Equity based modes of entry options - foley company example

Equity based modes of entry options	Advantages	Disadvantages
Wholly Owned Subsidiary	• If Foley were to buy a going concern or even make a move to purchase its local distributor in Brazil, the company can build up its presence using the ‘ know-how’ expertise	• If Foley is unable to acquire a going concern, starting a manufacturing plant in Brazil will essentially require them to start from the ground up to build new plants. Cost and time to establish a foreign

of the partners they already had on the ground. This will help them navigate the new culture and learn from the personnel who are already on the the ground, how to establish more relationships. • Foley will immediate	subsidiary, establishing secure office premises, employee residences and bank accounts, Corporate policy toward compensation and other HR issues • Research has to be done to see whether Brazil government permits foreign wholly

ly claim market share • Foley has an existing customer base and brand image • Even if the government has regulations on the industry for newcomers, Foley can bypass them with relative ease (and these rules and	owned subsidiaries, if they do, they may tax higher. There may be a compliance risk for payroll, taxation and immigration rules

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Technical

	Skills / Regional Knowledge • There may be Free Trade Zones allow companies to easily maneuver into foreign countries without facing extensive barriers to entry.	
Joint Venture by Merger	• Sharing of risk and ability to combine the local in-depth	• Partners do not have full control of management

knowledge with a foreign partner with know-how in technology or process • Joint financial strength • May be only feasible means of entry	• May be impossible to recover capital if need be • Disagreement on third party markets to serve and • Partners may have different views on expected benefits

(Ball, D. A., Geringer, M. J., McNett, J. M., & Minor, M. S., 2013, p. 251).

I would recommend to Foley to implement market entry via a wholly owned subsidiary. If the numbers a right, they will make a profit out of it – if not they have the option to turn it into a Turn Key project where they can turn it over to the government for profit. Another reason to form a wholly owned subsidiary is to reduce the liability of obtaining a new or risky business. The parent company is essentially responsible for securing financial obligations of their subsidiary but forming it as a wholly owned subsidiary reduces the risk and separates the financial responsibility of each entity. Forming a wholly owned subsidiary is different form a merger and even consolidation. A merger is the combining two companies where one is completely absorbed and individual identity of one is lost (Chantal, 2012).

Get the legal details sorted out. Foley Executives should visit local government websites and talk to people in the know about the kind of licenses and certifications required to set up shop. Once this is done, Foley can confidently go ahead with buying equipment and hiring employees for your business (Srinivasan, 2014).

Market Research. Foley will want to spend a significant amount of time analyzing local spending habits, as well as how much time, energy, and capital will be dedicated to marketing its products and services. If feasible, they should try setting up a trial run or conducting surveys before investing very much capital. They should not overlook how much they will have to pay employees, nor what work habits are like in the country (Kaiser, 2016). The locals and employees are critical to Foley’s Success. Knowing their culture and norms will go a long way to setting up a work environment that people are happy with. However this is dependent on how well Foley gets to know them before working with them (Srinivasan, 2014).

Political Climate and Property Rights & overall economic overview. Some countries around the world have a record of confiscating property and/or businesses owned by foreigners. Countries with low debt-to-GDP ratios, low or declining unemployment, and strong consumer spending normally make for good prospects. A growing middle class, low inflation and rising incomes are all positive signs. It's definitely possible to form a profitable business in a country with a stagnating economy, but it very well may be an uphill battle (Kaiser, 2016).

References

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