**Global Business Plan Project**

**6. Selecting a Global Company Structure**

**Learning Goals**

1. To assess various entry modes for global business operations
2. To recommend strategic alliances for proposed international business activities

**Purpose**

As a business organization enters new foreign markets, decisions must be made regarding various organizational factors. In this module, your goal is to develop a strategic plan related to an enterprise’s strategic goals and organizational structure.

**Resources**

Web links:

* Global Edge CyberSite: <http://globaledge.msu.edu/>
* Business Around the World Atlas: <https://highered.mcgraw-hill.com/sites/0078137217/student_view0/business_around_the_world.html>

**Conduct Research**

Based on the country (or countries) you are analyzing for your global business enterprise, research information related to the following areas:

1. STRATEGIC PLANNING

Develop strategic objectives that communicate major goals related to:

1. product (or service) offerings,
2. target market and customer benefits,
3. financial aims (market share, return on investment),
4. employee satisfaction, and
5. social contributions.

(Strategic goals are commonly stated in a manner that can be measured objectively, such as “to provide households with clean drinking water at a moderate price.”)

1. ENTRY MODES

Analyze different global business entry modes that a company might select when planning international business activities. Compare the benefits, costs, and risks associated with using exporting, turnkey projects, management contracting, licensing, franchising, contract manufacturing, joint venture, and wholly-owned subsidiaries. (In general, exporting has less risk than some of the other entry modes. The product or service, as well as the economic, social-cultural, and political-legal environment of the country, will influence an organization’s entry mode.)

1. ORGANIZATIONAL STRUCTURE

Discuss the extent to which the organization will use centralization and decentralization. (Centralized organizations tend to offer standardized products or services with decisions made in upper levels of the organization. In contrast, decentralized organizations usually involve products or services that need to be adapted to various geographic, economic, social-cultural, and political-legal influences.)

1. STRATEGIC ALLIANCE

Identify local companies of the country or international companies operating in the country that could be a business partner. These strategic alliances may be suppliers, distributors, sales representatives, or consultants. (For example, a bottled water company might reach an agreement to transport and sell its product through the existing distribution system or a soft drink company.)

**Supplementary Activity**

Prepare an in-class presentation (and visual) comparing alternative entry modes for implementing international business activities. These could include exporting, turnkey projects, licensing, franchising, joint venture, and wholly-owned subsidiaries.

**E-Commerce Application**

Based on your proposed global enterprise, suggest an online strategic partnership with a company that has a strong online presence. Discuss how this agreement could benefit the parties involved.

**Prepare Summary**

In a separate Word document, prepare a summary report consisting of the following components:

1. A synopsis of the strategic objectives for the proposed global enterprise.
2. A description of potential global business entry modes that might be used.
3. An overview of centralized and decentralized organizational activities.
4. Recommend strategic alliances that could contribute to global business success. Provide evidence to support these recommendations.

**View Sample Report**

The following project segments are EXAMPLES and SAMPLE MATERIALS. Please note:

1. These samples were selected from several student team projects at one school and are not intended to represent a particular level of quality, and DO NOT represent a complete project.
2. The accuracy of content, data, and clarity of writing are NOT guaranteed; and
3. These samples may NOT BE DUPLICATED.

The top priority of the Buen Salud vitamin company is to improve the health of its consumers. These consumers include residents of both urban and rural areas of Latin America. As Buen Salud is a small, independently-owned company, it was decided by its board of directors that a strategic alliance was needed to facilitate operation. The company chose McNeil Consumer Healthcare, the world’s leading manufacturer and marketer of nonprescription pain-killers, such as Tylenol. McNeil Consumer Healthcare seemed to be a prime candidate for such a joint venture as they are a company that prides itself on aiding and educating others. They have established several programs to benefit those wishing to get started in the pharmaceutical world (see their website at [www.mcneilcampusrecruiting.com](http://www.mcneilcampusrecruiting.com)).

Although usually willing to sponsor individuals rather than entire companies, there was still some work to be done to make this alliance a reality. After some debate, however, McNeil has agreed to take Buen Salud under its wing and the agreement established is this: Buen Salud will have the use of Tylenol’s manufacturing plant in Argentina. In return, Buen Salud has agreed to enter Chile and Brazil as our first markets and to use our distribution vehicles to distribute Tylenol to markets where it does not currently have a large presence (mostly rural areas of Chile and Brazil).

With respect to our global approach, we chose franchising. We believe this approach combines our entrepreneurial drive and ambition with the experience and expertise of a larger company. We will be selling a product that has been well accepted in many markets, giving us name recognition. The operation and control of our business has already been established, assisting us in running the business. In contrast to purchasing an independent business, buying a franchise is an investment not only in our store, but in the franchising company as well. If the chain expands, our individual may build greater equity. Government statistics have shown individuals starting a new business on their own have significantly higher failure rates than those investing in franchises.

We have chosen three specific strategic alliances to benefit our start-up plan. First, we will be working with Casa Santa Luiza, a delivery company, for delivering meats and vegetables. We will be putting our name on their trucks so they get a household name associated with their company. We will also be using Signexpress and Signs.now for promotions. They will give us free signs, and in return, we will set up space in our store, which they can use to sell to other companies for advertising. Finally, we will be using G-S-M Arguitetura e Design to build and renovate our store. They will be cutting the cost of construction, and in return they are able to advertise outside our store that they were the store designers.

If we are going to have a strategic alliance with companies in Latin America for us to succeed, we will have major bookstores, libraries, gasoline companies, and sports teams (mainly the soccer team “The Strongest”). We will ask them to help us in promoting our company (El Coche Libro) and run the company. In exchange, we will help promoting (bookstore, gasoline, etc.) and support (sport teams) for these companies that are willing to help us, for a better future of their own country.

We will also have an alliance with ShopGenerosity.com. This company is an Internet shopping mall and fundraising service for community based arts, educational, and other nonprofit organizations. Shoppers shop through [www.shopgenerosity.com](http://www.shopgenerosity.com) by first selecting a recipient nonprofit organization and then selecting from more than 70 of the Internet’s top merchants. Partnering nonprofit organizations receive 50% of lead fee revenue and up to 25% of other revenue from ShopGenerosity.com. Our participation with ShopGenerosity.com is risk and investment free. By having a strategic alliance with an Internet shopping mall, we will be getting backed by consumers all around the world.

Our joint venture is a major source in the success for the project. We have to establish who will use our port once it is built. Such companies, including exporting companies, will contribute to the main profits of our harbors. Also, our company will include an entertainment segment that will increase the job market as well as the existing economy.

The production of our port should be conducted with a decentralized business plan. Every time we open a new harbor, the size and the materials used to export and import products will determine the profits of the particular harbor. Relationships with suppliers will be vital to the success of the construction of harbors by our company. By establishing a construction force, the port-development process will be easily duplicated.

Healing Wheels has a centralized production strategy because each team of volunteers has a specific base and team leader in charge of each route and schedule. This means that each sector has a centralized team and base. The relationship with the suppliers will be kept up using Internet and e-commerce applications.

SAMPLE TIME LINE

May 15, 2000: Funding will be complete. All capital will be available. All paperwork concerning franchising agreement with corporate will be complete.

May 15-30, 2000: Management team will close deal on one of three locations in Brazil. Letters of intent will then be signed and building construction will begin.

May 30- August 1, 2000: Building construction will be started and completed within these dates.

May 30- August 1, 2000: Management team will recruit and hire full team. Training will take place at this time as well.

August 3, 2000: Grand Opening: three days of promotions and carnival type atmosphere. Appearance by Billy Blanks, Subway’s celebrity sponsor.

August 3, 2001: One year evaluation. If evaluation is sound, we will begin the planning of our second store.