Multinational corporation

Business

Assignment Questions: Question Number One: of, a) Contestability of a market: Contestability of market refers to a market structure that gives organizations the freedom of entry and exit. In a contestable market, policies are enacted that will keep the prices of products affordable, therefore minimizing the risks of a monopoly abusing its dominance in the market (United Nations Conferance on Trade and Development, 137).

b) Concentration Index of a Market:

Concentration index refers to the percentage of the market in which the largest organizations control. For instance, concentration index four refers to the percentage of the market share in which four largest organization within a market controls.

c) Structure-Conduct Performance Paradigm:

This refers to an assumption that the structure of a market would influence the conduct/ behavior of a firm. The manner in which an organization conducts itself in a given market will thereafter affect its performance. For example; in market where there is less competition, organizations have few obstacles. This gives them an opportunity to have various options in which they can behave in a market, and an example is increasing the prices of their products.

Question Number Two:

How Multinational Cooperation Affect the Market Structure of the Host Country:

a) Entry Through Green Field Investment:

Entry through green field methodology promotes competition between the companies in the market. This increases the quality of the products offered, and lowers their price. This is because a new company enters into the market, and it comes with its own strategies of penetrating the target market (United Nations Conferance on Trade and Development, 147).

b) Entry Through Merger and Acquisition:

Entry into a host market through mergers has an effect of limiting completion, and this leads to an increase to the prices of goods the organization offers. This is because a multinational company collaborates with an existing company that offers similar products. This collaboration reduces competition since the organizations are not in conflicting of taking each other's customers, but on retaining these customers.

Factors that affect the impact of a multinational company in a host country:

a) The level of market controls that the host country has put in place.

The control of the market by the host country can take the form of price controls, or requirements that before an entry to a given market, the company under consideration must incorporate local people as part of its ownership or senior management.

b) The nature of entry of a multi-national cooperation within a market.

A multinational cooperation can enter into a host market either through mergers, or green field entry. Green field entry has an effect of increasing competition. This is because there is an increase of the number of firms operating in a given market. Mergers on the other hand limit competition, because of the reduction of the number of firms operating in a given market.

Question Number Three:

How Entry of the Following Cooperation affected the Market of the Host Country:

a) Mars and Nestle in the UK ice cream market:

The entry of Mars into the UK ice cream market leads to decline of producers and sellers of ice creams in UK. The entry of Nestle into the UK market was through a merger, and its entry reduced the number of ice cream competitors, from four to three. This increased the prices of ice-cream products (United Nations Conference on Trade and Development, 142).

b) Marko in the South Korean Retail Services Market:

The entry of Marko into the South Korean Service sector reduced the prices of its products in order to compete with other organizations offering similar services.

c) Foreign Banks in the South American Banking Sector:

Entry of Foreign Banks into the South American banking sector led to a reduction in the profitability of the banking services. This is because competition was fierce, and the market was small. The size of the market therefore prevented these organizations from making huge profits (United Nations Conferance on Trade and Development, 149).

Question Number Four:

a) Monopolization of acquisitions, and mergers.

Mergers and acquisitions can cause monopolies, resulting to anti-competitive behaviors. For instance, a merger can create anti-competitive behavior if rival organizations merge to form a single organization. This has an effect of reducing the level of competition within a given market.

b) Collusion:

Collusion refers to collaboration amongst various competitors within a market. They may collaborate in setting up prices, or engaging in advertisement wars. The reason why collusion takes place amongst multinational cooperation is that the behavior of one firm is most likely to affect the behavior of another firm (United Nations Conferance on Trade and Development, 156).

c) Predatory Behavior:

Predatory behavior refers to the practice in which multinational organizations undercut the prices of its products for purposes of forcing new entrants outside the market, or to establish a monopoly.

Works Cited:

United Nations Conferance on Trade and Development. " World Investment Report, Transnational
Corporations, Market Structure andCompetition Policy ." United Nations. United Nations, n. d. Web. 20
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