

## A Corporation is looking after Multinationals. Are they Attractive for their Skills or Just a Means of Reducing Transaction Costs?

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### Abstract

The present paper aims to explain the strategies that follow the Multinational enterprises to entry new markets of Emerging economies exposing an analysis of a corporation in the Mexican clothing industry. De deployment of this article is by seven parts. The first one is an introduction; the second explains the importance of the selected topic. The methodological choice is mentioned in the third part. There is a literature review. The fifth part is a short description of the enterprise of analysis and after that there is a theory explanation of the situation of this corporation analyzed. Finally the conclusions are exposed.

**Keywords:** Emerging economies; Corporations; Multinational; Retail; Joint ventures

### Introduction

This paper seeks to define what strategies use various multinational companies to entry emerging markets. These markets represent a new niche as well as a considerable increase in the benefits of globalized firms. Detached from the previous firms seek generation of appropriate strategies to move into market segments similar to those already controlled. Vargas-Hernandez et al. [1] suggest the existence of four strategies for penetrating new countries. First place is the strategy in which are the firms from developed economies entering emerging economies. A second strategy is detectable when domestic firms compete in emerging economies. The third strategy is the entry of firms belonging to emerging economies into other emerging market economies. Finally, the fourth strategy is the company's emerging economy looking entry in developed economies. In business research in multinational companies there are two sides regarding the entry in foreign markets; on the one hand there is talk of making direct investments, called fair entries, in which it works with wholly owned and controlled subsidiaries. This strategy has been used when looking to have total control of the new company in the economy to entry. At later points the dilemma is outlined in depth.

On the other hand there is talk of a joint venture, an unequal entry; in this case there are several situations that senior management should be considered for entry. The crux of this strategy is being a joint investment where risks and investment are shared, but equally a real option for the future acquisition or merger is opened. At a lower level are treated the different structures for each other entry markets, some examples being the use of licenses, diversification, global strategy, international or joint venture. Elections between merger, acquisition and joint venture perspective are described.

This asserts on creating a company controlled by two firms may be a local company and a foreign or two firms in the same location. Basically, the joint venture seeks to obtain of the two companies creating better processes and quality to successfully establish itself in the new market. Also, it seeks to reduce transaction costs that are taken for entering a market and as part of the acquisition of a firm. On the other hand, the acquisition or merger may be preferred by firms when transaction costs are lower than the benefits that the firm seeks and according to the objectives that firms have may decide to acquire part the company or the whole of the same [2].

Based on the above, many company executives who are seeking a new market entry should conduct a cost-benefit study between the creation of a joint venture, acquisition or merger. Beamish and Banks [3] argue that joint ventures between firms are preferred as the right model for investment in the overseas market. Thus, this type of strategic partnership is key in business organization for multinational companies. In general, joint ventures are a means to evade somehow intermediaries in countries seeking to entry. These intermediaries often increase transaction costs of businesses and is that apart from being cheaper reduces uncertainty.

Thus the structure of this work is given in 7 parts. 1) This is the introduction, 2) the relevance of the selected topic, 3) methodological choice, 4) an ad hoc review of literature. 5) Short description of corporation analyzes. 6) Theoretical explanation of the situation of corporation analyzed and 7) Conclusions.

### Relevance of the Subject

The nature of corporation subsidiaries is to control and manage their resources. In order to obtain monopoly power, many corporation firms they develop skills that allow them to appeal against others of the same nature either in their home country or another. In the garment industry, many firms are differentiating each other due to their horizontal innovations such as are those subsidiaries that control that innovation and is the corporation that controls the subsidiary. In that vein, multinational companies seeking to reduce transaction costs, risk and uncertainty are interested on corporation capabilities to meet different needs that multinationals have. As an examples are mentioned the outsourcing of sales forces, distribution and even the management of property rights.

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Received June 12, 2015; Accepted June 25, 2015; Published July 2, 2015

Citation: Vargas-Hernández JG, González-Armenta LE (2015) MA Corporation is looking after Multinationals. Are they Attractive for their Skills or Just a Means of Reducing Transaction Costs?. Bus Eco J 6: 164. doi:[10.4172/2151-6219.1000164](https://doi.org/10.4172/2151-6219.1000164)

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That is why the analysis of strategies that multinationals have to entry markets becomes even more interesting when its approach is to reduce transaction costs as much as possible through some kind of alliance with corporation controller subsidiaries. The question then would be, Do the multinationals are interested in the capabilities of corporation or just seek to reduce transaction costs?

## Methodological Choice

To carry out the work, it is proposed to analyze the company described in subsequent points by crossing theories and strategies. Then the cut of this article is the qualitative type by reviewing literature and a description of the corporation object of study. The tendency of the article is explanatory and because of the lack of information to support a quantitative analysis for corporation and partnership between them and multinational firms, it has been decided to cover only literature review.

## Review of Literature

In the theory of the multinational firm are born the concepts of market entry strategies. These strategies are based on the theory of transaction costs to reduce uncertainty. It is for this that taking the right decision from between the merger, acquisition and joint venture (JV's) generates the greatest benefit to the companies concerned. Authors such as Beamish and Banks [3]; Hennart and Reddy [2], Harzing [4] and Eisenhardt K [5], Gulati [6]; Kogut [7] argue that the main theories suggest the various ways of entering a market and the tools that can delimit their actions are the transaction costs theory, the agency theory, industry-based approach and based approach resources.

In general terms, entry strategies are four [1]. These are 1) Companies from developed economies to entry emerging economies. 2) National companies competing in emerging economies. 3) Firms from emerging economies entering into other emerging economy markets, and 4) Companies from emerging economies looking to enter developed economies.

This can be summarized in two distinct groups: On the one hand these firms of similar economies that are capable of entering the target niche with ease due to the cultural and institutional parity. It is interesting because of the ease and similarity between institutions because these companies are more likely to consolidate in countries with equal conditions those in countries with different economies. In addition to creating strategic alliances, countries also generate benefits for reducing transaction costs on both sides by international treaties and agreements. The similarity of economies is beneficial to some companies seeking internationalization or simply seeking to venture into a new country.

Moreover, in asymmetrical economies the transaction costs increase due to cultural, educational and institutional differences. This is logical because some developed economies are more stringent than those emerging economies which create institutional barriers to entry when a firm seeks emerging economy market entry of developed economy. It is considered as the knowledge of the type of economy that the interests of the markets provide relevant information for decision-making regarding the type of method to be used for entrepreneurship or market entry (Table 1). Several firms are looking to implement strategies to entry different market sectors. Uncertainty forces them to manage that strategy through a plan for further application, for which a plan must be implemented irrespective of their level of quality. McConkey [8] asserts that even the most perfect from the technical point of view strategic plan would be useless if not implemented. In

the foregoing, it is very logical that any strategy developed to remain in a market, block the entries, and entry other market or simply project its investments would not be possible to achieve if certain points are not implemented on a pre-written plan [6]. By this is meant that the nature of a strategist firm other than having vision has proactivity to implement its plans with focused firms to ally tend to change their structure according to their relationship.

## Equitable or inequitable entry as the first decision in the entry of new markets

The main dilemma that shareholders and multinationals have when they want to entry a new market is to opt for a model of fair or unfair entry. Referring to both terms it should be understood that the fair market inputs are given by creating companies fully or partially controlled by the person concerned [3]. The second entry is the inequitable where are observed licensing agreements or through intermediate agents. Kogut [7] suggested that firms should consider the fact to invest or expand into other markets and suggests the use of Joint Ventures as a gateway to the industries of interest because they are a way of sharing risk and also a form of decrease the total investment.

Although the two options that companies have to market entry, also has three alternatives that are licenses, joint controlled companies and subsidiaries. These aspects will considerably reduce transaction costs because processes are shared and the information is complete, but it should also be considered an aspect as breaking and filtering technology through two ways. One is the termination of the contract for one partner, and the second by direct competition created by an entrepreneur who was a partner in the joint company.

When deciding on any of the models to a new market entry it should be considered that equitable entry includes direct investment by the company concerned and thus founded a new organization, but may also decide on the acquisition of an already functional company or direct investment in a company that already exists. Harzing [4] argues that it is both a business strategy that determines the model in market entry but also is a corporation level strategy or size of the company and those results in global integration. This makes sense, as the risk that a company runs by investing through a merger or acquisition of a firm is more than a model of inequitable entry.

The subsidiaries have more freedom of action and therefore decentralization works best in the field. Harzing [4] suggests that the globalizing and multidomestic strategies apply to different firms because of their nature and their advantages. Decisions that emerge at the entry to a market in equitably way should be considered unfair by controlling who seeks to have in the company. It should therefore be considered the variety of options that have through these two types of input.

## Acquisitions, mergers or joint ventures to consolidate a firm strategically

Research in corporation multinational firms there are proposal approaches regarding the entry in foreign markets. On the one hand the perspective of the joint venture asserts on creating a company controlled by two firms, it may be local and foreign companies or two firms from the same location. Basically the joint venture or joint venture seeks two creative firms of the best processes and the best quality to successfully establish themselves in the new market. Also, it seeks to reduce transaction costs that are taken for entering a market and as part of the acquisition of a firm [2] (Table 2).

Entry in similar economies	Entry in asymmetric economies
Companies of emerging economies seeking to entry in countries with emerging economies.	Companies from developed economies to entry emerging economies.
National companies competing in emerging economies	Companies from emerging economies that entry countries with developed economies.

**Source:** Own creation.

**Table 1:** Entry of companies according to the development of the economy.

Strategic investment	Cross participation	Joint Venture
A company interested in entering the market invests at another firm that is already positioned.	Both firms invest between them	Two or more firms share the same interest and investment risk in penetrating a market.

**Source:** Own creation based on Vargas-Hernández et al. (2014).

**Table 2:** Types of entering new markets and main feature.

As noted, strategic alliances are important in the consolidation of firms. These reduce transaction costs through contracts, just as the uncertainty of the environment is reduced. In these cases, there are two groups of important strategies. However, it is noteworthy to mention that partnerships are agreements between firms seeking to exchange, share, or develop technology, goods or services. These groups of alliances as contractual partnerships whose capital base is not focusing on the joint marketing, operation and distribution as well as franchising; and alliances based on capital are subdivided into three blocks. Gulati [6] argues that firms that maintain alliances but have a share capital, have access to more information on partnerships and have a higher capital, attract better strategic partners to seek an alliance (Table 3).

Often firms are certified or concentrated in a single industry. Breaking the structure is complicated for companies seeking venture. It is understood that the joint venture is the most viable market entry in terms of cultural difference, segregation of markets and general option, the expertise available in firms. This is logical because it is more difficult for a firm outside the institution of a country seeking to entry for a firm that already has the experience, contacts and as observed. It has certain development compared to other economies as well as the most appropriate model from a cultural perspective is the Joint Venture.

Beamish and Banks [3] argue that the appeal of the joint venture is to reduce transaction costs and increase the opportunity to entry the market as well as the income they could get. This makes sense for a company that started a joint company with another organization, whose main interest is the market entry in a consolidated economy or in development in order to acquire an attractive income. Often multinational companies not are willing to initiate a joint firm as the income is greater with a company in which they own at all. It's interesting the dilemma that the strategists must consider, because these two perspectives have their pros and cons. The decision must be successful by the market, product and processes involved.

Speaking of culture, engagement is a situation that exists within firms. On the one hand, the organizational culture of an established company has different institutional structures to which the company seeks to entry already possesses. For this Hannart and Reddy [2] suggest that firms have opted for collective enterprise that serves to synchronize the cultures. Added to this cultural aspect, it is observed that this process could generate such high transaction costs that affect the company's finances causing a very serious problem. All this evolved from cultures not synchronized in the short term and rehabilitation of firms are located in different processes.

There are two important and well-defined areas for joint firms to work. First, there must be a flexible income controlled by the company seeking to enter the new market and firms that create joint ventures have a greater interest than simple income and the assets of the company in foreign markets; i.e. that the joint firm to function properly should have the two characteristics where rents received are attractive but it is higher the interest of keeping the joint firm to be appropriated by either party.

As mentioned in the beginning, opportunism can be avoided by the joint ventures because with these are generated the right means to not to take advantage between each other. It is important to consider that bounded rationality is a more typical appearance controlled companies in total, i.e.; subsidiaries. Furthermore, the creation of a joint venture creates a synergy for combining the resources and capacities of multinational companies that founded the joint firm which it gets great potential due to the above.

Multinationals bring advantages to each joint venture giving more impact on the market and that is why it often this firm model is preferred by strategists [3]. It is suggested that the reason for multinational to prefer joint ventures is that by aligning goals, the executives of such joint venture tend to rely as referred to. Trust in joint ventures avoids rivalry. It recalls again that confidence prevents opportunism and thus reduces transaction costs avoiding contracts and lawyers. The joint firm has technology of both creators, processes, licenses, products, strategies and these resources can be filtered by a rupture implying that one of the two firms decides not to continue since it considers most attractive technology that the rent contract. There is a risk in terms of leakage or theft of technology and there are two ways to make it happen. The first is that one of the partners of the joint firm resigns and uses the technology and the knowledge acquired in the company to found his own and that it may make directly to the first competition. The second form of filtration is in which one of the partners in the joint company dissolves the union using acquired technologies to continue with a similar joint venture.

On the other hand, the acquisition or merger may be preferred by firms when transaction costs are lower than the benefits that the firm

Strategic investment	Cross participation	Joint Venture
A company interested in entering the market invests at another firm that is already positioned.	Both firms invest between them	Two or more firms share the same interest and investment risk in penetrating a market.

**Source:** Own creation based on Vargas-Hernández et al. (2014).

**Table 3a:** Blocks as investment partnerships.

	Transaction costs theory	Agency theory.	Resource based view theory
Mergers.	Transaction costs increase due to the creation of contracts that protect opportunism	It generates a corporation governance helps reduce uncertainty through a hierarchy.	The combination of resources of the merged firms has generated synergy.
Acquisitions.	Transaction costs increase due to the creation of contracts of sale.	There are shocks for cultural disparity.	Resources and capabilities are mixed.
Joint Ventures.	Joint Ventures. It reduces transaction costs because the risks are shared.	The timing of the firms produce that the agents are aligned with the objectives.	The combination of resources drives the dynamic capabilities.

**Source:** Own creation.

**Table 3b:** Key features of market entry strategies by major theories proposed. Theory of transaction costs.

seeks and according to the objectives that firms have may decide to acquire only a part of the company or all of the same. The acquisition is the case of firms and investments that entry targets choose to opt for joint ventures. This decision was made based on the difference of cultures that countries have, as well as the segregation of markets. Hannart and Reddy [2] suggests the above based on asymmetry aforementioned economies. Gulati [6] argues that firms seeking to make an acquisition should consider a similar investment amount made in Joint Venture as a minimum for the purchase of equipment on the market today. This means that if one of the signatures of the joint venture would acquire part of its ally, the total amount should be at least as similar to investing in the assets of the joint venture.

In the case of networks, it is important to be based on the tripod of the strategy. This model is made up of considerations by three theories, the industry-based approach, based on the resources and capabilities approach and institutional theory. Noting the based on the industry theory that competition has not generated profits so the best option here is cooperation and horizontally coordination of firms to create entry barriers and reduce transaction costs and risk. Gulati [6] said that some joint ventures are predestined to break for companies investing in the project and have planned well, it is important to consider that in the future could have business plans that only occupy the joint venture as access foreign markets.

Also a firm can have partnerships that can be vertical down where the examples are travel agencies that make promotions on flights, hotels, car rentals and more (Table 3).

The resource-based theory returns to the frame VRIO where the abbreviations define alliances which in turn grouped capabilities as lower costs for consumers. On the one hand, the concept of value is already described as generating partnerships companies that can offer lower prices or improved products which increases the value for consumers. Also the concept of rarity that occurs through innovations and technological improvements but also by copyright and licenses between alliances are easier to reach. Imitation concept recalls the level at which the productive factors can be copied by the members of the company or by the partners and in turn determines the trust of partners.

Finally, the Organization under VRIO measures levels of organization in the firm and partnerships or networks that this has for successful deployment of products that is difficult to duplicate. The intent of the partnership is to reduce costs, risk and uncertainty. These partnerships are also important because they allow access to additional assets of the partners as technology and information, but also partnerships can generate a spy harm the firm interested in technology and cooperation. Partner opportunism is relevant in this regard.

Turning to the theory based on the institution it is advisable to remember the restrictions arising from the formality or informality. Beginning with formal institutions that must be the pillar regulator, is basically divided into two sections. The first is the assumption that partnerships tend to be monopolies but may also have problems due to the formal requirements affecting networks. Governments have discouraged purchases of firms by the same monopolistic assumption. Second place are informal institutions where firms tend to be supported by collective rules that seek to justify their legitimacy.

Strategic alliances have several stages in its life, understanding that such alliances are born under the assumptions of cooperation and teamwork. It is understood that their lives have different durations because the objectives to be achieved by each company differ, without

limitation the stages of the alliance are three: Training where the decision to strengthen its activities through skill mix is taken. The evolution is the second stage where it is decided whether the alliance continues as there are moments of distrust and sometimes there are alliances that fail to keep what ends in a corporation divorce. The last stage is where the overall performance of the firm is determined to understand how far the alliance has worked.

### Options of firms to implement strategies

Among the options the company has to develop and implement strategies, vertical integration, diversification of products and the multidivisional structure are the three main corporation strategies that enable the company to achieve production levels, entry or market consolidation. That is why for a technically sound plan must be created various mechanisms that modify the organization of the company so that the structures become more efficient and are of better control. First, when the company generates a strategic plan to solidify its value chain, the most appropriate step is vertical integration, since this process will diminish transaction costs generating greater benefit to the company (Table 4).

Vertical integration is an interesting process that is based on the principle of creating a company with intermediate operation in the value chain of the company. This allows firms to reduce production costs and increase its capacity yielding a result as economies of scale. It is important to recognize that a corporation strategy that competes in several countries could generate cost reductions. However, it has to be determined the nature of the firm since the centralization of production in a plant matrix. Detached from such a strategy can be said that diversification of products also shows a reduction of costs, basically when the firm focuses on making an innovation, it can have an extension of the plant to produce various models of the same product allowing to use technology to change the process and get a different product.

Finally, as a corporation strategy to enter other markets is important to mention that the firm could consider centralizing as a high maintenance cost and a multidivisional structure would be preferable. Therefore, companies are focused on generating internationalization strategies where an administrative array in a country and production plants distributed around the globe. Another option that companies have is the possibility that their plants are spread in a similar manner as above but with offices in each country allowing it to have a freedom of operations by region. The situation gives clearance to have less bureaucracy in the process. An additional strategy is globalization. Adopting this strategy allows the company the specialization of production plants in different countries according to the resources and capabilities that each area offers.

### Summary of literature

As the literature shows, there is a way forward according to the needs of companies seeking to enter markets. It can be observed that the first step is to define the entry model to the economy of interest. Equitable or inequitable pattern model, based on the needs or interests

Vertical integration	Product diversification	Multidivisional structure
Vertical integration allows the reduction of transaction costs due to solidification of the value chain.	Expand the production line or innovate it allows product diversification through economies of scope	Segmentation of factories and matrices in countries according to comparative advantage and reduced transaction costs.

Source: Own elaboration.

Table 4: Corporation table for market entry strategies.

of a multinational firm is the first decision. What kind of partnership is intended to be used, this is based on investment, risks, institutions, culture and cultural parity. Finally, it decides on corporation strategy that maximizes the benefit and meets the interests of senior management. The following diagram shows the ramifications that occur in this process (Figure 1).

### A brief Description of Group Axon

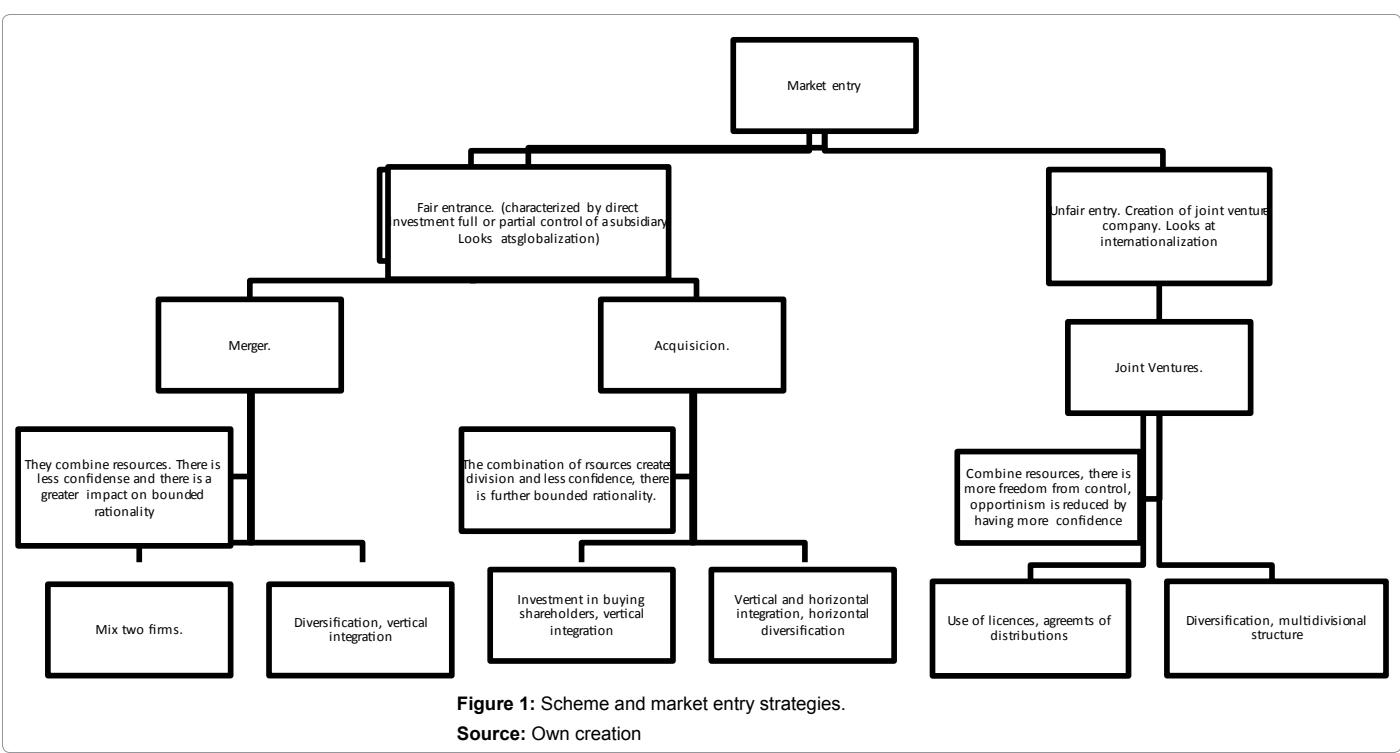
Group Axon is a company dedicated to the distribution and sale of fashion goods and accessories in the country and currently plans to entry into the South American market with brands distributed exclusively. The firm started activities in 1994 with the founding of Tommy Hilfiger® Mexico SA de C.V., a brand that has been its main source of revenue until now contributing about 40% of them. The group aims to be a strategic partner of internationally recognized brands [9] so their strategic management model is the use of joint ventures with investment partners. The brands distributed by the group are Tommy Hilfiger®, Coach®, GUESS®, Express, Marc by Marc Jacobs®, Victoria's Secret® beauty and accessories, including high impact on the domestic market; its control brand reaches 18 in 2015. Individually to the creation of a first company focused on marketing of a particular brand, the evolution of the firm makes it think that only dedicated to building an optimal infrastructure for the distribution and sale of those goods which justifies the mission that its environment is becoming a strategic partner for its end that is to become a leading distributor of clothing brands of international renown.

The general strategy of the Axon Group is to be controller of brands by possessing infrastructure. Despite having as main objective the distribution of clothing and accessories in the Mexican territory, in 2008 Axon ventured as a strategic partner into franchising Krispy Cream® but divested in 2011 to in full franchise to devote itself to the main whole market that controls and in the year 2013 the company Alsea society invested in the group through the acquisition of 25% of the shares of capital stock [9].

Enterprise has a subsidiary that handles the imports and transport of goods. The name of it is Onset Mexico SA de CV and it has 3 distribution centers: Queretaro, Mexico City Nuevo Leon. Ports and border areas which have customs agents are Laredo, Manzanillo, Veracruz. The way logistics works is by an order that targets customs shipments, receiving in warehouse, storage, order of shops distribution, boarding stores and reception stores. The subsidiary Onest has the ability of distribution, storage and delivery of goods to the 18 brands that controls the group which makes it crucial part for Axo Group as a competitive advantage as the distribution level would increase but the critical paths are established and means shipping costs are the same for different brands worked by the group [9].

The group has the ability to be a discriminator of prices on second and third degree by having various distribution channels. Channels are online stores which the company is making commercial leases, the discount stores that are used for the displacement of lower-priced products and past seasons, the structure of the shop in shop is a mode in which the company markets products in conditioned spaces in department stores where Axo group controls inventory, furnishings and promotion. Finally, the corner store structure is detected as the place where the products are engaged in department stores space for brand marketing [9].

The group has contracts with GICSA, Liverpool, Carso, Grupo Sordo Madaleno and Danhos for the lease of the premises showing that the strategic alliances are also given with firms of the same economy. Some of the firms controlled by corporation are shown in the following table where it can be discovered that the firm most powerful in terms of the exclusive distribution of brands is Tommy Hilfiger. Now, every type of store is a model of strategic alliance or partnership. Online stores and discount are vertical integrations while the corners' shop and specialized shops or shop in shop are strategic alliances with department stores such as Liverpool and Palacio de Hierro (Table 5).



## The Analysis of Strategic Management at Grupo Axo Framing

The analysis applied to corporation Axo Group S.A.P.I. C.V. is qualitative with an approach to its management strategy since the beginning of its activities as Tommy Hilfiger Mexico S.A. of C.V. This section is intended to explain how it has managed the market positioning and how it works with multinationals with whom can establish partnerships. The development given below is explaining first how it works Axo Group subsidiary that controls and then at a second point explains what becomes attractive to multinational corporation front.

### Explanation of Grupo Axo behavior on the market

Despite being born as a distributor of brand Tommy Hilfiger®, the group has grown into a corporation controller brand shares with the luxury category accessible to everyone. This divides the main activities of the organization through subsidiaries which shapes, allowing a free action for each of the brands that have come under exclusive license. Such behavior can be explained with the assumptions proposed by Harzing [4] where the subsidiaries have more freedom and allows the decentralization of multinational corporation firms to achieve their goals.

As a holding shares company, works with subsidiaries which are vertically integrated allowing you to add power to their value chain. When Tommy Hilfiger Mexico S.A. is created de C.V., it is made by a joint venture of controlled brand internationally with Mexican investors [9]. In 1995, it was born the first company of the group, to go adding brands to its control; the structural model was allowed to grow through decentralization of the main activities giving birth to Axo Group and manufacturers working with licenses as exclusive distribution subsidiaries. Barney [10] says that firms value the resources in the future strategically analyzing the competitive environment and the skills and capabilities they have already control.

As Tournois [11] suggests, the strategy proliferation of products allows spanning more market segmentation by niche. Axo offers various brands of clothing and accessories achieving diversification as a very powerful strategy. While Axo does not manufacture goods placed, one might consider its distribution system as the basis for product diversification. Partnerships and strategic alliances with which are working the corporation allow a monopoly power through control of brands and subsidiaries operating in monopolistic competition market structure where each subsidiary distributes goods with horizontal innovations. However, the group's ability gives Axo great power over customers as its exclusive distribution license does not allow goods to be distributed by another provider.

Axo controls the opportunism of its employees in outlets, by dividing its workforce. A subsidiary called Human Capital Services Axo is the paying of all controls of confidence in branches of its subsidiaries namely Guess, Tommy Hilfiger, Express, etc. It offers different benefits as other employees Human Capital Integration Axo. Thought this control moral hazard is decreased. Another way to align the goals and objectives of the shareholders, directors and operating system is the low fees paid by this model; it ensures that vendors increase sales because it is directly linked to incentive programs [12-14]. Transaction costs generated by internal theft are reduced with the incentive to work under commission and growth of the company is controlled.

Returning to the advantages of strategic alliances, vertical integration of its supply chain allows a capacity growth based on

Penrose effect [12] are no shown training or distribution problems therefore there is control. The segmentation of areas of great importance allows maintaining growth that attaching distribution brands through licensing and joint ventures there are no threats that will cause unfavorable situations. Axo uses strategic management properly it is observed for the existence of several tactics and strategies that have generated its stay in the market

### Axo Group as a gateway to multinationals

Watching from a general perspective, any multinational interested in entering the Mexican market clothing, could come through direct investment. However; Axo being the most powerful nationally in the niche, a firm contract of Joint Ventures will reduce transaction costs, risk, uncertainty and investment [4]. Under this wording is logical modus operandi of multinationals that make such contracts with Grupo Axo. The exclusive distribution agreement allows companies working through the Joint Venture model as explained, and apparently is preferred. PVH, corporation that controls the Tommy Hilfiger brand creates international contracts with Axo group, the duration is variable with a mean of 5 years [9]; rehire is based on meeting the goals of Axo. So Axo and PVH share the risk.

It is observed that the group works with the Joint Ventures model offering its resources and capabilities to become attractive to foreign multinationals looking to enter the market through a real option to reduce uncertainty and investment. Both Harzing [4] and Beamish and Banks [3] argue that the position of multinational companies when starting a joint venture is divided into two options where to enter the new market should strategically consider whether the multinational will entry through direct investment by creating its own infrastructure, by acquiring an equity share or through a joint signature. As noted the joint venture is preferred.

When multinational focused on the garment industry put interest in a Mexican market, they are looking for the best way to entry this emerging economy, taking all three options (acquisitions, mergers and joint ventures). It decides on the basis of risk which claim to have and cultural parity. So Axo is a powerful strategic partner in the country. The reason is that its network of subsidiaries allows it to support a steady growth so the Penrose effect [12] does not occur [13] and allowed to attach brands. Onest, the logistics company is one of the most important for the group because through their distribution routes

Subsidiary	Online stores	Discount	Shop in shop	Corner	Total
Tommy Hilfiger®	31	7	-	1467	1505
Pink®	5	-	10	-	15
Coach®	10	2	33	-	48
Guess®	30	5	9	573	617
Marc Jacobs®	12	1	10	-	16
Brooks brothers®	6	-	-	-	43
Etro®	11	2	2	-	4
Emporio Armani®	2	-	-	-	33
Brunello Cucinelli®	5	-	1	28	2
Express®	1	1	-	-	3
Crate&Barrel®	8	-	-	-	4
Theory®	4	-	2	-	2
Kate Spade®	2	-	-	-	5
Chaps	3	-	-	84	86
Total	130	18	67	2512	2383

Source: Axo, 2014 Group.

**Table 5:** Number of outlets by subsidiary.

manage to get economies of scale in transportation allowing the group to supply the goods it distributes.

What becomes attractive to the corporation front to others is the great capacity of management and logistics. While the multinational provides intangible resources as the brand, designs the clothes and the supply chain (Axo has more than 550 suppliers worldwide positioned in more than 15 countries) Mexican group brings its tangible resources such as the ability to distribution subsidiaries recruitment and permeate all the ease of culture and ideology of the market brands entering the ranks of Mexican collaborators.

The product was designed in such a way that the washing of car becomes easy and cheap. The cost can be minimized still, if the product is in mass production. This model can be used with good comfort and ease where the required type of liquid (soap solution or water) can be sprayed with manual control. This model also minimizes the amount of liquid to be used for car washing.

## Conclusion

It can be analyzed that Grupo Axo is a powerful corporation in terms of strategic alliances; it is a powerful partner in the clothing industry and has an oligopolistic power industry since there is a competitor in so powerful market it in the same business structure. One subsidiary allowed to grow in brands without increasing its force logistics just as subsidiaries as shops and direct sales outlets. It is a strategic partner just like its mission suggests. It provides resources to multinationals and capabilities as corporation for entry of its brands in the country and they share the risk equally. It can be said that the model most used strategic alliance is the Joint Venture.

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