is becoming the essential form of expansion of business in the international market. In joint venture, two or more companies decide to share their assets for future business operations. Joint venture can be the cause of lower business risks, efficient exchange of important information and reduce the conflicts because of cultural and legal differences. The main aim of joint ventures of Anglo American and Alrosa is to expand the mining business in USA market. According to the research, target country is differing in terms of legal regulations, capital and securities market regulations. So, in joint ventures, it can impact on the both of the companies which are going to expand the business in USA market. Both formal (legal and regulatory) and informal (culture) institutions of the country impact the decision of joint venture significantly. Formal and informal rules impact the cross-borders joint ventures (Chen & Mujtaba, 2007).

In case of formal institutions, there is the strong impact of USA foreign direct investment on the new joint venture of the companies. Anglo American and Alrosa are seeking resources in USA for their business expansion. But, both the companies have to face the impact of foreign direct investment in terms of export and import activity. The FDI of USA promotes free trade between the countries and has positive attitude towards the expansion of foreign company in the country. FDI basically focuses on the economy of the country and allows free trade between the countries. Thus, there is a positive relation between USA foreign direct investment and the joint venture of cross border. Along with this, democratic rules, government stability, and bureaucracy are the important factors of FDI that support the joint venture of cross border.

There is low level of corruption in the USA market so both of the mining companies will not face any kind of risk related to fraud in the country. With this, the export and import activities will not be so critical and tough for the companies in USA. So, expanding the mining business with the joint venture in USA market will not be so difficult of Anglo American and Alsrosa. Further, companies have to face lower transaction costs to enter in the market but it will be in positive manner (Jinjarak, 2007).

Although, joint venture is good for the expansion of any business but there are many factors that impact the companies' decisions to enter in the international market. There are the differences in the countries in terms of investor protection, legal and regulations. Anglo American and Alsrosa choose USA market for expansion, but both of the companies have to understand the culture and environment of the foreign market. For the institutional developments, companies have to understand the culture of target country. Informal institutions may impact the decisions of the companies by the different culture. Cultural differences can be the obstacles for the companies in terms if growth and success. It can be the cause of failure in the new market also. Cultural clashes can be the reason of failures of such business agreements. Different culture and religions can impact the entry of companies in the USA market. Language, culture and region differences can be the main point which has to understand by Anglo American and Alsrosa while expanding in USA market (Lee, Shenkar, & Li, 2008).

Managing a joint venture successfully is a difficult task. Anglo American needs proper planning while going to do joint venture with the Alrosa. The <https://assignbuster.com/business-strategy-for-expansion-in-usa-market/>

company needs to do process with the important agreements, policies and procedures to make sure about the future business operations. There are some points about the management of joint venture.

- Companies are needed to choose the governance structure while deciding to manage the joint venture. The attorney should be prepared by discussing both of the parties.
- To manage the joint venture effectively, both of the companies must choose the director by mutual selection. The director can be chosen by voting procedures and independent director should be selected.
- Both of the companies should be agree on large capital expenditures, creations of assets and sales of material assets in the joint ventures. Strategic plan and annual operating budget should be decided mutually.
- To resolve the disputes among the companies in joint venture, the common methods such as mediation and litigation should be used.
- For the functional activities related to production and manufacturing, the companies should use research and development agreement while involving in development program (Lupton & Beamish, 2009).

By adopting these processes, both Anglo American and Alsrosa will be able to manage the joint venture to expand in USA market successfully.

The report is basically discussed about the expansion of Anglo American and Alsrosa through joint venture. The main target country of the companies is USA. From the above discussion, it has been analyzed that the partnership of two companies is helpful in expanding the business not only in local area but also in international market. But it needs proper planning related to

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agreements, rules and policies. Both the companies are from different countries and they are going to expand in totally different country in terms of rules, regulations and culture. It is well known that there are many resources available for the mining companies but it is very critical for the companies to enter in the USA market. Both formal (legal and regulatory) and informal (culture) institutions of the country impact the decision of joint venture significantly. So, for the expansion, especially in the international market, good partnership, proper research and resource, are very necessary.

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