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Abstract

Foreign direct investments (FDI) consist of greenfield investments and mergers and acquisitions. The amount of FDI and, therefore, also the amount of mergers and acquisitions have been growing during the last decade. When acquiring overseas, there are various aspects, which have to be taken into account. The strategic aims of an acquisition are one of those. An example of a strategic goal is the building of a regional strategy. An acquisition process consists of different phases: pre-acquisition phase, the execution of the acquisition and post-acquisition phase. The strategic aims of an acquisition have to be developed in the pre-acquisition phase. Also due diligence is conducted before the actual acquisition to evaluate the acquisition and the risks it includes. A part of the due diligence process is the evaluation of the target environment. PEST-analysis is an option to conduct the environmental analysis.

When considering FDI flows globally, Latin America has been lately appealing more and more FDI and Colombia is one of the countries receiving most FDI in the region. The purpose of this study is to evaluate Colombia as a target country for a strategic cross-border acquisition. The sub-objectives are:

- To examine the operating environment in Colombia from the point of view of a foreign investor,
- To evaluate a cross-border acquisition as an entry mode to the Colombian market and
- To examine an acquisition in Colombia as a starting point for establishing Latin American strategy.

This study is conducted as a qualitative single case study and it is done as an assignment for Finnish Company X operating in the security sector. The planned strategic cross-border acquisition of Company X in Colombia is considered as the case in this study. The data is gathered by interviewing experts. Also reports, guides and statistics are used to obtain wider picture of the theme. The conclusions are done from the point of the view of the case company.

It seems that there are no factors in the operating environment, which would inhibit the investment of Company X in Colombia. However, there are certain critical factors, which have to be taken into account when doing business in the country. In addition, an acquisition should be an effective mode to enter the Colombian market as the acquired local knowledge is appreciated when operating there. Moreover, there are no reasons why Colombia could not be used as a strategic center for Latin America if the lack of infrastructure affecting logistics is not considered as a problem.

Key words	Strategic cross-border acquisition, Colombia, Latin America, environmental analysis
Further information	