GO SMART BEFORE YOU GO GLOBAL
5 Steps to Maximize an International Strategy
The global marketplace is the World Cup. Many top teams vie for supremacy, with the best talent scattered around the world…. Gaining the World Cup requires world-class competitive advantage—and global competitive advantage is what your company must have to make it in the global marketplace.

—Daniel F. Spulber, Global Competitive Advantage

Seven billion potential customers, 1.7 billion of them between the ages of 15 and 30. A world where 95 percent of the world’s consumers and 73 percent of the world’s purchasing power lies outside of the United States;1 where the size of the middle class in China and India already matches the middle class of the “developed world,” and the numbers in China and India will only continue to grow. A world where, in 2010, GDP poked along at 3.6 percent while international trade in goods and services grew by 14.5 percent.2 A world where total exports globally were higher in 2011 than in any previous year.3

What smart CEO hasn’t looked at numbers like that and been inspired to go global?

As Paul David Walker, CEO and founder of Genius Stone Partners, says, “Today, if you’re not international, you’re nowhere.” International commerce is a fact of life. The Internet and mobile phones have connected businesses and customers in every corner of the world, and your next order is just as likely to come from the other side of the planet as the other side of the street. In 2011 online retailers like Amazon, eBay, and Apple saw anywhere from 45 to 65 percent of their quarterly gross revenue come from outside the United States.4 But it’s not just the big boys that are doing business overseas. In 2011, over $2.1 trillion dollars of goods and services were exported by companies in the United States5—and the U.S. Small Business Administration reports that 97 percent of those companies qualify as small businesses.6

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1 Source: SBA.gov.
4 http://www.verisi.com/resources/internationalization-levels.htm
5 Source: U.S. Census.
6 Source: SBA.gov.
As reflected in the 2011 Q4 Vistage CEO Confidence Index Survey, 7 73 percent of survey respondents anticipating increased sales revenues in the next 12 months, contrasting the specter of flat or slow growth in the United States, many Vistage members are looking to international markets as their best choice for growth opportunities. However, doing business internationally—whether exporting; establishing branches or factories; franchising, or partnering with firms overseas; importing raw materials, components, or finished products for resale in the United States—brings new levels of complexity to your operations.

Vistage member Maria Metz, principal of Townsend-Metz & Associates, a strategic planning and marketing consulting firm, works closely with many companies that are considering international expansion. She says, “The more complex the product is, and the more complex the sales process is, the more challenging it is to go overseas. You have to evaluate all your growth opportunities for strategic fit, market appropriateness, sales upside, and potential for complication. Then, if you still believe that going overseas is your next best step, you’ve got to do your homework. You need to weigh your specific product portfolio, the benefits that you provide, and your company’s competencies, in light of the unique characteristics of a specific market.”

Ultimately, to go global successfully, you’d better “go smart” first. This white paper addresses the five key factors you need to consider when making the decision to go global. It will discuss the reasons for and the risks of expanding overseas, how to evaluate your own prospects for international growth, and how “thinking local” is a necessary step in expanding your business intelligently and profitably for the long term.

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7 The Vistage CEO Confidence Index surveys more than 2,000 CEOs of small- to mid-sized companies. It began in Q1 2003 and is the nation’s largest and most comprehensive report of the opinions and projections of small-to-medium-sized business CEOs about the U.S. economy.

However, the costs of going global must also be taken into account. Daniel Spulber, former head of the Kellogg School of Management’s International Business and Markets Program, groups potential costs into four categories:

1. **Transaction costs:** The learning curve alone of entering into another country means a higher cost of doing business. You must adjust to new business practices and marketing techniques, perhaps conducted in a different language. Contracts may be negotiated in different ways and honored differently, according to unfamiliar legal systems. Social connections and relationships often play a much larger role overseas, and you must factor the development of these relationships into your costs.

New and unfamiliar government regulations also can increase your costs. When Motorola wished to sell consumer two-way radios in Brazil in the 1990s, each end user was required to register the radio with the government. (In the U.S., consumer two-way radios operate on a specific, dedicated frequency, so no registration is necessary.) Motorola had to work with attorneys in Latin America to devise an easy registration procedure for its customers—which, of course, added to the cost of introducing the product.

2. **Tariff and non-tariff costs:** Many of the countries in the world today are parts of various trade blocs, such as the Eurozone, NAFTA (North American Free Trade Agreement), APEC (Asia-Pacific Economic Cooperation), and so on, and these trade consortiums may have very specific regulations about what comes into their member countries. Maria Metz recalls, “NAFTA had some pretty clear guidelines about how much componentry could come from a NAFTA country versus, say, China, so before Motorola could export a new line of two-way radios to Latin America, we literally spent an afternoon disassembling a radio and going through it part by part, to determine where the different components were sourced.”

3. **Transportation costs:** These include the logistics of setting up and maintaining supply chains and distribution networks around the world. “Just in time” supply and manufacturing is far more complicated when your factory is located in Delhi, for example, and your customer is in rural India and can only be reached via bicycle. International distribution networks can involve long distances and areas where infrastructure may be lacking. Every link in your supply chain adds potential cost to your product’s transportation. If you only offer services or products online, your transportation costs might include establishing servers in other countries to make sure your Internet stays up and running. You also need to factor in international travel to and from your home office and any overseas sites.

4. **Time costs:** Even with instantaneous communication online and over the phone, geographically-dispersed business simply takes more time. In addition, there are government bureaucracies to deal with, new suppliers and customers to locate and develop relationships with, and unfamiliarity with doing business in a new country. All of these factors add to the amount of time it will take your overseas business to become established and to prosper.
Like any strategic business decision, it’s clear that the choice of whether—or how—to go global requires careful analysis. Here are five steps to help you go smart and go global:

**Step 1:** Know Your Business, Your Culture, and the Basics of International Business

**Step 2:** Identify and Understand Your Chosen Marketplace and Customer

**Step 3:** Create Your International Business Plan, Including Your Business Model, Product Choice, and Entry Strategy

**Step 4:** Find and Evaluate the People You Need to Go Global

**Step 5:** Think Local, Act Local

For many businesses, going global represents an evolution from domestic corporation to exporter to multinational entity to global enterprise. It’s an orientation that incorporates strategy, corporate culture, and people into a company’s worldwide decision-making process.

—Companies Going Global, Research Summary, Herman Miller, Inc.
Step 1: Know Your Business, Culture, and the Basics of International Business

The biggest mistake companies make is assuming that what works at home will work abroad. Too many have what Mary Teagarden, a professor of global strategy at the Garvin School of International Management in Phoenix, calls “a headquarters mindset.”

—Companies Going Global, Research Summary, Herman Miller, Inc.

In his book, Global Competitive Strategy, Professor Daniel Spulber created a framework to help businesses analyze the five major drivers of a global competitive strategy. The first driver is your home country and current business. To go global, you must begin (and end) by thinking local—meaning, in the same way you will analyze any new international opportunity, you must analyze all aspects of your own business, including your home country’s culture. You already know the marketplace and the political, legal, and regulatory climate of the U.S. You understand your company’s history and culture, its corporate structure and governance, the backgrounds of your managers, and all the various aspects of your brand. But can you look at all of those elements objectively, and be willing to change, adapt, or even eliminate elements if required to do so in new markets?

We are all like fish immersed in the “ocean” of our business, happily unaware of all the elements of our company and national culture that are unique to us. However, the ways we do things may be very different from—and may indeed alienate—the business world and cultures we wish to enter overseas. As Paul David Walker reminds us, “What is culture? The simple answer is, ‘The way we do things around here.’ Part of it is conscious, and part unconscious, but if you don’t learn the way you do things in your culture, and how people in other cultures do things differently, you’re not going to succeed.”

Before you go global, you also should analyze potential growth opportunities in domestic markets. Is it possible that, distracted by the “shiny new penny” of international expansion, you’re leaving money on the table at home? Consider the resources that going global could pull from your existing business, and how much more effort it will take to manage and support operations from a significant distance. Do a thorough evaluation to decide whether operations at a distance are really cost effective, or whether entering new domestic markets (which not only can produce more U.S. jobs but also come with potential local, state, and federal tax breaks and publicity gains) might prove a better strategy.

If after analyzing domestic opportunities you still believe that going overseas is your best bet, you need to **evaluate your company’s readiness to go global.** Here are a few questions to consider.

- Are your existing operations strong enough to handle the demands of going global? Can your company dedicate the staff, time and resources (from the management level on down) to this project?
- Can you keep your current business healthy while focusing on international endeavors?
- Do you have sufficient production capacity to fulfill the demands of new markets? Do you have the resources to promote, sell, deliver, and support products globally?
- How will an expansion affect your current customers? Will an international effort pull too many resources from your current business and customer support?
- Does your business have enough cash to go multinational? You may be building your overseas business from the ground up, and your additional expenses may include (1) product modifications (and the extra production costs they require) (2) new promotional materials and marketing, perhaps in different languages (3) increased travel and communication costs (4) and all the expenses caused by the “learning curve” of a new country.
- Are you willing to deal with the legal and tax issues of doing business in different systems, regulations, and governments?
- Can you be flexible enough to work within very different cultures, and shape your products and business practices to suit customers and associates who may have very different tastes and procedures?
- Do you have the patience to carry out what will be a significant long-term commitment?

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There is inevitably more complexity just going across the border. Does going overseas even make sense? Are you evaluating that against other growth opportunities? You need to gauge all your growth opportunities for strategic fit, market appropriateness, sales upside, and potential for complication.

—Maria Metz
• Is there universal demand for your product or service?
• Can your business model be replicated on the other side of the world?
• Are there complementary markets that you can identify overseas?
• Who’s your competition? Who’s offering the same kind of product or service overseas, and how will you differentiate yourself?
• How strong is your brand? Paul David Walker remarks, “A number of studies show that, in China and Asia, you have to have a strong brand to get the attention of the government and everyone else.” Many international markets will open to you much faster if you can demonstrate the strength of your brand in the U.S. (or better yet, if you have some international awareness of your brand already).
• Are you the right size to solve the right problem for the country you are targeting? There are some circumstances where being big (and having access to big resources) is an advantage. With the right opportunity, however, being smaller and more nimble can actually be an advantage. (See “Case Study: Tierra Dynamic.”)
Case Study: Tierra Dynamic

Based in Phoenix, AZ, Tierra Dynamic specializes in environmental engineering, consulting, and construction services. Faced with an extremely competitive U.S. market, they decided to explore opportunities in other countries. Emerging markets seemed to be a logical choice: There was minimal competition in their field, and many U.S. competitors were too big to bother with contracts worth less than $300,000.

Tierra Dynamic signed its first deals in Southeast Asia and Latin America in the late 1990s. However, Tierra’s CEO, Dan Kelley, discovered that developing countries often lacked regulations that required businesses to clean up environmental waste. Worse yet, in many locations there was not even an adequate sewage system to support any kind of clean-up efforts. Based on what they had learned, Tierra decided to change their focus to Western Europe, where there are strict environmental standards and most legal systems recognize corporate liability for environmental damage. The company participated in trade missions and overseas trade shows, and in 2009 they landed a contract in Italy worth $1 million. Today Tierra Dynamic has offices in Arizona, New Mexico, Westhampton, New York, Brazil, and Italy, and 25 percent of their annual revenues come from international contracts.

Tierra Dynamic was smart enough to (1) know the size of problem it could solve, (2) seek out the best market for their services, and (3) when “ground level” conditions showed their initial assumptions were inaccurate, change their strategy to find a better market match. Along the way, Dan Kelley says, they learned patience, to adapt to other cultures, to focus on one service line rather than trying to be all things to all customers, to spread the risk by targeting what may seem to be dissimilar markets, and to look at even what might be considered “mature” markets for hidden opportunities.10

If you determine that you’re ready for international expansion, this is the time to educate yourself on the ins and outs of international business. Become familiar with the legal and tax issues of going global. Vistage member Bruce Packard comments, “Every business needs a strong trifecta—a banker, a lawyer, and a CPA—and to go global, you should tap the resources of international business groups in these three areas. For example, LAWorld (www.LAWorld.com) is a group of mid-sized international law firms that are much more reasonable in cost than a mega-sized world law firm. CPAs and bankers have similar groups.”

Fortunately, there are many federal, state, and local government agencies, as well as trade organizations and associations that exist solely to promote exporting and other forms of international commerce. (See the “Go Global Resource Guide.”) Contact them to take advantage of the programs, trade missions, and business assistance that they offer.

Step Two: Identify and Understand Your Chosen Marketplace and Customer

[You must] treat market areas not as a collection of atomistic individual consumers nor as administratively convenient subdivisions of countries or regions, but as places defined by social interrelationships, sets of common tastes and values, and also particular geographical, cultural, and political characteristics.

— John A. Quelch and Katherine E. Jocz, *All Business is Local*

Whether you wish to export your product or service to international markets, or to establish new distributors, outlets, or branches overseas (see Step 3), your next step in the search to go global is to **identify and understand your target marketplace and customer**. This is, of course, standard practice; you already know your target markets and customers in the U.S. Going international, however, adds a layer of complexity. You not only need to learn a great deal about the markets you wish to enter and the new customers you wish to attract, but you also need to examine all of your assumptions about the needs and wants your product or service will satisfy.

First, you must **choose the kind of market that is best suited for your product or service**. The healthy growth of emerging markets like China and India may be enticing, but as Tierra Dynamic discovered, your best opportunities may be in the more mature economies of Europe, Canada, or Australia. Statistics compiled by institutions like the World Trade Organization and the World Bank can be very helpful in locating your best markets. Look at international trade statistics showing which countries are importing products and using services that are similar to yours.\(^{11}\) You may discover markets where it’s easy to see a demand for your products, or an underserved population neglected by your competitors.

Next, the International Trade Administration recommends that you select five to ten markets you believe show potential.12 (Make sure to include some emerging markets where there may be fewer competitors in your industry.) Analyze market growth in these countries for the past three to five years, making sure to encompass both up and down economic cycles. Examine the following factors to determine if the target market is of the size and characteristics that will best suit your product or service:

- Consumption and production of competitive products
- A spike in imports of products like yours
- Overall demographic and economic trends. If yours is a consumer-based product or service, you might look for a country with a rapidly-expanding middle class.
- Market openness and minimal barriers for product imports in your category
- Channels of distribution and adequate infrastructure
- Whether your product is price competitive once you factor in costs for packaging, shipping, marketing, taxes, tariffs, etc.

Based on these factors, choose one or two countries for your “go global” efforts. If necessary, you can use the following criteria to narrow the field:

- Look at markets with a majority of English-speaking customers. This eliminates some of the complexity of going global (although you will still need to shape your marketing materials to local language usage and country culture; try using the standard American “rah-rah” approach in the U.K. and you’ll be laughed at).
- Examine markets close to home, e.g. Canada and Mexico. NAFTA makes importing and exporting to these trading partners very easy, and transportation and time costs are lower.
- Get to know which countries currently have trade agreements with the U.S.—it can make doing business there easier.

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Next, you must **learn these target markets as well as you know your current one.** Every business knows to gather market data on the demographics and psychographics of their target market and ideal customer. The key to international markets, however, is not to assume anything. What you think you know about the customers for your business may or may not hold true internationally, and in fact will differ based on geographic area, culture, level of development, and so on. Everything you know automatically about your domestic market, you must actively seek to *learn* about the country, culture, and customer you are targeting.  

You must understand:

- Size and sophistication of the market
- Political institutions
- Language
- Culture, customs, and history
- Social institutions
- Demographic differences: health, education
- Public policies
- Legal and regulatory systems
- Business practices (especially differences in the ways business is handled)
- Currencies
- Technology
- Infrastructure

As Google discovered when it ran afoul of privacy policies in Europe with its “Street View” map feature, you ignore any of these factors at your peril. One of your best sources of such information is the country itself. Visit the embassies of the countries you are thinking about, and speak with the trade representatives. See the Resources list for more sources of country information.

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13 According to Professor Spulber’s “Star Analysis,” you also need to gather similar data on any (1) supplier countries, (2) customer countries, (3) partner countries, and (4) competitor countries.

The next step is to understand the wants and needs of your customer in this country—in particular, how they differ from your current target market. Domes International is a manufacturer of molded fiberglass domes used by the U.S. military for temporary housing in tropical climates. When they decided to expand internationally, they focused on India as their best target market. Their first contracts were with the state of Gujarat. However, one day a state official disclosed that in certain towns the local people considered domes as inauspicious, and they would not enter them. So the company changed their domes into boxlike structures.

Maria Metz did quite a bit of research into customers for radios that are used by firefighters for command and control communication. “Not only do firefighters have significantly different needs from the police that also use these radios, but we also discovered that there were philosophical differences around firefighting here in the U.S. and overseas,” she reports. “It’s less about use case and more about cultural differences. In the U.S. we tend to be a lot more aggressive in putting firefighters in buildings than in other countries. So the overall product solution might be the same, but how you talk about that varies depending on the cultural mindset of how fires are addressed.”

Maria also points out that, in the case of industrial components, you have to understand not only the end customer but also where they’re buying their components within the country, their testing systems, their distribution channels, the standards and specifications that they have to meet, and any import or other regulatory issues that you need to abide by.

Going global requires stepping outside of all of your assumptions about your customer, your market, and your proven ways of doing business, and approaching everything completely afresh. For every point of similarity you find, there will be a dozen differences, both obvious and subtle. Finding, understanding, and adapting to these differences will be a key component of your international success.

… the marketplace in any given country is a vast, tangled web of commerce, culture, politics, technology, labor and trade laws, costs and operating risks, and the much larger web of the global marketplace connects them all.

—Daniel F. Spulber, Global Competitive Strategy
Step 3: Create Your International Business Plan—Your Business Model, Product Choice and Entry Strategy

Once you’ve chosen your international target markets, you must do the same kind of planning you would do for any new business venture. Aspects you will need to include in your international plan that you may not have had to consider before include:

- Product packaging and ingredient modification to meet foreign regulations and cultural preferences
- Mechanisms for making and receiving payments overseas (local banks, using letters of credit, etc.)
- International shipping (not only from your new market to the U.S. and vice versa, but also shipping within your new market—i.e., the local distribution and supply chain)
- Customer support overseas (phone numbers, support centers, etc.)
- Legal and tax compliance systems in the new market
- Marketing systems, including localization of website and other marketing and sales materials (possibly in another language)
- Management supervision and support from your home office

Ned Cloonan, president of an advisory firm focusing on international market access, comments, “It’s going to take time and capital for you to establish a business in countries like China, India or Vietnam. It’ll be longer and cost you more than probably anything you’ve done to date. To be on the safe side, you want to build these markets into a long-term business and financing strategy.”

As part of your international business plan, you have three important decisions:

1. What business model will you adopt?
2. If you have more than one product or service you offer, which is best for this market?
3. What will be your entry strategy?

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Different Business Models for Going Global

Open a branch. Very straightforward—but it will require a lot of preparation and on-the-ground work in the target market. You’ll need to find and hire local resources, perhaps move U.S. managers into the country for a certain period\(^\text{16}\), and make sure you comply with all local regulations as well as statutes concerning foreign companies operating in the host nation. A strategy to ease your way is to open a branch in an area where other international businesses are operating; local governments are used to dealing with overseas companies, and you can take advantage of an established network of international contacts.

Acquire a local company. While capital-intense, this strategy has the benefits of accessing a locally recognized brand, a domestically based management team and employees, and an established customer base and distribution network. However, you must do your homework to triple-verify all of the company’s financials and history (harder to do, perhaps, in a different country). It’s also important that the two companies share (1) good communication; (2) similar corporate cultures; and (3) aligned corporate philosophies.\(^\text{17}\) One potential way to gain even more value from this strategy is to acquire a company that offers a complementary product or service. You thereby gain all of the benefits of the local company while adding new revenue streams to your bottom line.

Explore a joint venture, partnership, or an alliance with a local business. A lower-cost (because all parties usually share expenses), lower-risk strategy than acquiring another company, joint ventures, alliances, and partnerships may be your only choice in countries with strict rules about business ownership by foreign companies. (National laws may require a percentage of a company’s stock be owned by local citizens.) You can locate potential partners by reaching out to your current contacts, colleagues, and even competitors located in your target market. Choose a partner company of a size and market share similar to yours, and craft your partnership agreement with care, making sure it will hold up in the host country’s legal system.

You also can form alliances with larger U.S.-based businesses that already have a presence in your target market. (See “Case Study: United Controls.”)

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\(^\text{16}\) Depending on the country, there can be challenges with work visas for overseas employees. Paul David Walker recalls a case where a U.S. client opened a factory in the U.K., and after two years he had to leave because his work visa was not extended.

Case Study: United Controls

United Controls offers products and engineering testing services for the nuclear industry. Despite a historically difficult public perception of the industry, in just 10 years CEO and Vistage member Rob Hale has seen the company expand from 8 employees and $1 million in sales to 75 employees and $12.5 million. And international markets definitely play a part in their success. “Ninety-nine percent of our work still comes from domestic utilities,” Hale comments. “But for the last two years the bulk of our growth has come from work overseas. We support existing utility plants in Brazil, Spain, and Mexico, and we’ve teamed up with large companies that are building new plants in China, Taiwan, and Korea.”

At one time, United Controls employed agents to represent the company’s interests in overseas markets, but their relatively small size made it difficult to deal with factors like language barriers, not to mention the different cultures and business practices. “Riding in on the coattails” of a larger company was a much easier way to enter a market: As a subcontractor, United Controls deals only with the primary contractor (usually a U.S.-based multinational company), who then handles the relationship with the overseas customer. That’s not to say United Controls isn’t looking to an expanded future overseas. “When we’re invited to meetings in China or other international markets, we network with the local businesses,” Hale says. “We tell them we’re happy for the introduction that the primary contractor has provided, but we’d like them to know what we do in case they have other opportunities.”

Even though they are a relatively small player in the overseas market, United Control is developing creative ways to go global successfully. With the work they’ve already done, the company is on the radar of larger companies (such as Westinghouse and General Electric) that build plants and supply the reactors for them. United Control’s next step is to form new partnerships and alliances, both domestically and internationally. Hale wants to assemble groups of companies that complement each other and then go after big projects, offering services as a group that they can’t offer individually and making it easier to be successful overseas.

“While local may be an easier market, businesses today need to go where the opportunities are,” Hale states. “Thinking globally needs to be a part of every smart business’s strategy.”

Set up a franchise. This model allows you to quickly build a presence in another country with very little risk or capital outlay, while maintaining the local ownership required in some markets. In exchange for less risk, you relinquish some control over your brand and your presence in the country. You have to be willing to (1) develop clear and ironclad franchise agreements that will hold up in that country’s courts; (2) create strict training and other systems to ensure your brand quality is maintained; and (3) monitor franchises closely to eliminate any challenges that arise due to geographic or cultural issues that franchisees may be unaware of or reluctant to address.
Work with local distributors. When Oxyfresh of Idaho wished to take its line of pet care products into new markets, it noticed a trend of more and more pet stores opening throughout Asia. Participating in several trade missions to the region, it signed agreements with pet store distributors in Taiwan, Hong Kong, and Singapore. Other companies, like Henkel (maker of laundry, home care, cosmetics, toiletries and adhesive products), enter new markets with local distributors and then, when sales volume is large enough, convert to direct sales or bring in competing distributors. The most obvious benefits to working with a local distributor are an established network of outlets and an accessible customer base.

License your product or service to a local company. Depending on the tariff structure, costs of production, or access to a particular market, licensing your product or service might make more sense than exporting or establishing a branch. The advantages are instant access to the market and little capital outlay. However, you must be knowledgeable about cultural and governmental attitudes toward contracts and intellectual property, as well as rules about licensing and antitrust regulations. In some countries, rules on intellectual property are very different; in other countries, your company cannot set the price a product is sold for in that country by the license holder. You will need to consult attorneys both in the U.S. and in the target market to develop and enforce a licensing agreement that will protect you, your product, and your intellectual property.

Building your own facility/plant. After Domes International had landed two large contracts in India, the company realized it needed a facility in the country to assemble the domes, the components for which were manufactured in and shipped from the U.S. (Domes International received a $1.2 million U.S. government-backed loan from the Overseas Private Investment Corporation to build the facility.) While building a facility is a very large commitment, it may make sense for your long-term business strategy.

The business model you choose must make sense for both the short term and long term goals of your company. Good strategic, legal, and financial advice is critical. Consult with experts in your field to help you select the best model for your product or service.

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18 http://export.gov/articles/successstories/eg_main_022609.asp
19 All Business is Local, Kindle location 2057–2059.
20 http://export.gov/articles/successstories/eg_success_story_021027.asp
Product Choice: How Do You Need to Adapt to a Global Market?

There are three key considerations when choosing a product or service for your new market. First, choose only one offering initially. It will be easier to establish a strong brand if you don’t confuse customers with too many options. CEO Dan Kelly said that when Tierra Dynamic first went overseas, “We were trying to do air pollution monitoring in Singapore, water systems management in Malta, and something else in Argentina. Now we do the one thing we do best—site remediation services.” Choose the product or service that will be best suited for your targeted marketplace.

Second, question every assumption about your product and its benefits. As Crystal Caligiuri, senior director of logistics for the online discount site Gilt, says, “We have to think about how our international customers are similar and how they are different.” After Gilt added an international shipping option in November 2011, tens of thousands of new members from overseas joined.

Motorola believed the prime benefits for using their two-way radios on construction sites were quicker communication, time savings, and increased efficiency. However, because of the vast labor pool in some markets in Latin America, the cost of a pair of radios was greater than the cost of employing two or three people to run from one side of the site to the other. The benefits of two-way radios were canceled out by their costs relative to labor rates.

Third, decide how much you need to customize your product or service to the overseas market. This of course includes considerations like different electrical current, storage in less-than-stringent climate controlled setting, the possibility of shipments sitting in customs, transportation and distribution conditions, fumigation and other import/export considerations, and so on. Even more important, you must think about the unique tastes and desires of your local consumers. Colgate-Palmolive “toothpaste” is tooth powder in India, and is offered in flavors like salt or tea in China. McDonald’s offers mutton and veggie burgers instead of beef in certain regions of India; in Malaysia you can get “Ayam Goreng McD” (regular or spicy). KFC offers tempura chicken strips in Japan; in China the “secret recipe” is spicier inland than it is on the coast.

21 All Business is Local, Kindle location 2038.
Marketing experts Quelch and Jocz comment, “When it comes to the larger of the fast-growth emerging economies—among them the four ‘BRIC’ countries of Brazil, Russia, India, and China—most multinational marketers should not treat any of them as single national markets.” The goal, of course, is to retain as much standardization as possible in your products or services worldwide. But a smart executive will balance standardization and customization to succeed in the global market.

Fourth, shape your brand so that it will work globally. While a strong brand is an important (in some cases, vital) part of your international credentials, you need to make sure it will fit into a global marketplace. Is your brand voice too obviously “American”? For example, Paul David Walker comments, “The Chinese are very practical people. They don’t like a lot of flowery things, so they’re not going to be impressed with hyperbole, which Americans are good at.” You may wish to consider slight variations in your brand “voice” depending on the country. Conduct a global brand assessment of all your marketing and informational materials prior to using them in a new market, and be aware of issues that can arise with translation into other languages. You might have heard of the difficulties Chevrolet had when it tried to introduce the Nova into Spanish-speaking markets—“No va” translates into “no go.” Check the images, colors, fonts, and numbers contained in logos to avoid unintentionally giving the wrong message or being offensive. A good localization service (see step 4) can help you review your marketing materials and product packaging to make it appropriate to your target market.
Entry Strategy: Models Of Entering Markets

When you’re talking about going overseas or anything that is going to require significant investment or change in business models, I recommend that people or companies take more of an experimental approach. Take it in a stepwise fashion, set up some goals and objectives, and be very proactive in learning as you’re going.

—Maria Metz

In All Business Is Local, authors Quelch and Jocz describe several different ways to roll out an overseas presence to maximize outreach while minimizing risk.

In the beachhead model, the goal is to search out and establish a presence in one or two locations in a particular country, so you create an initial foothold from which to expand further in the target market. Coupled with this may be a secondary city strategy—choosing to enter smaller cities where there is less competition. Some countries, like China, encourage international firms to invest in cities other than Shanghai or Beijing.

Rather than being tied closely to geographic location, a focus strategy seeks to build greater market share within a particular customer group—the expanding middle class in China or India, for example. A variation on this approach was followed by Samsung when it wished to establish itself as a TV manufacturer. Instead of trying to enter developed countries with high demand for consumer electronics, it went first into emerging markets, established its name with its target consumers there, and then went to the higher-income markets in the U.S. and Western Europe. (However, this strategy carries with it the possibility of missing out on the vast rural, less affluent classes that make up the majority of the population in many emerging market countries.)

A geographic rollout strategy often follows the establishment of a beachhead in a major city. Once a company enters a market, it seeks to expand in one of two ways: By going wide (gaining market share in a variety of locations throughout the country) or deep (focusing on building high market share in a smaller number of areas). In both cases, significant product education and even product adjustment (smaller sizes and cheaper prices in less affluent and/or rural areas) may be required.

In a waterfall expansion model, companies look for clusters of communities (and eventually countries) that have similarities with their current markets. They then expand incrementally into these markets as circumstances permit. Once
a company has a presence in one or two markets and has set up distribution systems and a manageable supply chain, it can look to expand into adjacent markets within a demographic or a geographic region. For example, establishing a presence in Thailand or Vietnam may allow a company eventually to expand throughout Southeast Asia.

No matter what business model, product or service, and entry strategy you choose, going global inevitably will take more time, energy, and resources than you believe it will. It's critical to estimate both start-up costs and what it will take to maintain operations for a protracted period. Establish a timeline for your rollout, and have a Plan B (and a Plan C, D, etc.) in case milestones are missed.
Step 4: Find and Evaluate the People You Need to Go Global

As corporations become more national, multinational, or global, they serve more customers in more locations. Not all these customers have the same needs, desires, or preferences, especially when coming from diverse cultural backgrounds. Local knowledge thus confers a significant advantage in satisfying consumers.

—Quelch and Jocz, All Business is Local

Whatever business model, product or service, and entry strategy you choose, going global must include assembling three teams: your corporate team, your outside resources team, and your local team in your target market.

American Express Open Forum columnist Laurel Delaney states that any kind of international business will require an all-out effort that will involve every aspect of your company. 22 Therefore, you must actively recruit people from every department to help with the project, including the executive committee, finance, operations, marketing/sales, transportation, legal, communications, data-entry, research, and service departments. The best people will not necessarily be the ones you expect, or the ones with the most seniority. Delaney believes you want to identify team members with great sales abilities, an interest in global markets, multilingual language abilities, cross-cultural awareness, good communication skills, attentiveness to detail and persistence. Be clear with your team that you are asking for a long-term commitment, and communicate your excitement about the new markets you are entering.

When it comes to the managers who will be working with employees overseas, you need to look for additional qualities. Professor Mary Teagarden of the Garvin School of International Management in Phoenix, believes that managers who will be successful in going global share three characteristics. First is openness to new ideas. Second, a belief that differences matter. While human beings have much in common, we need to honor the different ways people think, work, interact, and communicate both verbally and non-verbally, depending on their culture. Third is what Teagarden calls “cognitive complexity,” the ability to balance corporate standards and practices with the unique needs and demands of the new global market.23


You’ll also need to put in place a team of outside suppliers, facilitators, and experts to help you put in place the necessary infrastructure to support your international expansion. Depending on your business, this team may include the following:

- A reliable shipping company/shipping consolidator
- Freight forwarders at airports and ports, both in the U.S. and in your target market
- Customs brokers (if you are importing or exporting goods)
- Brokers or an export management company
- A matchmaker: Someone who brings buyers and sellers together internationally. A good matchmaker helps eliminate the time and expense of searching for the right buyer or seller for your product or service and serves as an intermediary to facilitate the relationship. Look for matchmakers who (1) speak the language of your target market, (2) understand the local culture and can help adapt your products, services, and contracts to its requirements, (3) can be trusted by both buyers and sellers to represent their interests fairly.
- Attorneys, bankers, and accountants in both the U.S. and the target market
- A translation and localization service to help ensure that your written material (marketing, manuals/instruction books, corporate information, Web pages, etc.) communicates your message accurately in the language of the market you wish to enter

Finally, you’ll need a local team in your target market. Depending on the business model you have chosen, this team could be as small as a single agent to represent your interests, or as large as a 100-member production team churning out thousands of widgets every hour in your overseas factory. There will be certain key players you will need to find locally: attorneys, bankers, accountants, sales staff, and managers are just a few.

While it may take you more time and effort to hire staff locally rather than bringing in as many employees as you can from your domestic operation, there are great benefits to assembling a strong local team right from the start. First, it signals to your “home team” that you are committed to a global strategy. Second, it demonstrates the same commitment to people in your target market—in particular, to the other businesses as well as civic and governmental agencies. Third, it gives you access to a global talent pool with the added value of local knowledge and an existing network of business associates, customers, and civic relationships. Your local team can become trusted partners who can help you find suppliers, traverse the complications of local permits and regulations, and give you insights into your local customers that are difficult for you to learn at a distance.
Often your local team’s local contacts can make all the difference in the ease or difficulty you have entering the market. Paul David Walker’s expertise provides a pertinent example. “In China (as is true pretty much around the world), it’s all about who you know locally, and who they’re connected to. One of my clients, a toy designer and distributor, had to give up his factory in the U.S. and have his toys manufactured in China. I introduced him to a colleague who specializes in production in China. He found a different vendor for the toy distributor and cut his costs by 60 percent. The poor guy had been paying 60 percent more than he needed to because he had gone to the wrong person. It’s very simple: In China, if you don’t know the right people, you will not succeed.” Finding the right people may be a process. Agencies like the U.S. Commercial Service can help point you in the right direction for initial contacts, potential partners, and possible sources for the important members of your local team. Use your current network of colleagues, clients, suppliers, and advisers to get suggestions and leads for possible team members internationally as well.

Paul David Walker also reminds us that one of the truly vital partners in your local team is the translator. He describes a CEO client who went to one of the inland areas of China where a lot of manufacturing is done. During a meeting with local business people, the client said something, and the translator (who was also the CEO’s business partner) turned to him and said, “If I say that, we probably won’t leave town alive, because it will be seen as an insult. Here’s what I’d say instead.” Walker suggests that you find a translator who can be involved in your business in some fashion, so he or she will have an additional reason to support your efforts.

You will need to make sure that your local team either has the skills and abilities that your business requires, or that you hire for aptitude and train them in the skills they will need. Make sure you’ll be able to find people with the required qualifications in the market you are entering, or find a way to send talented individuals there. (See “Case Study: The Edge in College Prep.”) The cultural attitudes, prejudices, and history of your local team may need to be taken into account. When Western businesses first entered the newly-opened Eastern European markets in the 1990s, they were looking for entrepreneurial managers that could quickly get new businesses up and running. However, what they found were bureaucratic aparachniki used to working within a hidebound and stodgy business climate where initiative was punished rather than rewarded.24 Paul David Walker recalls a time when a Chinese client was setting up an investment club, and the client was looking for someone to run the office there. “I know several people in Hong Kong that might be right for the position, but when I brought up their names I was told it couldn’t be anyone from Hong Kong, Beijing, or anywhere else—it had to be someone born and raised in Shanghai,” he says. “China is a big country, but in many ways it’s still very parochial.”

24 All Business is Local, Kindle Locations 1932-1935.
Case Study: The Edge in College Prep

Jessica Brondo is founder and CEO of The Edge, a global educational consulting company that launched in New York in 2005. Since international students are the fastest growing segment of U.S. college applicants, she quickly decided that she wanted to expand her operations overseas. In an interview with Forbes, she states that there were three important considerations in opening a branch in a particular country: (1) Is the target market (students seeking admission to U.S. colleges) large enough? (2) What are the legal issues of a foreigner opening a business here? (3) Can you find the talent needed for your particular company? “The biggest issue I had was finding people to teach the SAT classes without sacrificing the quality of The Edge’s programs,” she recalls. In London she recruited U.S. graduate students, but when she expanded into Latin America she had to work with a fellowship program to send in tutors from the U.S. “You may have found an amazing untapped market to launch your product, but in terms of its actual delivery, you’ll need to make sure you can find the talent to do so,” Jessica comments.25

Columnist for Businessdictionary.com Leo Sun says, “Touching base with a local team can help you understand the current market conditions in the country, the demand for your product or service, as well as the business culture.”26 It’s important for headquarters to keep in close contact with the local team, and with instantaneous communication over the Internet and via mobile phone, and the ease of face-to-face meetings through Skype and video conferencing, it is very easy to stay in touch. Maria Metz likens it to long-distance dating: “You’re building a relationship with your overseas colleagues. Like long-distance dating it’s probably not optimal, but it can work if you’re committed.”

However, business expert and USA Today columnist Steve Strauss states that nothing takes the place of face-to-face meetings. “Business is about relationships, and that is even truer when it comes to going global. Personal contacts can make all the difference. You must meet in person.”27 Make sure to schedule regular visits to your overseas sites, and send staff members to learn about your international operations. Recognize that the social aspects of doing business have much greater importance in most cultures outside of the United States (see step 5), so you must nurture those relationships both over the phone and in person. In addition to sending your staff members abroad, think about bringing the people from your international location to the home office for training. The cross-cultural interaction of your domestic and international staff members can have immense advantages for both.

26 http://www.businessdictionary.com/article/707/global-entrepreneurship-examples/
Step 5: Think Local, Act Local.

We live in an increasingly interconnected global economy. But that does not mean we all want to be global citizens.

—Quelch and Jocz, All Business is Local

It should be evident how important it is to adjust your business model, product, and approach to the unique needs and culture of your global market and its customers. More than any other factor, your ability to think and act as if you were a citizen of your market will make the biggest difference—in your relations with your customers, employees, suppliers, distributors, and civic and governmental officials.

While your local staff can help you understand and deal with the cultural differences, subtle and otherwise, that can make it easy or difficult to do business in their community, you and your corporate team still need to spend time “in country.” “There’s no way to appreciate the Indian market without being in India,” LinkedIn’s VP of Hiring Solutions, Dan Shapero, says. “You need to put your feet on the ground in a foreign country.”

When you go, set up as many in-person meetings as possible. More than in the U.S., business overseas is done through, and built upon, relationships; and the more people you can meet and the more time you can spend with local contacts, the stronger your relationships. Maria Metz, who spent several years focused on Latin America markets, comments, “In other countries you are the stranger in a strange land. If you’re going to be effective, you must be a good student of the culture and make an effort to build your relationships.”

One of the best ways to build relationships is to be a good corporate citizen. In their study of the impact of place on corporate success, Quelch and Jocz observed that, given a choice between global brands, people are more likely to choose the company they feel is more present and responsible in their local community. Multinational powerhouse McDonald’s is a master of local involvement. Their outlets are locally owned and staffed; they shape certain elements of their menu to local tastes; each outlet is encouraged to be active in the local community. McDonald’s also contributes to local charities and recruits local sports figures to endorse their product. Make sure that your international operation gives back to the community and builds as many local connections as possible. Create a local website, issue press releases to the national media, and let your local employees become the “faces” of your business in their community. The more your business is involved in the community, the better its health and longevity.

28 All Business is Local, Kindle location 293.
Experienced international business experts point out some of the major characteristics of other cultures that can trip up the globally inexperienced U.S. executive.

- In some cultures the dynamics of the relationship will change based on who is perceived as having the most power or who has the best relationships with people in power. When an executive was considering who to take on as a partner in China, he was told, “So-and-so is your best bet; his father is high in the provincial government.” (Of course, this kind of “power politics” goes on in the U.S. as well; it’s just not usually as blatant.)

- In several countries it’s standard procedure to try to change the contract at any point in the relationship. One executive in Lebanon signed a consulting contract, only to have the customer come back the next day and say, “We need to renegotiate how much we pay you.” The consultant replied, “If you change the price I’ll have to do less.” He was willing to walk away from the deal, and the client backed off.

- In many cultures, respect for elders means that young people are considered inappropriate choices for top management positions. Brash young entrepreneurs like Sergey Brin and Mark Zuckerberg are not the cultural heroes that they are in the U.S. Some business people overseas will not take a younger executive seriously.

- Tied to respect for elders and sensitivity to who holds the power in a relationship is the tendency in some cultures never to say anything bad about the boss. If you are trying to get feedback from a subordinate about his or her manager, this can be a challenge. Paul David Walker says, “You have to listen for what’s missing, and look for non-verbal signals—both are often more important than what is being said.”

- Conversely, some managers from other cultures will not communicate their wishes clearly to their U.S. employees, expecting them to “just know” what the manager wants. An Asian businessman working in the U.S. had to be told that he could be direct with his employees here and they would not take offence; in fact, they would value his direct and honest feedback.

- In some cultures it is considered impolite to say no to any request. People will either avoid answering or say yes to save face and then not follow through. In such circumstances, it’s best to frame your requests so they don’t require straightforward yes or no answers.
• The pace of business can be very different depending on the culture—and very frustrating to someone raised in the “get to the point” style of U.S. business. In some places, showing up for meetings an hour or more late is to be expected. In many cultures overseas, every phone call or business meeting includes significant time for social interaction before the first business topic is even mentioned.

• In some countries team harmony is valued more highly than individual accomplishment, and respect is valued higher still. In others, usefulness is the key determiner of value. Views on ownership (of patents and intellectual property, for example) are also significantly different from one country to another.

• Most cultures draw a very clear line between insiders and outsiders, “us” and “them,” with any international visitors clearly in the “them” category. Paul David Walker described a visit to a factory located in Sheffield, England. The company had been acquired by a U.S. firm, and the U.S. CEO had come in and criticized the company’s founder, who was a local man. Needless to say, this did not sit well with the factory staff, who were all born and bred in Sheffield. Later Walker discovered that the staff had been maliciously breaking the factory rules to demonstrate their unhappiness.

• History between countries can play a significant role. For example, there are long-standing national animosities between China, Japan, and Korea, and some Europeans hold strong views about different members of the Eurozone alliance. While the United States may have a certain brash reputation in the world community, in many economic regions U.S. businesspeople are unencumbered with such historical prejudices.

• Be aware that changes in local and international politics may also have a dramatic effect on your business, far more than in the U.S. A change in regime can invalidate agreements you have spent months negotiating. BMW tempered its plans to move aggressively into the Chinese marketplace, fearing a decision on the part of the Chinese government to promote its own car industry would restrict BMW’s access. Similarly, as many companies in the Middle East can attest, a political disagreement between the U.S. and a target market country can put a serious chill on business relations.

• Finally, the pace of change in other countries can seem glacial at times. U.S. business people may get very tired of the phrase, “We’ve never done it that way,” dealing with hidebound bureaucracy and what they see as outdated conventions. At other times they can be shocked with the abrupt way that circumstances change, alliances dissolve, and opportunities vanish seemingly overnight.
Become sensitive to these cultural issues, and do your best to assess how they may affect your business. However, you must avoid judging the ways things are done in other countries. Have a sense of curiosity, learn to listen, and try to uncover people’s thinking so you can understand their culture rather than judging it. When you seek to understand rather than judge, you will discover a core paradox of international business: ‘Going global may require you to change the very practices that have made your business successful enough to consider expanding in the first place. What you’ve done before may or may not (and probably will not) work in another culture. A smart businessperson has to get out of the mindset of “I know how things work” or “our way is best.” Paul David Walker comments, “Don’t try to teach people ‘the American way.’ They may want to learn certain techniques, technology, and approaches from us, but they want to translate it into their way.” You must accept that in some cases you may do things better, but in other cases people simply do things differently. Successful global business people are smart enough to be flexible, to work within the culture, and to figure out ways to use seeming disadvantages to their advantage.

Not too long ago a U.S. television producer started a reality show and a soap opera on TV in China. When the shows became very successful, a rival Chinese film company came to him and said they were going to start running his shows on a different channel, with or without his permission. Knowing that the rival film company was well connected and they would have no legal or governmental barriers put in their way, the TV producer said, “Okay, I’ll let you air my shows—just don’t show them at the same time, and you can put in additional ads of your own, but don’t take out the ads that are already there.” The result? Increased viewership for the shows, increased distribution of the ads, and increased ad revenue for the TV producer, all without it costing him a dime.

You and your overseas team need to honor the culture in which you are working while still maintaining good, sound corporate policies. It’s a delicate balance of listening to your local sources and adapting your business to local requests, yet evaluating those needs to determine if they’re real and not simply based on “the way things are done.” As an outsider, you should question the ways things are done—but you must do so with sensitivity and a willingness to change your approach while adhering to your goals and corporate identity.
Conclusion

The companies we work for will not be around for long unless they are successful in the global market.

—Daniel F. Spulber, Global Competitive Strategy

Global business is inevitable, and will be essential to the success for U.S. companies from this point forward. As the United States has experienced the turmoil of the Great Recession, and continues to face uncertainty and the potential of little or slow domestic growth for the foreseeable future, smart companies understand that they must look outward—to identify new opportunities overseas and then adapt to succeed in those markets. Paul David Walker puts this into context: “Since World War II the United States’ economy had a head start. Both Asia and Europe were destroyed, so we had no global competition. Zero. Eventually in the 1980s the Japanese came in, but even though they became third largest economy in the world the competition still wasn’t that significant. Today we are no longer the only serious economic power in the world—and we will never be that again. Now we have to compete globally, and it’s a different game. We’d better get used to it.”
GO GLOBAL RESOURCE GUIDE

These are a few of the many resources that can help you learn about and establish your international business.

Information on International Trade and Doing Business In and With Other Countries


Trade Stats Express: U.S. Department of Commerce charts that lay out global trade patterns, so you can focus on key markets for your product or service. http://tse.export.gov/TSE/TSEHome.aspx

U.S. Commercial Service Market Research Library: You can search their online database for market research by region, country, product category, date, and so on. http://www.buyusainfo.net/adsearch.cfm?search_type=int&loadnav=no

USA Trade Online: The U.S. Census Bureau’s official outlet for U.S. merchandise trade data, this membership site gives export and import data on more than 18,000 export commodities and 24,000 import commodities worldwide. You can create customized reports and charts that include market level ranking. Fees range from $25 for a week to $300 per year for data access. https://www.usatradeonline.gov/
Government-Sponsored Information Sources & Services

Basic Guide to Exporting: A key resource for everything you need to know about exporting overseas, this publication is available as a download or online, or for purchase. http://export.gov/basicguide/


Export-Import Bank of the United States: An independent federal agency with the goal of promoting the sale of US goods abroad, particularly in emerging markets. As a supplementary resource to private capital sources, it provides loan guarantees, export-credit insurance and direct loans. http://www.exim.gov/contact/contactus.cfm

International Trade Administration: A resource for information about and resources for trade with overseas markets. http://trade.gov/

Overseas Private Investment Corporation: The U.S. government’s development finance institution, it mobilizes private capital to assist U.S. businesses interested going into developing countries. It provides political risk insurance, special financing, direct loans and loan guarantees. It also sponsors investment missions to bring U.S. businesses to the attention of private sector leaders, government officials and potential joint venture partners overseas. http://www.opic.gov/

Small Business Administration: In its wide range of information on starting and running a business are many resources on exporting and importing. It includes a 6-step checklist to begin exporting. http://www.sba.gov/category/navigation-structure/exporting-importing

U.S. Commercial Service: offers trade counseling, market intelligence, business matchmaking, and commercial diplomacy to connect U.S. businesses with opportunities overseas. Located in 109 cities across the United States and U.S. Embassies and Consulates in more than 75 countries, its global network of trade professionals work with businesses to explore market potential, distribution channels, and regulatory requirements in potential markets. http://trade.gov/cs/
Its Strategic Partnership Program collaborates with companies to streamline the export process. http://export.gov/CSPartners/index.asp

**U.S. Department of Commerce:** Offers links to companies providing export finance and political risk insurance, as well as government publications on international trade issues, such as shipping, warehousing and insurance. http://www.commerce.gov/

**United States International Trade Commission:** An independent agency empowered to gather and analyze trade information and administer trade laws in the U.S. http://www.usitc.gov/

### Other Sources & Services

*Embassies and Consulates in the United States* have business and/or trade liaisons whose job is to facilitate business development and relationships between countries.

Governments will sponsor *special agencies* focused on bringing in business and investment. The Trade Commission of Spain, the Portuguese Trade Commission and the Bahrain Marketing and Promotions Office. In addition, each country will have something akin to a chamber of commerce.

**Entrepreneurs’ Organization:** A global business network of entrepreneurs in 38 countries. It supports education and connection between entrepreneurs worldwide. http://www.eonetwork.org/

**Export Legal Assistance Network:** A program established by the Federal Bar Association, U.S. Department of Commerce, and U.S. Small Business Administration, it provides a network of over 250 attorneys to answer questions on exporting. The first consultation is free. http://www.exportlegal.org/

**Federation of International Trade Associations:** Provides links to trade leads and information for over 450 organizations worldwide. http://www.fita.org/

**National District Export Council:** District export councils (DECs) are regional and local organizations that counsel businesses on doing business overseas. http://www.districtexportcouncil.com/

**World Trade Centers Association:** A worldwide network of associations that promote prosperity through global trade and investment. http://www.wtcaonline.com/cms_wtca/