# Strategic motives

Business

Multinationals are the firms that own a significant share of other companies that operate in the country. Various firms decide to become multinationals in order to gain strong foothold into the international market, to access new technologies and availability of government grants. When a firm decides to becomes a true multinational enterprise, it does so with various strategic motives such as to gain the competitive advantage, to have control over any foreign operations invest their capital abroad. A firm first evaluates the competition at their home market and if it lacks it at home they are unlikely to have sufficient advantages and the same time to be successful at the foreign market, this is simply because the competitive advantagesof home market must be enduring, powerful and transferable to enable a firm to operate well in foreign environment without any big difficulties hence smoothening the mode of its operations. Foreign operations must be located where there is good market so that the firm will take advantage of its competitive advantage to a good degree to help the firm to return the cost of capital.

Market seekers produce in foreign markets to i. e. to satisfy local demand or to export to international markets. Secondly a firm has to decide the type of control it needs over foreign operations. Majorly the greater control turns around risk and investment.

Checking along the degrees of control we realize that managing and licensing contracts provides low level of controol whereas joint ventures necessitate a somewhat higher level of control. Firms look for countries where there is political stability where there would be no private enterprise interference. The spectrum of investment approaches i. e. licensing, joint ventures management contracts and direct investments required in that order for increasing investment of monetary capital. The firm must officially decide if the benefits of greater profits or greater investments plus the greater market share or competitors from gaining a greater market share are worth the differing amounts of monetary capital needed.

An example of a multinational fanatical institution is GE Money which provides consumer services in more than fifty countries in the world.