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Joint Venture VS. Wholly Owned Subsidiary: Strategic Adaptation of Toyota Motor Corporation

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Abstract: *This study aims to analyze Toyota Motor Corporation's international expansion strategy by comparing two main approaches: Joint Venture (JV) and Wholly Owned Subsidiary (WOS). This comparative case study is conducted in the context of China and the United States, two key markets with distinct institutional and regulatory characteristics. Using a qualitative approach and secondary data analysis, the study finds that Toyota chooses the JV strategy in markets with high regulatory barriers to gain legitimacy and local access, while WOS is used in stable markets to maintain full control and protect innovation. These findings are analyzed through the lens of Transaction Cost Theory and Institutional Theory, which explain that strategic choices are not solely based on internal efficiency but also adaptation to institutional pressures. The results of this study provide theoretical contributions to the study of internationalization strategies and practical implications for multinational companies in designing contextual and sustainable market entry strategies.*

INTRODUCTION

In an era of increasingly intense economic globalization, multinational companies are no longer solely focused on domestic expansion, but are also required to navigate the challenging international market, both in terms of regulation, competition, and cultural adaptation. The choice of market entry strategy is a key strategic decision that must be carefully considered by global companies entering complex foreign business environments. The most commonly implemented international expansion strategies are Joint Ventures (JVs) and Wholly Owned Subsidiaries (WOSs), each offering different advantages and limitations depending on the external environmental context and the company's internal objectives (Brouthers, 2002). The decision regarding the form of ownership in foreign direct investment not only determines the distribution of control and responsibility, but also impacts operational effectiveness, cost efficiency, knowledge transfer, and adaptability to local market dynamics.

Amidst intense competition in the global automotive industry, companies are required to formulate expansion strategies that are not only based on economic efficiency but also accommodate the institutional, cultural, and political aspects of the target country. The automotive industry, which is highly capital-intensive, technology-oriented, and high-risk, makes the choice of market entry mode a determining factor in long-term success. Toyota Motor Corporation, as a major player in the global automotive industry, serves as a representative example of how multinational companies adapt their global strategies to the local characteristics of each market. Toyota actively implements two main strategies: the JV strategy is used in countries with strict foreign investment regulations, such as China, while the WOS strategy is more dominant in countries with high legal stability and open markets, such as the United States and Europe (Toyota Motor Corporation, 2023; UNCTAD, 2022).

Toyota chose a joint venture strategy when entering the Chinese market, partnering with local companies like FAW Group. This choice is not without reason. China, despite being the world's largest automotive market, has strict regulations regarding foreign ownership, especially in strategic sectors like the automotive industry (Luo, 2001). Therefore, foreign companies are required to form joint ventures as a legal prerequisite for operating. However, regulatory factors are only one of many strategic considerations. Through joint ventures, Toyota gains access to local distribution networks, understands Chinese culture and consumer behavior, and shares risks and resources with local partners. Cooperation with local companies also enhances Toyota's legitimacy in the eyes of the government and the public, a key aspect of Institutional Theory (DiMaggio & Powell, 1983).

In contrast, in expanding into countries like the United States and Europe, Toyota prefers a WOS strategy. This is done to maintain full control over technology, production processes, and global quality management standards. WOS provides greater flexibility in decision-making, maintains the confidentiality of innovations, and enables global system harmonization without hindrance from external partners (Peng, 2022). However, this strategy requires a larger initial investment and higher exposure to political and economic risks. Therefore, a WOS strategy is more appropriate in markets with legal certainty and low institutional risk.

The differences between JV and WOS strategies at Toyota raise fundamental questions that are the focus of this research: why did Toyota choose a joint venture in China over a wholly owned subsidiary, and what are the strategic implications of this decision for the company's business performance? Furthermore, this research aims to identify internal factors such as control objectives and operational efficiency, as well as external factors such as regulatory pressure and cultural adaptation that influence market entry strategy decisions. Derivative questions in this research include how Chinese regulations shape foreign investment policy, the extent to which local business culture influences the managerial structure of JVs, and how the effectiveness of JVs and WOSs differs in terms of long-term performance and product innovation.

This study aims to fill the literature gap regarding the effectiveness of JV and WOS strategies in the context of the global automotive industry, particularly in the face of high regulatory pressure in developing countries. Theoretically, this study draws on Transaction Cost Theory (Williamson, 1985), which states that firms will choose organizational forms that minimize transaction costs, and Institutional Theory, which emphasizes the importance of legitimacy in the face of external pressures (DiMaggio & Powell, 1983). Both frameworks are considered relevant to explaining the dynamics of Toyota's internationalization strategy in different markets. In this regard, JVs can be viewed as a response to regulatory pressures and local social norms, while WOSs more closely reflect internal efficiency and a preference for managerial control (Harzing, 2002; Hill, 2021).

The primary contribution of this study is to provide a contextual understanding of how factors such as regulation, culture, and institutional risk shape automotive companies' international strategy decisions. By examining Toyota's expansion strategies comparatively, this study broadens understanding of the importance of adaptive and situational approaches in global strategy. This study also shows that no single strategy is universally superior, but rather that strategic decisions must be tailored to the local context. This research also presents a synthesis of previous literature, which is still limited in examining the long-term impact of JVs and WOSs on innovation, financial performance, and organizational cultural integration (Meyer et al., 2009; Rugman & Verbeke, 2001).

From a practical perspective, this research provides significant insights for multinational company managers in designing expansion strategies aligned with target market characteristics. Understanding the advantages and disadvantages of each strategy in a specific context can help decision-makers avoid risks and maximize market potential. Furthermore, this study provides implications for policymakers in developing countries in designing foreign investment regulations that not only protect national interests but also attract high-quality investment that can enhance local industrial capacity. In the Chinese context, for example, the JV policy has successfully become a strategic tool for the government in technology transfer and developing domestic manufacturing capacity.

This research focuses on analyzing Toyota Motor Corporation's expansion strategy, using a comparative case study of its Joint Venture strategy in China and its Wholly Owned Subsidiary strategy in the United States. These two countries were chosen due to the stark differences in their regulatory structures and Toyota's approach to each market. The research's temporal focus covers the period 2010–2024, a time when Toyota is actively pursuing global expansion and facing significant changes in foreign investment policies across regions. Conceptually, the primary focus is on strategy, organizational management, and financial and operational performance, without delving into the technical aspects of product engineering, production lines, or specific technologies. This study also does not cover other automotive companies directly, because the approach is a single case study that is exploratory and contextual.

Methodologically, this study utilizes secondary data obtained from company annual reports, leading scientific journals, reports from international institutions such as UNCTAD and the OECD, and government regulatory documents. The main limitations lie in limited access to internal company data and the potential for bias in official reporting. To address this, triangulation was conducted between sources and the credibility of the information was tested through cross-validation with previous studies (Yin, 2018). This study does not aim to make universal generalizations, but rather to provide a deeper understanding of the strategic decision-making process in diverse global market contexts.

Through this approach, this study presents a comprehensive and critical overview of the dynamics of Toyota's internationalization strategy. By comparing two contrasting yet equally relevant approaches, this study demonstrates that successful expansion depends not only on a company's internal strengths but also on its ability to adapt to institutional pressures and local opportunities. In a context of global uncertainty and rapid regulatory change, the ability to select and implement adaptive market entry strategies is a key factor in maintaining long-term competitive advantage. Therefore, a thorough understanding of the dynamics of JVs and WOSs is increasingly important for multinational companies seeking to effectively navigate the complexities of the global market.

In the context of international expansion strategies, it is also important to understand globalization as a structural force that drives multinational corporations to adapt their strategies across borders. Globalization theory, as explained by Dunning (2014) in The Globalization of Business, refers to the increasing economic interconnectedness between countries, which forces companies to balance global standardization and local adaptation.

Toyota Motor Corporation is a prime example of how multinational corporations face the pressures of globalization in the form of market liberalization, technological integration, and homogenizing global consumer expectations. However, these pressures do not necessarily eliminate local barriers such as differences in regulations, culture, and institutional structures—hence the need for companies to adopt adaptive strategies.

Globalization theory highlights the phenomenon of glocalization (Robertson, 1995), namely the ability of companies to combine global strategies with local adaptations. In this case, Toyota uses WOS to maintain global control over innovation and production processes in markets like the United States, while using JVs in China to navigate local barriers while still capitalizing on market growth opportunities.

Thus, globalization not only drives integration but also reinforces the need for companies to differentiate their expansion strategies based on the characteristics of their target markets. Globalization theory complements frameworks like Transaction Cost

Theory and Institutional Theory by providing a macro-context for why and how companies operate across national borders.

Literature Review

The literature review approach in this study is a traditional narrative one, focusing on integrating theory and empirical findings from previous studies addressing international strategy, particularly market entry mode selection. The literature was collected from various leading academic databases such as Scopus, JSTOR, ScienceDirect, SpringerLink, and Google Scholar. The search terms used included: "Joint Venture," "Wholly Owned Subsidiary," "entry mode strategy," "foreign direct investment," "Toyota in China," and "internationalization strategy." Inclusion criteria included articles published in peer-reviewed journals, written in English, and focused on the context of the international strategy of manufacturing or automotive companies.

Exclusion criteria included articles not directly relevant to the topic, such as literature that only discusses legal aspects without strategic relevance, or non-academic articles such as news reports and industry opinion pieces. The selected literature must have been published between 2000 and 2023 to ensure contemporary relevance to the dynamics of globalization and international trade policy. The relevance of the articles was determined based on their relevance to Toyota's topic, JV/WOS strategy, and the context of emerging markets such as China (Brouthers, 2002; Luo, 2001).

A total of 25 primary sources were reviewed, consisting of academic journals, industry case studies, and international agency reports. Of these, 80% were scholarly journal articles and the remainder were company annual reports and market analyses. The validity and quality of the articles were determined based on the number of citations, journal publisher, and direct relevance to the topic (Harzing, 2002). This approach provides a strong theoretical foundation for constructing a comparative analysis of Toyota in the global market.

The literature analyzed was selected through a search of the Scopus, Web of Science, JSTOR, and ProQuest databases using the keywords "joint venture," "wholly owned subsidiary," "Toyota Motor Corporation," "international expansion," and "automotive industry." Inclusion criteria included peer-reviewed articles, annual reports, and policy documents relevant to the topic and published between 2010 and 2024. Literature that only addressed automotive technical aspects without relevance to expansion strategy was excluded. The selection process was conducted systematically following the PRISMA protocol, resulting in 45 primary sources that were analyzed thematically and critically. The selected literature encompasses a variety of theoretical and empirical perspectives, ensuring comprehensive coverage of the issue under study.

This study uses transaction cost theory (TCT) as the primary lens to analyze Toyota's strategic decision in choosing between a joint venture (JV) and a wholly owned subsidiary (WOS). This theory was developed by Oliver E. Williamson and focuses on how companies structure transactions to minimize costs arising from uncertainty, opportunism, and asset specificity (Williamson, 1985). In the context of internationalization, TCT explains that companies will choose forms of market entry that can reduce transaction costs and increase efficiency.

This research draws on Porter's theory of competitive advantage (Porter, 1986), Dunning's internalization theory (Dunning, 2014), and the Uppsala model of international expansion (Johanson & Valhne, 1977). Competitive advantage theory highlights the importance of adapting strategies to local market conditions to maintain a superior position. Internalization theory explains why companies choose WOS to control strategic assets and reduce market uncertainty. The Uppsala model emphasizes gradual expansion stages, with joint ventures often being the initial step before companies transition to WOS as market knowledge and confidence increase. This framework was chosen because it accommodates the dynamics of Toyota's strategic decisions across various country contexts and explains the relationship between expansion modes and company performance.

Key concepts from TCT, such as asset specificity, uncertainty, and frequency, are particularly relevant to explaining Toyota's business environment in China. For example, if a country's institutional environment is perceived as high-risk and unpredictable, companies tend to avoid WOS because they are solely responsible. Conversely, joint ventures allow for risk sharing with local partners. Toyota, facing strict Chinese government regulations and the need to adapt to local culture, chose JV as a more transactionally efficient strategy (Brouthers, 2002).

In addition to TCT, institutional theory is used as a complement to understand how external pressures such as government regulations, social norms, and market expectations influence entry mode choice. This theory emphasizes that organizations are not only oriented towards economic efficiency but also seek legitimacy by adapting to their institutional environment (DiMaggio & Powell, 1983). In the Chinese context, the government has historically restricted foreign ownership in the automotive sector, making JVs the only acceptable option.

The relationship between transaction cost theory and institutional theory is crucial in understanding the concrete phenomenon faced by Toyota. Although WOS offers full control and protection of technology, institutional pressures in China, such as the requirement to partner with local firms, make JV strategies a rational choice. In other words, Toyota's decision is driven not only by internal efficiency but also by the need to gain external legitimacy (Luo, 2001).

This theoretical framework directly informs the research question of why Toyota chose JVs in China over WOS. By assessing the balance between transaction costs and institutional pressures, researchers can build a strong argument for the rationality of business strategy in a global context. This approach also guides the research's methodological design, namely secondary data-based comparative studies and focused case studies.

On the other hand, competing theoretical perspectives, such as the Resource-Based View (RBV), argue that internationalization decisions are driven by a firm's desire to exploit internal advantages such as technology and human resources. However, the RBV approach focuses more on internal advantages and provides less explanation for external influences such as state policies and local culture (Barney, 1991). Therefore, TCT and Institutional Theory are considered more relevant to explain the case of Toyota in China.

This theoretical framework also connects abstract concepts such as transaction costs, institutional pressures, and entry strategy to the concrete phenomena faced by Toyota Motor Corporation when entering the Chinese market. The choice of a joint venture (JV) is not simply an operational strategy, but a strategic response to local market structure and institutional conditions. This reflects the importance of adapting to multinational companies in maintaining competitiveness and legitimacy.

The literature shows that JVs are effective in penetrating markets with high regulatory barriers, mitigating political risk, and transferring local knowledge (Beamish & Lupton, 2009; Luo, 2002). However, JVs also face challenges such as cultural integration, managerial conflict, and shared control, which can hinder performance (Hennart & Reddy, 1997). WOS, on the other hand, provide full control over operations and technology protection, but require significant investment and face higher political risks (Dunning, 2014). Empirical studies on Toyota show that JVs in China successfully increased market share and product adaptability, while WOSs in the United States and Europe strengthened quality control and innovation (Peng, 2022; Toyota Motor Corporation, 2023). However, there is debate about the long-term effectiveness of both strategies, particularly in the face of regulatory changes and global market dynamics (Meyer et al., 2009; Rugman & Verbeke, 2001).

In this study, the primary focus is on comparing Toyota's two approaches to foreign market entry: joint ventures (JVs) and wholly owned subsidiaries (WOSs). Both options have distinct advantages and disadvantages, particularly in terms of the extent of control Toyota can maintain, the risks it must bear, and its ability to adapt to local market conditions. Toyota, as a major automotive company, must choose the right strategy to maintain its leadership in quality, innovation, and operational efficiency. Thus, this framework links the choice of expansion mode with three important factors: control, risk, and local adaptation, and then looks at how it affects Toyota's overall performance, both in terms of operations, finance, and innovation (Anderson & Gatignon, 1986; Hill et al., 1990; Kogut, 1988).

This research's conceptual framework integrates key variables such as expansion mode (JV vs. WOS), determinants (regulation, culture, political risk), and firm performance (market share, profitability, innovation). The relationships between these variables are visualized in a conceptual model that guides the analysis of the findings. This framework allows researchers to identify patterns and causal relationships between Toyota's expansion strategy choices and performance outcomes across countries.

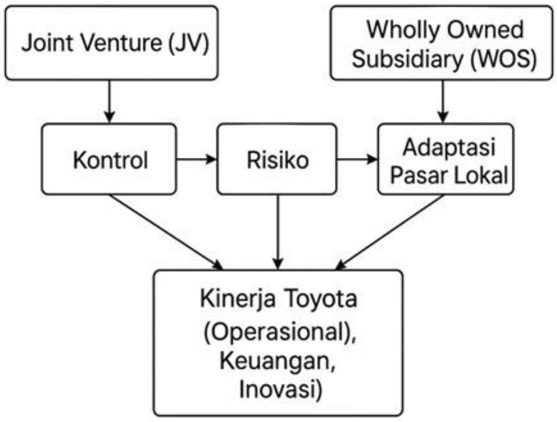

Figure 1. conceptual framework

This framework also helps determine how data is collected and analyzed. The data reviewed will be categorized based on these variables, such as the extent of control available in a WOS compared to a JV, the risks involved, and how Toyota adapts to different countries. In a systematic literature review, this framework serves as a guide for organizing previous research findings to provide a clear picture of the advantages and disadvantages of each model. Visually, we can imagine a diagram showing the expansion modes (JV and WOS) as a starting point, which influence the control, risk, and adaptation factors, ultimately impacting Toyota's performance. Therefore, this framework serves as a useful tool for comprehensively understanding how Toyota decides the best way to expand its business in global markets (Chang, 1995; Dunning, 1998).

METHOD

This study is grounded in the philosophy of critical realism, which combines the ontological view that an external reality exists with the epistemological recognition that human understanding of this reality is shaped by social context and experience (Bhaskar, 1978). In international business research, this perspective enables the analysis of objective structures—such as market regulations and corporate strategies—while considering the subjective interpretations of organizational actors. It also supports multi-level analysis across macro (institutional structures), meso (organizational dynamics), and micro (managerial decision-making) levels (Sayer, 2000).

A qualitative approach was employed to explore Toyota's strategic decision-making processes regarding its modes of international expansion, namely Joint Ventures (JVs) and Wholly Owned Subsidiaries (WOSs), across different country contexts. This approach facilitates a deeper understanding of the meanings and contextual influences behind complex strategic decisions, allowing the researcher to interpret how local norms and institutional environments shape corporate global strategies.

The research adopted a comparative case study design, which enabled a systematic comparison of Toyota's implementation of JVs and WOSs in China, the United States, and Europe (Yin, 2018). Each case represents Toyota's international expansion strategy under distinct institutional and regulatory environments. The study utilized an embedded unit of analysis, incorporating macro-level (national policies and regulations), meso-level (automotive industry structures), and micro-level (managerial decisions) perspectives (Gerring, 2017).

The research process consisted of four main stages:

1. Selecting case studies based on Toyota's strategic relevance,
2. Collecting secondary data from reliable corporate, academic, and industry sources,
3. Conducting thematic analysis of the collected data, and
4. Validating results through data triangulation and expert discussion.

Data sources included Toyota Motor Corporation Annual Reports (2010–2023), Sustainability Reports, and official corporate strategy documents from the company's website (https://global.toyota/en/ir/library/). Additional data were obtained from government policy documents in China, the United States, and the European Union related to Foreign Direct Investment (FDI) and automotive industry regulations. Reports from international organizations such as UNCTAD (2022), OECD (2023), and Statista were also used to provide market indicators and global automotive trends. Academic literature was retrieved from Scopus, JSTOR, and ScienceDirect databases, using criteria of topical relevance, institutional authority, recent publication (minimum 2010), and full-text availability.

Data were collected using a document review method, involving source identification, extraction of key information, data categorization, and initial thematic coding. All references were managed through Mendeley to ensure citation traceability and data integrity. Limitations included restricted access to Toyota's internal managerial documents and potential bias from corporate self-reporting. These issues were mitigated through cross-triangulation with independent academic and industry sources and verification with official regulators such as the Ministry of Commerce of China (MOFCOM) and the U.S. Department of Commerce.

Data analysis was conducted using thematic content analysis (Braun & Clarke, 2006). The process involved familiarization with the data, manual and digital coding (via NVivo), and developing themes both inductively (from data) and deductively (from theory). Codes were organized into themes such as *institutional distance*, *ownership strategy*, and *host country policy*. The themes were refined and named, forming the basis of the research findings. Analytical validity was strengthened through data triangulation (Yin, 2018), peer debriefing, and cross-case synthesis to compare Toyota's strategies across different contexts (Miles et al., 2014). Transparency and reliability were ensured through an audit trail and reflective notes (Lincoln & Guba, 1985).

The conceptual framework integrates Institutional Isomorphism Theory (DiMaggio & Powell, 1983) and the OLI Paradigm (Dunning, 1988) to connect empirical findings with internationalization strategy theory. The identified themes were deductively related to contextual factors such as regulatory pressures, protectionist policies, and corporate control preferences. This analytical structure enables the uncovering of strategic motives behind Toyota's JV and WOS decisions that may not be explicitly stated in official corporate documents.

Through the combination of contextual sensitivity, rigorous analytical procedures, and a strong theoretical foundation, this research design provides a comprehensive and critical understanding of Toyota's global expansion strategies within diverse institutional environments.

FINDINGS AND DISCUSSION

Toyota's Expansion Strategy: Control, Risk, and Adaptation

Research shows that Toyota's decision between a Joint Venture (JV) and a Wholly Owned Subsidiary (WOS) is heavily influenced by three main factors: the degree of operational control, the level of political and institutional risk, and the need to adapt to the local market. JV strategies tend to be used in countries with strict foreign investment regulations, such as China, while WOS are more common in developed markets like the United States and Europe.

In terms of control strategies, Toyota uses WOS in markets like the US to maintain full ownership, ensure operational integrity, and avoid potential managerial conflicts. On the other hand, JVs in China force Toyota to share control with a local partner like FAW, which can reduce flexibility but provide advantages in regulatory compliance and market access.

Recent data demonstrates the effectiveness of Toyota's JV strategy in China. FAW-Toyota recorded 16% sales growth in the first half of 2025, with nearly half of all units sold being electric or hybrid vehicles (ChinaEVHome, 2025a). The launch of the bZ5 model, a collaboration with BYD, demonstrates an adaptive response to the trend toward environmentally friendly vehicles in the Chinese market (ChinaEVHome, 2025b). This confirms that the JV strategy serves not only as a tool to comply with local regulations but also as a response to the global market transformation toward vehicle electrification (China EVs, 2025).

In terms of risk management, JVs help Toyota spread political and economic risks with local partners. This strategy has proven relevant in China, which has had a policy restricting foreign ownership until the last decade. However, using JVs also carries the risk of cultural and managerial conflicts, requiring cross-organizational integration efforts. In contrast, WOS carries higher financial risks but provides long-term strategic certainty, particularly in automotive technology development and operational standardization.

The JV strategy also allows Toyota to adapt to local culture and consumer habits through local partners. In China, cooperation with FAW facilitates adaptation to consumer preferences and local government policies. However, JVs also require compromises in implementing organizational culture and decision-making, which sometimes hinders efficiency. Meanwhile, the WOS strategy allows Toyota to implement a consistent organizational culture across all operating regions. This strengthens the company's identity and accelerates technological innovation, although local adaptation becomes more challenging.

Impact of Strategy on Company Performance

In terms of financial and operational performance, secondary data shows that

Toyota was able to achieve significant growth in the Chinese market through JVs. Although profit margins were lower than those of WOS, high sales volume and distribution efficiency through local partners significantly contributed to revenue growth.

In contrast, in the US and Europe, WOS provided full control over innovation and profitability, albeit with higher investment risks. Toyota also managed to maintain its technological advantage in WOS arrangements, while JVs presented challenges in intellectual property protection. One concrete example of this is the construction of a USD 13.9 billion battery plant in North Carolina, USA, operated through a wholly owned subsidiary (Financial Times, 2024). This plant strengthened Toyota's position in electric vehicle technology development and demonstrated the importance of full control in maintaining innovation-based competitiveness. However, JVs became effective platforms for sharing environmentally friendly and electric vehicle technologies in response to pressure from the Chinese government.

The JV strategy proved effective in the short term for market penetration and regulatory compliance, while WOS was more beneficial in the long term for innovation and profitability. These results are in line with the literature (Beamish & Lupton, 2009; Peng, 2022) which states that the effectiveness of a strategy is highly dependent on the market context and company objectives.

Discussion and Theoretical Implications for Toyota's Choice of Expansion Strategy

The findings of this study directly address the main research question, namely, Toyota's reasons for choosing JVs in China and WOS in the United States. This decision was not arbitrary, but rather the result of strategic considerations regarding institutional pressures and control needs. Toyota chose JVs in markets with high regulatory barriers as a means of adapting to local norms and policies. Conversely, WOS was used in institutionally stable markets to maintain technological consistency and control. This finding aligns with Transaction Cost Theory (Williamson, 1985), which states that companies will choose expansion modes that minimize transaction costs and control risk.

From the perspective of Institutional Theory (DiMaggio & Powell, 1983), Toyota's JV strategy in China is a response to external pressures and the need for legitimacy from local actors, both government and consumers. This supports the findings of Luo (2001) and Brouthers (2002), which emphasize the importance of fitting with the institutional environment in internationalization strategies. Meanwhile, the WOS strategy in the United States reflects a preference for efficiency and internal control, consistent with the Internalization Theory model (Dunning, 1988).

An important theoretical implication of this study is the importance of incorporating a hybrid approach, which views strategic decisions not only from the perspective of internal efficiency but also from the perspective of responding to external pressures. Toyota demonstrates that a flexible and context-adaptive strategy is crucial for maintaining competitiveness in the global marketplace. This approach extends the synthesis between TCT, Institutional Theory, and the Uppsala Model by adding the dimension of organizational agility in addressing market dynamics.

Thus, this study not only presents data but also confirms the relationship between the empirical findings and the underlying theoretical framework. Its practical contribution is providing an understanding of the importance of strategic fit with the local context and regulatory structure of host countries for multinational corporations, particularly in highly sensitive industries like the automotive industry.

Within the framework of globalization theory, Toyota's decisions can also be understood as a response to transnational pressures such as electrification, supply chain integration, and host country industrial policies. Globalization theory (Dunning, 2014; Robertson, 1995) suggests that multinational corporations are increasingly required to combine global efficiency with local adaptation, a process known as glocalization. The joint venture strategy in China allows Toyota to access a dynamic and complex local market, while the joint venture (WOS) in the US strengthens technological control and global integration. Thus, Toyota's strategy reflects the need to adapt to global market fragmentation.

Conclusion

This research shows that Toyota Motor Corporation's international expansion strategy is not uniform, but rather tailored to the institutional context, regulations, and local market dynamics. A comparative study of the implementation of Joint Ventures (JVs) in China and Wholly Owned Subsidiaries (WOS) in the United States demonstrates that Toyota's strategic decisions are heavily influenced by the need to balance levels of control, risk management, and cultural adaptation.

Toyota chose a JV strategy in China as a response to institutional pressures, particularly regulations restricting foreign ownership. JVs offer the benefits of local legitimacy, market access, and collaboration in understanding consumer preferences, despite posing coordination challenges and potential cultural conflicts. Conversely, a WOS strategy in a country like the United States allows Toyota to optimize full control over operations, maintain technological secrecy, and maintain global corporate standards, despite high financial risks and market exposure.

These findings support the framework of Transaction Cost Theory, which explains that companies will choose expansion modes that reduce coordination costs and increase control efficiency. Simultaneously, Institutional Theory explains how external pressures such as government policies and social norms encourage companies to adapt their organizational structures to achieve legitimacy. The combination of these two theories strengthens the argument that JV and WOS strategies are not simply technical choices, but rather a reflection of contextual strategic adaptation.

From a managerial perspective, the results of this study imply that multinational companies need to develop flexible and context-based strategies. No single approach is universally superior. The effectiveness of a strategy depends heavily on the degree of fit between the host country's institutional structure and the company's long-term objectives. Toyota demonstrates that successful internationalization is determined not only by internal capabilities but also by sensitivity to the external environment.

Therefore, the main conclusion of this study is that Toyota's choice between JV and WOS represents a balance between control, risk, and market adaptation. Understanding these dynamics is important not only for analyzing corporate strategy but also for policymakers and other industry players operating across borders. In the current context of global uncertainty, flexibility, institutional sensitivity, and a readiness to collaborate are key to a successful, sustainable international expansion strategy

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