Planning for expansion into a new international market is a quite large endeavor for a multinational corporation like DSV Transport and Company A/S (DSV). The preliminary analysis concludes that a potential business venture with Eastrex Group of Companies, located in Malaysia, is a highly likely route for expansion in the Southeast Asia region. Analyzing the environmental factors, the company character, and typical criteria concerning new business ventures, the scope of this discussion outlines the most beneficial way to enter the Southeast Asian market through Malaysia. Rankings by the American Association of Port Authorities (AAPA) state that Singapore, in the same region as Malaysia, is the second busiest seaport by cargo tonnage (AAPA, 2011). This simple statistic does not paint a clear picture of the alternative of entering this region of the world through Singapore; however, it notes that this discussion scope is inclusive of the information that is a benefit or disadvantage for DSV to enter the market through Malaysia, primarily with Eastrex. With that, other competitors in
Malaysia – either domestic or international – play a large role in the preliminary analysis. With this discussion, Eastrex will be considered a highly valuable potential association over competition in Malaysia.

Therefore, examination of various market-entry strategies will be under discussion. Inclusive in the analysis will be an in-depth analysis of DSV, a discussion about Eastrex, the significance of Malaysia, and a breakdown of the transport and cargo information in the area before considering the three different options for the possible venture with Eastrex. Finally, in conclusion, will be the discussion of what is best for both DSV and Eastrex.
In-depth analysis of DSV

With over 35 years of transport experience, DSV has grown into a global transport company. As a Danish based international firm, DSV has acquired a global presence through some very key mergers. Today, DSV is, “a global supplier of transport and logistics services. The company has offices in more than 70 countries and has an international network of partners and agents” (DSV A/S, 2013). With such a vast operations, DSV is a global business. Each year, DSV has acquired the capabilities and resources to do business with every continent. The organization is now divided into three divisions. DSV Road and DSV Solutions offer comprehensive services throughout Europe. As DSV Road has door-to-door service and DSV Solutions offers logistical services, both divisions offer complete service from the beginning to the end of each shipment. DSV Air & Sea is capable of shipping any product, any size to overseas markets. Priding themselves in being a global leader in road, logistics, air, and sea transport, DSV’s wide range of services are most effective with a powerful and adaptable management style.

DSV is a global leader and competitor for many reasons. One major reason is a decentralized management style throughout each division and the entire corporation. DSV states that, “decentralized management enables us to constantly adapt to changing condition”
(DSV). This style of management creates the culture that DSV wants to embody to its clients. With over one million clients, the company values being extremely flexible to tailor each transaction to the individual needs of the customer while having a global handle on things (DSV). This initiative is transparent to its customers and DSV confirms that relying on a team with, “expert knowledge to make decisions for customer needs with competency and urgency as it deserves” (DSV). As DSV wants to deliver door-to-door, customized service, it must be able to trust any one of its head offices to make the best decision for its customer in regard to logistics, customs, and schedules. Therefore, DSV enables its over 22,000 knowledgeable employees with the capability of making effective decisions for each customer on an individual basis. In this regard, the company takes on many advantages for its business effectiveness and efficiency by empowering employees, relieving the burden of top-level, mid-level managers and supervisors, maintaining self-sufficiency in the case of emergency, and easing the burden of expansion into new geographical locations (Joseph, 2013). Adaptability is a main factor for any transport and cargo company to be a global leader, and a decentralized management system allows for DSV achieve this and make it a competitive advantage over its competition. DSV gives the customer the image that they can do it all by simplifying the work to be as simple as shipping a package with UPS. The world is constantly changing and complex, each decision needs expert knowledge about the geographic locations involved and the items being transported. That is why DSV chooses a decentralized management structure.

Following, DSV maintains a strong vision to be able to serve nearly all customers needs from transporting sensitive items like live predatory cats to large wind turbine products that
demand very innovative, multi-modal transport (DSV). With this range of service and solutions, DSV is clearly a global transport company. DSV prides itself in being able to ship practically any item it customer needs to move. 

Seeing where DSV wants to go in the future is important to understand current acquisitions and potential growth. Run with a decentralized management style and wide-range of shipping capabilities, it makes sense that the CEO, Jens Bjorn Andersen, has a global focus on organic growth (DSV). Andersen explains:

*DSV’s goal has always been to grow faster than the market and in doing so to gain market shares. This strategy has been achievable in most cases and should also be possible in the future.*

(DSV)

Windows of opportunity to continue to grow internationally has been widely available. Consider, in the last 15 years alone, about half of the company’s life, DSV has been able to chart record growth due to DSV business acquisitions. Acquisitions of other transport and cargo companies like Samson Transport (acquired in 1997), DFDS Dan Transport (2000), Bachmann (2004), and ABX Logistics (2008) all have played a significant role in the development and global positioning of DSV (DSV). DSV’s presence in now 75 nations aligns with Anderson’s vision to grow faster than the market. Reflecting on this information, developed nations and newly industrialized nations account for 44 nations worldwide (CIA). DSV, however, has 37 head offices (Exhibit 1), more than half of their international presence, located in countries that are not considered a developed or newly industrialized nation.
Therefore, it is clear, that Andersen’s push for DSV to be growing faster than the market is evident. Only 22 countries are developed nations and 8 are considered newly industrialized nations while the rest are markets with lots of potential market share (CIA).

*Exhibit 1:*

**Current Head Office Locations**

<table>
<thead>
<tr>
<th>Developed Country Name:</th>
<th>Newly Industrialized</th>
<th>Other Country Name:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, United Kingdom, and United States.</td>
<td>Brazil, India, Indonesia, Malaysia, Mexico, Philippines, South Africa, and Thailand.</td>
<td>Argentina, Belarus, Bangladesh, Bulgaria, Chile, Colombia, Croatia, Czech Republic, Egypt, Estonia, Hong Kong, Hungary, Iraq, Kazakhstan, Kenya, Korea, Latvia, Lithuania, Morocco, Mozambique, Nigeria, Pakistan, Peru, Poland, Romania, Russia, Rwanda, Singapore, Slovakia, Slovenia, Taiwan, Tanzania, Uganda, Ukraine, United Arab Emirates, and Vietnam.</td>
</tr>
</tbody>
</table>

*Total: 22 (out of 33) 8 37*

*Not all 75 national head offices are accounted for this table.*
Clearly, DSV has had and will have a large future emphasis on capitalizing on newly forming markets and potential market share. One example is DSV’s agreement in October of 2012 to acquire Swift Freight Group of Companies (DSV). Headquartered in Dubai, Swift Freight has 400 employees who generate roughly USD 175,000 revenue in the last year. Adding new offices to DSV’s expansive network, purchase agreements of this stature and size, to take full ownership of all of Swift Freight overtime suggests that DSV will more than likely continue this type of behavior. The benefit for DSV – besides growing faster than the market – is to complement, “DSV’s global network and Swift Freight’s reach and expertise in Africa (and the Middle East)” (DSV). This acquisition gave DSV offices in 75 countries across six continents. In another perspective, considering DSV’s total acquisitions, it would be reiterated that DSV wants to position itself, “as a key player in the international transport and logistics industry and be open to advantageous opportunities and further development of our business” (DSV).

Following, Andersen acknowledges that the management structure currently in operation has a barrier to complete business integration processes. Separated as three divisions, Andersen addresses an immediate future goal of the company to become better at conducting sales across divisions (DSV). This could potentially expand DSV with current customers quite rapidly rather than trying to acquire new customers. With one million present customers in the database, DSV’s already built trust can truly be an important key to the future growth of DSV and growth of its customers business. DSV also highlights a focus not only on the ‘biggest fish’ but also small and medium-sized customers (DSV). Andersen promotes that
customer size is not the only target. These values underline DSV’s priority as Andersen addresses, “we give high priority to continuing to strengthen the indispensable local sales work that must go hand-in-hand with global initiatives” (DSV).

DSV’s resources worldwide move a remarkable amount of products globally everyday. Consider the employee’s by division: the Road Division has approximately 10,000 employees, the Air & Sea Division has approximately 6,000 employees, and the Solutions Division has approximately 5,000 employees (DSV). With about 21-22,000 employees, DSV is well able to train employees in all nations to have expert knowledge about customer needs and logistical solutions. Therefore, DSV makes it a priority to do so and this is a key characteristic of DSV to continue to be a leader in the global Transport and logistics industry. The Road Division has over 17,000 trucks on the road daily, the Sea Division moves more than 700,000 twenty foot equivalent units of sea freight annually, and the air division moves over 250,000 tons of air freight annually (DSV). These resourcing capabilities outline a very key importance to the growth of the company in future years. While achieving economies-of-scale, DSV is able to save their customers on cost. Furthermore, DSV’s Solution Division is also very capable of handling comprehensive logistic solutions with over 2 million square meters of warehouse space (DSV). This type of focus on supply chain management, expert logistics, and quality care for abnormal or sensitive cargo is an important feature of DSV’s characteristics and the resources involved make it all possible. Up to the third quarter of DSV’s fiscal year, DSV maintains a its full-year outlook (DSV). In essence, DSV’s character, defined by its resources, focuses on being a team player with every customer over being a passive supplier. Tailor-
made service to meet customer needs on a global, complex scale – with respect of product solutions, prices, and transit times – makes DSV who they are today.

**DSV Asia**

DSV Asia is in the business to outperform the rest. In trying to figure out how, Tilo Raab, DSV’s sales manager in Asia along with Peter Minor, CEO Asia for DSV are looking at the larger task ahead (Moves). DSV Asia is promoting and committed to intra-Asian trade (Moves). This market stated by Minor is, “considered the world’s largest and fastest growing area of transport” (Moves). Moreover, Raab, the new sales manager in Asia reiterates the same thing confirming this suggestion. Raab believes, “everyone tends to focus on China, meaning that countries like Malaysia, Indonesia, South Korea, Vietnam and the Philippines are easily neglected” (Moves). With all that said, the vision of Andersen to always be growing faster than the market is reflected in Raab and Minor’s strategic plan. Raab and Minor are pushed to view regional growth across countries as opportunities. The culture set in DSV and DSV Asia specifically highlights Andersen’s goal to be one of the biggest players in global transport and logistics. With that said, Raab and Minor are two people who are highly likely pieces of future expansion. Below Exhibit 2 illustrates DSV Asia’s current operations in Asia. With 17 head offices and 68 branch offices (not all shown in exhibit 2), DSV has a large foothold in Asia as of today.
Exhibit 2 (CIA)
**Eastrex Group of Companies**

Eastrex Group of Companies is headquartered in Malaysia. Eastrex, after 20 years of business, aims to be a leading logistics provider. Providing innovative supply chain solutions to its customers, Eastrex’s aim is to become, “the architect of your logistics needs” (Eastrex). As a service provider with high quality standards, Eastrex wants to pivot a companies’ logistics to a competitive advantage. Overall, Eastrex supports all areas of logistical operations from pick-up to drop-off.

Also, functional areas divide Eastrex management structure. Under three functions: administrative support, operation units, and business support, Eastrex carries a comprehensive range of business services. Eastrex has separate operational units for Sea Freight, Air Freight, Land Logistics, and Warehouse Management (Eastrex). Specifically, Sea Freight and Air Freight provide door-to-door service, storage, and cargo insurance (Eastrex). Sea and Air Freight services also provide a complete view of for customers for the door-to-door service. Eastrex further is able to customize its skills for peculiar customer requests. Eastrex provides special services and custom brokerage to be tailored to the customers needs for full service delivery of goods. Eastrex has worked closely with Germany
and the Netherlands in Europe and also the United States to provide logistical services across the world for its customers. Eastrex has also handled large, complex projects throughout the Asian region. Dividing the company by functional sections has allowed Eastrex to continue to grow and be a major player in Malaysia. That is, separate functional areas allow Eastrex to give clients in-depth specialization toward achieving desired outcome. All these factors are strong contributors to the vision of Eastrex becoming a leading logistics provider.

One major disadvantage to a functional departmentalized management structure is poor communication across functional areas. Eastrex understands this issue and has addressed the issue by having paying special attention to the supply chain management of their clients. To explain, Eastrex wants to become its clients supply chain managers (Eastrex). With a full service package from, “import, export, storage, stock rechecking, vendor management, transport, consolidation, distribution, and many other solutions,” Eastrex confronts this issue by working internally to build communication through different functional areas. This happens by learning customer supply chain needs and then using all the resources available at Eastrex to make it happen. Therefore, a lack of communication between functional departments is avoided by providing customers a full service package that may cross company functional areas many times over. In essence, Eastrex management structure suits the client needs well and allows Eastrex to get closer to their vision.

Further, with Eastrex functional management structure, Eastrex’s resources are immaculate. Considering Eastrex human resources, the company has well-trained and knowledgeable employees. For instance, Eastrex is capable of doing full service logistical transportation with a
detailed understanding of customs, duty, and tariffs across nations (Eastrex). Licensed to the Royal Malaysian customs Department, Eastrex has expert knowledge in how to handle cargo across borders. Eastrex prides itself with a knowledgeable staff that is experienced and ready to deal with import licensing, goods and service tax, customs drawbacks, computerized tariff code, custom valuation, and much more involved with logistical solutions. Whether it is logistical solutions inside Malaysia or internationally, Eastrex has a strong hold on working with key players in the international market such as the United States, Hong Kong, Germany, and the Netherlands. This is important for the company as it helps the company create and manage a position in the logistics and services sector, practically in Malaysia. Eastrex resources are a key component of their current success and personalized services for each individual customer. The company has well-rounded warehousing staff that is trained to handle almost any good from dangerous to oversized (Eastrex). Moreover, the services provided by Eastrex are storage, packing services, stuffing and unpacking services, open storage services that are secure with security and surveillance systems (Eastrex). With this understanding, it is clear that Eastrex understands the line of business they do and are able to customize their skills to react to different customer needs and supply chain needs.

Under the logistics, storage, and cargo industry, many organizations are at work to meet different company objectives. Organizations like International Federation of Freight Forwarders Associations (FIATA) is at work to unite, represent, promote, and protect the freight forwarding industry worldwide (FIATA, 2013). Additionally, this organization is tied to many other organizations that Eastrex is partners with like the Federation of Malaysian Freight
Forwarders (FMFF), ASEAN Freight Forwarders Association (AFFA), and Federation of Asia Pacific Air Cargo Association (FAPPA) (FMFF, 2013). This leaves an impression that Eastrex has strong relationships with the government and non-government agencies that oversee global logistics and cargo industry. This implies that Eastrex resources tied to its position in the market, specifically the Southeast Asia region, are strong and well able to handle the complex and changing future market. Considering the size of projects, the reach of Eastrex, and

Significance of Malaysia

Considered an emerging multi-sector economy, Malaysia is seen as an attractive country to do business with (Countrywatch, 89). With a labor force of about 13 million, low unemployment, and an even lower inflation rate, Malaysia continues to increase in new investments reflecting a competitive option in the market (Nordin, 2). Malaysia has a goal to become a high-income nation within the next seven years (Nordin, 3). With that said, it would make sense that Malaysia encourages and promotes foreign direct investment, especially export-oriented manufacturing (Countrywatch, 89). Just in the first quarter of 2013, the transportation sector expanded by new contributes of over RM 4.5 billion (Nordin, 4). Employment for highly skilled jobs is readily available and growing. Consider, domestic investments in the same quarter increased by 25 percent and foreign direct investment nearly doubled compared to the first quarter of 2012, just one-year prior (Nordin, 5). This type of growth illustrates a clear picture of the success that the Malaysian government is achieving in its vision. Noted as a newly industrialized nation by the CIA, Malaysia has relaxed its hold on rules and regulations in regard to foreign direct investment throughout the nation. Also, the
current exchange rate of the Ringgit Malaysia (RM) operates on a managed-float regime against a trade-weighted basket of currencies (MIDA). This signifies, also with a low inflation rate, that the RM is stable and trustworthy currency to use. Overall, Malaysia is an emerging multi-sector economy that is attractive to foreign investors.

Specifically, in regard to the transport and logistics industry, there is important information in regard to potential growth of the industry that needs to be addressed like future infrastructure, growth in the transport and logistics industry, Malaysian workforce, and current services provided that align with the vision of Eastrex and more importantly DSV.

*Future Infrastructure*

Current Malaysia infrastructure supports expansive air cargo freights and facilities, sea freight, and cargo land transportation by road and rail. Considering Malaysia’s capabilities with airfreight and cargo facilitates, Malaysia is positioned promptly at the crux of Southeast Asia. Malaysia has six international airports with developed air cargo facilitates (MIDA). In particular, the Kuala Lumpur International Airport is expecting to expand by 20 million more passengers and 1.8 million more tons of cargo per year by 2020 (MIDA). These circumstances underline an endless amount of possibilities for the air and cargo facilitates. To note, Malaysia Airlines operates MASkargo, one of the main cargo divisions in Malaysia. MASkargo has a reach of over 100 destinations across six continents (MIDA). Sea freight looks widely profitable also.

With seven major federal ports, two in Kuala Lumpur, are equipped with modern facilities (MIDA). Port Klang in Kuala Lumpur is ranked along side the Port of Tanjung Pelepas in the top 20 container ports in the world (MIDA). It is obvious that Malaysia can also support large and
vast sea freight opportunities. Thirdly, cargo transportation from warehousing to haulage to inter-country customs and clearance is also reliable throughout Malaysia. Also, connected to neighboring countries is quite simple as well. Cargo transportation in Malaysia is also multi-modal with both road and rail transportation systems (MIDA). Whatever type of movement is needed for goods to or through Malaysia, no barriers to entry exist logistically. The infrastructure is well built. More importantly, future infrastructure developments are well under way to make Malaysia a key player in the Southeast Asia region. Below in Exhibit 4 is a detailed map of the main infrastructure facilities through Malaysia highlighting the capital city Kuala Lumpur. To note, all DSV services are provided in Malaysia. Even modern tracking systems in containers enable clients to know exactly where their order is on the road at any given time (MIDA).
- Major Infrastructure Facilities in Malaysia

**Malaysian Workforce**

The workforce in Malaysia accounts for 44 percent of the population. Not only is a low unemployment rate important for investors but also a high-skilled labor force. In an article published by the Malaysia University of Science and Technology, it discusses a major collaboration between transport and logistics programs with the university. This synergy between the education system in Malaysia and the logistics industry outlines a very key incentive to investors. That is, future investment in Malaysia will be met with educated employment. More so, industry leaders like Eastrex’s own Mr. Alvin Chua Seng Way, who is also president of FMFF, promoted the vision to gain a competitive edge in the Southeast Asia region by educating students to be employable right out of the school system. Mr. Alvin Chua Seng Way said, “We need professionalism in the industry as the global logistics landscape is very dynamic. The only way for the logistics industry to remain competent is to enhance our knowledge and expertise in tandem with the changing needs and innovative supply chains” (MUST). With that said, the future workforce with the current workforce will enable positive growth and maturity Malaysia’s logistical industry workforce.

**Restrictions and Incentives for Foreign Direct Investment**

Malaysia’s government has changed dramatically over the last 20 years and plans to change even more drastically over the next 20 years. With that said, current restrictions and incentives for foreign direct investment in the logistical industry are worth noting. Already highlighted, the government does encourage foreign direct investment and particularly export-oriented manufacturing industries (Countrywatch). Many logistical issues are connected to
manufacturing and value added services necessary for production. In other words, the logistical industry benefits greatly from this because the government directly encourages this type of behavior that DSV and Eastrex is in. Also, there are incentives for the shipping and the transportation industry for Malaysian ships for residents of Malaysia. That is, Malaysian ships receive a 70% tax exemption for residents only (MIDA). Also, employment on Malaysian ships is exempted from paying taxes on received income. With that said, sales tax exemptions are applicable to locally produced products being shipped. These total incentives allow for great participation by Malaysian residents against foreign investors. On the contrary, restrictions apply toward the amount of foreign-held equity held in certain industries. Particularly, foreigners could hold up to a 70 percent stake in shipping companies at max (Countrywatch). This number has increased over the years and may also be likely to increase more, yet the limitation does not allow a foreign investor to have a wholly owned foreign subsidiary in Malaysia. Forwarding agencies also are limited to a 49 percent stake in the company. These percentages have increased over the years and will be highly likely to continue to increase. The restrictions and incentives promote foreign investment while protected domestic business from foreign overtaking’s. With all that said, Malaysia is well equipped with an infrastructure, workforce, and enough freedom to do profitable business in and through Malaysia to the outer region.

Various Market-Entry Strategies

In good business practice for DSV and Eastrex, both companies will be looking for congruency of business character, management structure, and vision. DSV is known for
acquisitions that strengthen their current operations. Again, an ‘excellent match’ is what Andersen would ascribe to past acquisitions worthwhile like SBS Worldwide or Swift Freight, both purchased within the last six months (DSV). Eastrex will be a major complement to DSV’s current operations considering that DSV has a larger global footprint than Eastrex. The opportune match with Eastrex is derived from Eastrex’s current headquarters and area of operations. Eastrex is able to be a well-suited match of DSV’s operations to help them expand into the Asian region, particularly Southeast Asia. DSV wants to strengthen their current business and increase their visibility in and around Malaysia. Therefore, it is important to first understand what DSV current has under operations in Malaysia.

Malaysia, in the core of the southern region of Asia is a hub for shipping and transport companies wishing to service this territory. Currently, DSV has 104 ‘passionate employees’ in Malaysia at four key locations: Port Klang (the largest port in Malaysia), Kuala Lumpur International Airport (discussed previously), Penang (in the north of Malaysia), and Johor Bahru (in the south of Malaysia above Singapore) (DSV, Malaysia). On the map, there are four yellow stars with the locations of the DSV branch offices. The map illustrates the locations primary locations. With all that said, Eastrex will
consider either becoming an agent with DSV, forming a joint venture, or a purchase of the majority of the company.

Agent Consideration

In assisting DSV with their current operations, Eastrex could become a company that provides service to clients from DSV. More importantly, clients who know use Eastrex will have the resources of DSV. This type of partnership is based typically on a contractual agreement.

The benefits include:

1. Low cost to enter the market: DSV gains an opportunity for rapid expansion into Malaysia and can be considered a full service provider upon agreement. This is beneficial because it minimizes the risk of entering a foreign market while achieving a high level of visibility, as Eastrex is already known through Malaysia.

2. Eastrex knowledge of Malaysian and regional issues: With this strategic alliance, DSV gains the expert knowledge of the infrastructure, political climate, customs, the resources, and cultural factors to serve clients. On the other hand, Eastrex gains a truly global partner. This is beneficial because many issues will be avoided because the Eastrex employees have a firm understanding of how business operates in the region.

3. Eastrex establishments: Current affiliations, cliental, and resources alleviate the burden of starting from scratch. Yes, DSV has offices in Malaysia but Eastrex has a stronger position because it is Eastrex’s domestic market. In other words, government restrictions apply to foreign direct investment compared to domestic enterprises. This is beneficial because it gives DSV a way to have a strong position in the region while
getting around government restrictions that deny foreigners holding 100 percent of forwarding or shipping companies (Countrywatch).

Considering the advantageous, some proportionate disadvantages with a strategic contractual alliance between DSV and Eastrex arise. Mainly, the disadvantages are:

1. Harmony in the vision: DSV and Eastrex both have a strong vision for growth and expansion. Yet, keeping a harmony between both companies can become quite difficult. Also, this involves relational harmony between employees of current DSV operations and Eastrex. The obvious bigger player is DSV and will tend to dominate Eastrex. Therefore, Eastrex tactical strategy must be able to be fulfilled through DSV’s vision. The issue here is that the alliance needs to be built on a business grounds that may or may not be easy for the Eastrex workforce.

2. Long-Term Profits: While this may be a great entry point for DSV into the region, in the long-term, as DSV’s business style is, they will want to take over. Beyond government restrictions, overtime DSV will want a majority share of the market. DSV will want to gain more power over profits, which could have a negative effect on the relationship considering many factors namely cultural differences and inter-management relationships.

3. The time to build a strategic alliance takes time: A systematic approach to forming successful relationships takes time and fine-tuning (Ghauri, Phillip, 2010). Considering, the issue is that it may take a long time to build a trustworthy relationship.
Therefore, the advantages and disadvantages for building a strategic alliance to assist DSV in their global logistics services run into some issues. Namely, satisfaction of company character on both ends of business is in question. Comparing the cultural differences between the majority of Europeans and Asian cultures, satisfaction standards are quite different. Europeans may be more tolerant of business as long as business continues and pay is given properly, satisfaction is achievable (Hofstede). Comparatively, in Malaysia, relationships trump a proper paycheck (Hofstede). Therefore, satisfaction of company character – that is demonstrated through employees – will be a key determine if the business relationship is working while Europeans will see successful business ventures as the business relationship operational. Also, synergy between the agent and parent company is necessary for effective performance (Ghauri, Phillip, 2010). This issue realized can cause lots of burden upon the participants and nonproductive results. And arguably the most critical issue, especially for DSV’s company character, will be about control, or lack there-of. DSV prides itself it prompt deliver, effortless synergy between customers and the company, and being able to fulfill all business needs to be a team player rather than a passive supplier (DSV). With that in mind, if Eastrex joins as an agent, the different management structure of Eastrex is tolerable; however, the company will be represented by Eastrex performance. If unsatisfactory, DSV has little to no control over the situation. This issue by far posses the largest threat to DSV’s cliental and vision by threatening the goodwill DSV has established with unsatisfactory results.

Joint Venture Consideration
A second option would be for DSV and Eastrex to launch a new subsidiary through a joint venture strategy. With a much bigger investment into Malaysia, DSV will have to put in more of an initial investment for a joint venture. The separate legal entity could entail many benefits and disadvantages. Major advantages for a joint venture are:

1. Minimizing foreign environment issues: Political, economic risks pose a threat to any new international market. Eastrex as a local partner helps deal with the legal burdens and cultural differences that DSV may or may not be aware of. This will definitely lessen the burden of entering a foreign environment compared to a wholly owned subsidiary. (Ghauri, Phillip, 2010)

2. Utilize skills of Eastrex: Eastrex already has an understanding of the industry as DSV offering the same services. With this knowledge and how to conduct business in the region, DSV will not need to do the heavy footwork of learning all this information from scratch.

3. Cost effective: Joint ventures a way to keep cost low while maintaining a strong control of the company. Also, joint ventures could eliminate high taxes on individuals or the business, overall saving the business money. Discussed earlier, Malaysian ships and indigenous employees in Malaysia receive high tax breaks. Overall, with a 50 percent share for each company, a joint venture offers flexibility by limiting commitment and exposure. If the joint venture succeeds, DSV and Eastrex could possibly initiate a larger vision for the future of the joint venture. (Ghauri, Phillip, 2010)
Overall, a joint venture offers quite worthwhile benefits. Specifically, for DSV and Eastrex line of business, a joint venture provides them a way to gain a bigger market share and maintain a viable amount of control over the business. To note, one issue presented thus far would be the consideration of what type of business the joint venture would be classified as. Under Malaysian law, it is only permissible for a foreign firm to hold up to 49 percent of a forwarding company and 70 percent of a shipping company (Countrywatch). Under these regulations to protect the economic assets of bumiputras (Malaysian people), a joint venture between DSV and Eastrex will need special attention to the industry classification for an equal 50/50 share of the business. Now, on the other hand, there are disadvantages of a joint venture like:

1. Inter-management relationships: Again, the objectives of each firm, the cultural differences, and legal system of both countries pose a threat to management harmony. More so, the levels of power in Malaysia are much more defined and honored than in Denmark (Hofstede). Therefore, how control is shared, relations with parent companies are conducted, and the experience levels of both firms can be important factors to consider for a successful joint venture (Ghauri, Phillip, 2010).

2. Starting from the bottom: A joint venture calls for the business’s joining together to align their resources. If either DSV or Eastrex do not provide enough leadership and support in the start, it can have a very rough and unproductive beginning (Ghauri, Phillip, 2010). This can lead to bad future impressions of business character and practices of the other business. This is a large issue namely because it will take time
and tweaking for a joint venture to be prosperous. DSV and Eastrex will need to be ready for these business issues.

3. **Objectives of the venture:** It is clear that DSV wants to have a strong market share in all markets that are emerging. With that said, DSV and Eastrex can have issues if clear objectives are not made about the intent and purpose of starting a joint venture (Ghauri, Phillip, 2010). This can lead to control issues, management conflict, and company break ups because of unclear objectives in the venture.

In all, the issues caused by a joint venture imply the same issues imposed on starting a new venture; however, a joint venture includes local partners who understand the foreign environment and cost are reduces significantly compared to a foreign direct investment. With that said, employee’s perspective is important to consider (Ghauri, Phillip, 2010). Starting a separate entity can threaten current employees at Eastrex. It can also become an issue if either partner is not realistic about their strengths and weaknesses. Compatibility of DSV and Eastrex are of major importance in a joint venture option because each business should compliment the skills of the other (Ghauri, Phillip, 2010).

**Majority Acquisition Consideration**

Under this third option, DSV would acquire a majority share of Eastrex. This option poses a first issue concerned in the joint venture option about legal restrains of foreign-held businesses in Malaysia. Considering a majority acquisition, DSV will have to deal own different proportionate portions of Eastrex Group of Companies with respect to the Malaysian law. Therefore, the first issue is the majority held position is not possible in the forwarding portion
of Eastrex and is limited in other industries. With that, once DSV coordinates potential acquisition levels, there are major advantages like:

1. Eastrex Establishments: Client base, current contacts, affiliations with organizations, Malaysian and regional footprint, goodwill, staff, property, plant, equipment, human resource knowledge, experience in the region, and other current operation successes all become evident for DSV the day of acquisition. This is a major advantage from the difficulty of starting up from scratch (Ghauri, Phillip, 2010).

2. Immediate Cash Flows: As soon as the acquisition is done, DSV gets to enjoy immediate cash flows from current Eastrex operations.

3. Gain a strong initial footprint: Concerning the entire region and particularly Malaysia, DSV will acquire a strong place in a new market. DSV will be able to implement their current operations into this region more easily and also expand current customer needs satisfaction in the region.

Another issue concerning this topic would be in regard to management structure of Eastrex. Eastrex is a functional management structure that is different that DSV. DSV does have a decentralized management structure for the current Eastrex teams to make promptly decisions but DSV is divided by operations. Thus, Eastrex management structure will need to be altered to fit the DSV structure or the two can have major conflicts. This is also a major disadvantage because changing the management structure of Eastrex can have some hazardous implications. For instance, knowing that power levels are clearly defined in Malaysia, with a structure shift, top level managers could be come lower level supervisors and vice-versa. This can cause a
great issue in Malaysia and does cause issues in practically any society. Included, here are some more disadvantages of a majority acquisition of Eastrex:

1. Redefining the vision: Eastrex current vision is to be a leading logistics provider while DSV wants to become a truly global transport and logistics provider. Though this may not be very different, redefining the vision and having full participation by Eastrex workforce is not an easy task. It requires meticulous guideline changes and DSV may not be able to clearly know if people have acquired the vision until a complication arises.

2. Environmental factors with foreign acquisition: DSV will deal with any reassumed ideas and negations about a foreigner purchasing their company in Malaysia. This could be good, yet very detrimental if is a negative generalization. DSV will be unable to change this view very easily and will need to gain the trust of all the employees, affiliations, and Eastrex clients before this issue can go away.

3. Performance standards: Current performance standards are not clearly defined by Eastrex as DSV has defined their performance standards. That may say already that DSV gives priority to performance standards higher than Eastrex. If so, this can cause employees to feel overworked once new performance standards are in place. Employee rebellion and anger can cause issues in overall performance and have a negative effect on the future of the company.

With that said, the third option does contain one matter that has been essential to DSV’s almost forty years of experience. That is, DSV has a long history buying 100 percent of their
subsidiaries overtime. Again, legal restrain currently limits that; however, legal restraints have weakened and possibly this could be a sign that overtime the can continue to allow more foreign-held equity to control businesses in Malaysia. Therefore, whether a majority share today or a joint venture or even just an agent, DSV is known for taking a risky position in emerging markets of full control of subsidiaries and also then profits. DSV’s option of purchasing a majority interest in Eastrex weighs close to its goals; yet, there is one option that outlines DSV’s best point of entry.
**Conclusion**

The most beneficial point of entry is through a joint venture.

DSV’s CEO stated clearly that the company’s goal is to grow faster than the market (DSV). The vision implies and justifies entering emerging and soon to be emerging markets as a key to being a leader in global transport and logistics. There is interesting data to consider in regard to this goal being implemented in the Southeast Asia region. In exhibit 1, there was a clear indication that many, heavily populated countries outside China and India are not well covered. DSV China has 21 offices (3 head offices and 18 branch offices). DSV India has 10 offices (1 head office and 9 branch offices). These offices are located throughout the countries and cover a population of about 2.7 billion people (CIA). Both countries are considered newly industrialized nations. DSV has followed through with its goal in these nations to be in the lead to gain a strong market share. Now, the Asia region has approximately 4.3 billion people (CIA). The question then is: why is Malaysia important? DSV has a seemingly strong position in Malaysia in comparison to the neighboring region excluding Thailand. To note, Malaysia also have one of the best southeast Asian sea freight geographic locations. In countries like Vietnam, Laos, the Philippines, Pakistan, Indonesia, Cambodia, Bhutan, DSV is quite unavailable considering it has over 12,000 employees in Road and Solutions divisions in Europe alone (DSV). On top of that, DSV has only one branch office in Cambodia, Myanmar, Nepal, and Sri Lanka. With a scarce 2,300 employees covering about 4.3 billion people, DSV has a lot of potential to reach its goal in the Southeast Asia region. The people in these countries that are in this emerging area account for roughly 778 million people (CIA). That is
18 percent more potential visibility in Asia alone with more than two-thirds the world's population. With that said, Malaysia poses the best overall geographic location for DSV to do business and set a stronger foothold and position in the region and worldwide.

A joint venture has benefits for both DSV and Eastrex. Considering the benefits for DSV, they start with lessening the political and cultural risks involved in starting a subsidiary in a foreign environment. Yes, DSV already has a foothold in Malaysia but, a joint venture with Eastrex gives them the ability to join in with a major player in Malaysia that will enhance its global footprint. Moreover, DSV utilizes the skills of 20 years of experience in the same industry – from Road to Air to Sea to logistical solutions – in Malaysia. Eastrex has a full understanding of the same line of business as DSV. Finally, DSV minimizes the potential risk associated with cost by taking a joint venture approach rather than a purchase of a majority interest of Eastrex. Likewise, a joint venture approach gives DSV the control they need to make sure performance standards are met. That is, under an agent relationship with Eastrex, DSV has no control of making sure the service is held to DSV standards and quality. Overall, the well-matched global ability of DSV and the expert and indigenous knowledge of Malaysia and the region of Eastrex put together a perfect fit.

Moreover, benefits for Eastrex are just as important. Granted, Eastrex will team up with a major player in the industry that has almost 40 years experience and a global stamp. This single joint venture adds to Eastrex the ability to also be a truly global logistical provider. Likewise, the influx of potential growth for Eastrex does not change the tax exemptions in Malaysia. Current tax exemptions will continue with a larger amount of clients and revenue
moving through the joint venture. Thus, domestic employees will have a potentially bigger paycheck and team. As an agent, revenues can be limited and even disguised by large giants like DSV leaving Eastrex to do all the work and DSV to gain all the profit. Likewise, if a majority share purchased Eastrex, they would not receive the revenues for their work. In either case, Eastrex is being used instead of valued for their expert knowledge of the region and country.

It is clear to see that both DSV and Eastrex gain in a joint venture beyond the other options. Because Eastrex does not specialize in one division of the industry, a joint venture with Eastrex is the best option because both DSV and Eastrex gain in a number of ways. A joint venture allows DSV to enter into an important, soon to be emerging region while Eastrex gains the capabilities of a truly global transport and logistical company. With that, equal control is an obvious way for DSV and Eastrex to work together effectively. Considering, with an agent association or a majority purchase, DSV would have to consider changes in Eastrex management structure. This is now avoided because a new structure could be implemented in the joint venture that would not be as easy in the majority purchase and agent association.

Next, the disadvantages of a joint venture must be looked at. Before this analysis, the solution to the major disadvantages of a joint venture comes to one key concept, compatibility. For instance, consider the possible inter-management relations issues that coincide with the objectives issue. This is solved by focusing on being a team player with its customers – like DSV does. Eastrex, already works hard to provide integration with clients supply chain management. As Eastrex and DSV realize they have the same objective goals, practices may be different, but the real question is now why do the differences exist. This question will not
cause a conflict however because of DSV’s decentralized management structure. This structure is set up because the work environment is complex, the company is geographically scattered, and effective implementation of company strategy depends on these types of decisions (Ghauri, Phillip, 2010). Thus, the solution to these issues recognizes major similarities and lets the detailed decisions be answered by sales reps and managers of offices. Following, another issue would be a rough start for the joint venture. This could be changed by a proactive focus on strong leadership. Therefore, considering the clearly drawn out power distance in Malaysia, DSV could work directly with Eastrex to make sure that the joint venture management is well aligned and suits the culture.

One other concern is still present. That is, percentages of ownership. As a forwarding company, DSV could only own 49 percent. Further, it is DSV’s best interest to classify the joint venture so that full ownership is possible as DSV typically buys out their subsidiaries. With that said, one possibility would be under the DSV Transport head office in Estonia. Under DSV Transport it would be a proper way to classify this joint venture to have full ownership in the possible future. This classification offers an initial and future benefit. Initially it will allow a 50 percent stake in the joint venture. Subsequently, it does not limit the future possibilities of DSV to fully purchase the joint venture. Currently, DSV Malaysia is Air and Sea (100 percent owned) and Logistics (49 percent owned) (DSV). This initial step is very important for both sides if Eastrex wants to opt out of the joint venture also. Also, it does not set different objectives for DSV and Eastrex considering that DSV allows has agreed contracts upon purchases of subsidiaries.
Overall, a joint venture proves the best out of the three options because the issues are easy to deal with and both sides gain the most now and in the long run. Especially considering the limited work it will take to build and minimum resources necessary related to the potential profits. With DSV’s goal to grow faster than the market and Eastrex’s vision to be a leading logistics provider, a joint venture that gives them a great opportunity. This new endeavor will give DSV the visibility they want and also align with Eastrex’s vision. Just as Andersen stated for past acquisitions, it would be believed that Anderson would state that this complements DSV’s current operations strengthening it in becoming a truly global transport and logistics enterprise.
Works Cited


