

Planning International Expansion? 10 Tips for Getting It Right First

Time

By Trevor J. OHara

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For many business leaders, there is a psychological barrier to international expansion, and it is sometimes tempting to think that if you throw enough money and resources at the project, your market entry will be faster and less complex. This approach may help you achieve some success, but you will still fall short of a powerful blueprint for a cost-effective, timely, efficient and rapid market entry program.

After working for so long with clients on issues like this, we at Renarc believe that if you really want to get it right first time, a practical, "common sense" approach, combined with realism and a lot of confidence can do a lot to make setting up business overseas more successful. Here is a checklist of ten points for you to follow when taking the decision to enter new international markets.

1. Start by defining your motives for going international

Make sure there is a compelling business argument for developing your business overseas. If your business is not working at home, then going international is not a solid justification, and will not make things easier. However, a well-established business that is exploring ways of increasing market share by going global is a good foundation. The fact that the VP of Sales wife is French is not a justification for running a direct sales operation from Paris. The fact you are able to quantify overseas demand for your product or service is however a good argument.

2. Have you researched your markets?

It may be tempting at times to simply to "jump into" new international markets, by following your client's overseas expansion. This approach may bring in short term gains, but it is a high-risk strategy. Make sure you base your new international market entry on solid research that defines new clients and markets you can realistically win overseas.

3. Have you looked at all alternative methods of market entry?

It could take up to 18 months to establish a strong overseas presence, and you will need to choose a cost-efficient market entry mode that is going to get you to market in the least time possible. Are you aware of all the market entry alternatives to export, such as licensing, franchising, organic

growth overseas, acquisition, and joint venture? Have you chosen the one most suitable for your firm?

4. What is your fallback strategy if things go wrong?

Mountaineers plan escape routes off a mountain well in advance of starting their expedition should things go wrong. Equally, you should plan best and worst case scenarios for your international expansion, and always plan an "escape route".

5. Are your budgets and timescales realistic?

It is easy for a firm to underestimate the time it takes to establish overseas markets, and costs can start to spiral out of control quickly, especially if there is no immediate overseas business in sight. A good rule of thumb at the outset is to take your business plan, double the cost of market entry, triple your time to market and halve your original planned revenue. Hopefully, things won't turn out this way, but at least you now have a worst-case scenario that will help you manage your expectations.

6. Do you have the support of the entire management team?

A management team that does not agree with and wholeheartedly support the plan for expansion is going to cause problems. Since every division of your company will be contributing to this project, it is best to clear up all perceived issues and concerns at the highest level of the company, before you even start to draw up your blueprint for expansion.

7. Have you nominated an international champion?

This person should carry the role of spearheading the international expansion effort. Decide and dedicate this role wisely. This must be a senior role, and the candidate should have sufficient international experience to make this a success.

8. NEVER underestimate culture.

Again, all too often, firms rush into foreign markets, assuming that what works at home should apply in overseas markets. After all, your product or service has been successful back home, so why would it not be in a foreign market? WRONG. Even a major corporation is a non-entity, a start up in an overseas market. Use the axiom - When in Rome, Do as The Romans Do, and take heed of local business culture, customs, etiquette, buying behaviour and so on. Gain respect and build your reputation according to how you are perceived and accepted in foreign markets.

9. Train, recruit and provide incentives

Spot international talent inside your company and motivate well. Train your existing staff, as well as recruit seasoned internationalists. Don't try to cut corners here. Since people are your biggest asset, give them a chance to help you become a global player. If you don't do this, you may find your staff leaving to help the competition.

10. Be patient

Take things very slowly and avoid growing too fast. Develop markets one by one. That way you can develop a template for what works best and apply it to other markets.

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