

Chapter 5 - The Startup Phase

Building Local Presence

Once a company has conducted about a year's worth of research and planning, it is ready to enter phase two of the market entry process. During this crucial, one to two-year phase, a company is charged with building the foundation for its success. This means finding the right people and applying the appropriate processes to support its activities in the new market.

During the startup phase, a company should follow these steps:

- Select a legal structure
- Determine the leadership level
- Design an organizational structure
- Register the company
- Lease and facilitate the office establishment
- Hire initial staff
- Establish support functions
- Conduct orientation training
- Set up policies and procedures
- Organize the office opening
- Build a country relations network

Selecting a Legal Structure. In most emerging market countries, there are generally three levels of local presence: the representative or information office, the branch office and the subsidiary. When establishing operations, executives must evaluate these three legal structures to determine which best meets the company's goals in the country. Under some conditions, a corporation may also consider a joint venture with another company. (Of

course, there are other legal entities that differ from country to country, but they are too specific for the purposes of this book.)

An overview of the different phases of business establishment is presented in Figure 9.

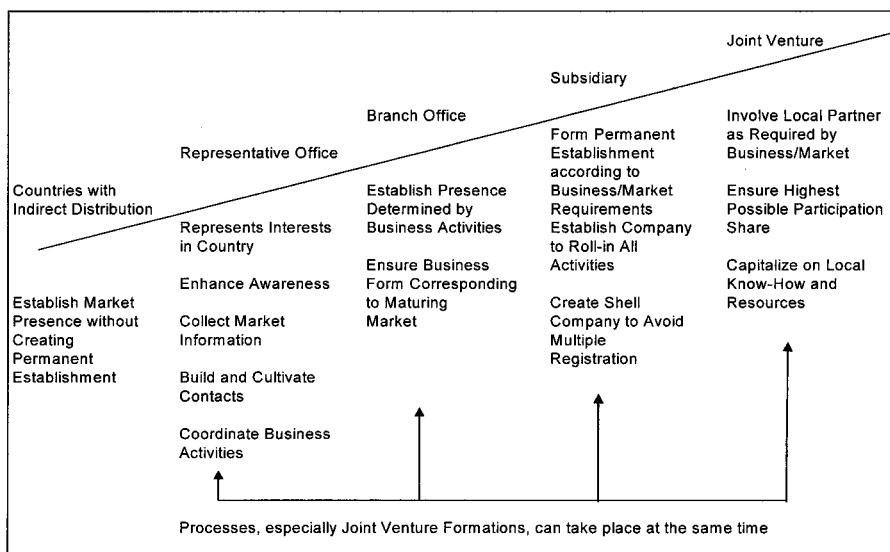


Figure 9: Phases of Business Establishment

The Representative Office is a non-residential and dependent operation hooked up to a legal entity outside the country. The legal impositions in the areas of tax, currency and labor vary greatly. A representative office needs to be registered locally and a legal representation must be appointed. Many corporations select this legal form as a starting platform. An increasing number of countries discourage or even prohibit such offices because they are viewed as a tax shelter. A representative office is usually permitted to perform the following activities:

- Represent its interest in the country
- Enhance awareness and build corporate identity
- Perform market research
- Introduce and promote goods produced by the foreign head office
- Train distributors
- Establish and cultivate contacts to key publics and institutions