The impact of fdi

Foreign Direct Investment allows for organizations to directly move into foreign jurisdictions and set up shop in those countries. Nike has recently been engaging in foreign direct investment ventures, where it has moved into India and other developing countries (Walters & Lancaster, 2000). The bid to search for growing markets where the company is setting up has led to a race for the setting up of branches and subsidiary in developing economy nations. The nature of the foreign direct investment is that a company will set up in the targeted country wholly without reliance from external resources. This section of the paper looks into the advantages and disadvantages of Foreign Direct Investment and how this could affect Nike.

One of the characteristics that have enabled the expansion of Nike in this manner is its super brand nature. Super brands, therefore, have a differentiated method for working, organizational structure and the nature of work. The dynamics of the Nike super-brand are so that the company can completely displace itself from one location to another without undue necessity (Ramaswamy, 2008). The company has invested in production within the Far Eastern countries such as India for example. Being a super-brand, the company is able to adequately displace itself from one location to another as it is considered a beacon for globalization. Taking the Nike sign, for example, it is one of the indicators of widespread globalization as this sign is recognizable from almost any part of the world.

Super-brands enjoy largescale access to materials that expose the product. For example, Nike is well known for sportswear and frequently produces such items. In the case of foreign direct investment, the super-brand is able to easily move into the local market because of the reliance on international knowledge of the standards of the product. Foreign direct investment therefore is a way to reduce the investment that a company makes in terms of investments and acquisitions, but instead directly initiating a product based on its super-brand nature.

Some advantages that such a product will enjoy include a ready market for high-end products that are considered high in quality. The presence of a super brand among market competitors limits the possibility for similar-quality substitutes. For example, should the Nike Air Force be produced, it would be quite difficult that the competition in this growing market have a cheaper substitute matching it. Another advantage of Foreign Direct Investment is the opening up of new markets. Should a super brand such as Nike come into a country as a foreign direct investment, there will be immediate opening up of new markets to that enterprise (Herman, Chisholm, & Leavell, 2004). Where the penetration of Nike products was not as effective, there is now more likelihood that the Nike products will reach a larger number of people. As one could extrapolate during the social factors analysis, stressing on healthy lifestyles is one of the ways in which Nike has been accessing new markets. By advertising the need for healthy living, new markets are being opened up. Foreign direct investment in some countries will boost the access to new markets of developing countries.

Foreign direct investment, however, could suffer some challenges. Where the investment is affected by factors such as globalization that inform it, there could be a problem. In the case where the company receives a lot of negative publicity because of an ethical issue, the foreign investments may be affected. For example, should news of improper disposal of waste materials by Nike break, effects on the sales and marketing strategies will be felt. This is further amplified by the vehicles of social media that help market foreign investment products be marketed. Super-brands are more susceptible to negative market trends since they have a larger consumer base than other products.

Additionally, foreign direct investment is limited in its scope due to other factors coming into play. Expansion into other jurisdiction makes it necessary to analyze the business environmental factors of the new place. As a result, the high cost of investment while moving into a new jurisdiction render foreign direct investment a limited method of expansion. In the case of Nike, the company has not made frequent use of this move to expand, except in the case where it was necessary to obtain cheaper production costs compared to the competition Adidas and Reebok. Since then, the company has had no need to further expand overseas through foreign direct investment (Chackochen & Ramalingam, 2012).

Ansoff Matrix in Strategic Decision Making

The Ansoff matrix is one of the tools that have been used in making strategic decisions for companies based on existing growth opportunities. This is based on four main stages, which are product development, diversification, market development and market penetration. The evaluation of growth opportunities is necessary for the growth of any business if that business is going to be successful. Whether the business intends to enter new markets or launch new products, of necessity is the evaluation of growth opportunities and aligns them with organizational goals. The Ansoff Matrix allows the organizational leadership to create a 2x2 matrix that allows one to see the growth and establishment of an idea.

Some of the new products that Nike has had in mind include the Air Force and the Jordans. He production of these items was brought about by intense investigation into user needs and bringing them out as a product in development. At this stage, the strategy would be to develop a product that would fit the needs of the user while maintaining organizational goals for quality production. The product is then open for diversification for different users that are targeted by the range of products. If age groups determine the different kinds of designs on each apparel, then different age groups will have different forms of diversification to highlight specific groups. Market development includes the preparation of the market to receive the product. On certain instances, Nike has called upon Michael Jordan to endorse the shoes named after him. This action serves to prepare the market on the product. Thereafter, market penetration involves bringing the new product to the client. At this point, the enterprise is enjoying successful product distribution within local and international stores.

Nike could use this strategic approach to strategically plan, even in the case of downturn (Kippenberger, 1998). This is because planning, especially on the release of new and innovative products are extremely crucial in maintaining the market leadership. Providing the clients with new and innovative products each time will maintain the Nike products on top of the line. Additionally, strategic management decisions can be made based on deductions made from the Ansoff matrix. With the ability to foresee different economic situations, the Ansoff matrix will enable Nike’s organizational leadership to make value-based decisions equally considering the non-performance of a product.

In conclusion, strategic management includes various checks and balances. As Nike has demonstrated, most of these tools are used. This can draw the reasoning behind the constant success of the company with regards to strategic leadership and management. Success in foreign investment, local market dominance and continued success can be attributed to strategic management.

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