

**AUTHOR****Art Robbins***North America President**Frost & Sullivan*

The Global Perspective

Charting a Course to Growth

In 1519, Magellan embarked on the first voyage to circumnavigate the globe, lasting almost three years. Today, in 2010, information circumnavigates the globe in a matter of milliseconds. Globalization has traveled a long way. Advances in information technology, transportation, and communications, in addition to changes in consumer behavior, have broken down the barriers of isolationism and have created a platform of interconnectivity—the foundation of our global economy. The promise of Globalization is to increase the world's standard of living through better access to goods, services, and jobs caused by cross-border competition. There are now unprecedented growth opportunities available to companies who effectively develop a Global Perspective to their business. CEO's must be willing to think differently about how to approach the global market and thinking differently begins with developing a new perspective—a Global Perspective.

Having a true Global Perspective requires more than a basic understanding of worldwide business. CEO's must address the issues and challenges associated with implementing an effective geographic expansion strategy. In today's economy, CEO's simply can't afford not to be Global.

Frost & Sullivan research shows GDP growth in emerging markets, such as Brazil, Russia, India and China, has outpaced U.S. domestic growth by 4 times in recent years. Companies who don't address how

they will keep pace with these markets will not be able to maintain a healthy competitive position and economic isolation will result.

CEO's can realize further benefits by adopting a Global Perspective to the cost structure of the business.

Implementable business models have emerged that reduce cost, improve productivity, and enhance service by creating a global value chain. Some common examples include:

- Developing an effective network of 24/7 customer support through strategically placed call centers around the globe
- Reducing production costs by outsourcing manufacturing to lower cost countries Empowering global sales and distribution channels via a centralized internet knowledge base
- Streamlining R&D and engineering via collaborative systems connecting research teams across multiple locations globally
- Leveraging videoconferencing to connect global executive teams, facilitate decision making and improve internal communications

As these models become more commonplace, global customers have higher expectations of value. CEO's cannot ignore the impact of Globalization to create and maintain a strong value proposition to their customers. But CEO's can't jump into the global arena blindly.

Successful geographic expansion strategies should be repeatable and built upon comprehensive due diligence of a

country's attributes, market size, competitors, and customer base. This knowledge dramatically raises success rates of market entry strategies by two to three times.

As an example, CEO's who disregard culture put their businesses at a great disadvantage in the global marketplace. Each culture has its own norms, customs, and expectations for behavior. The success of an international organization depends on one's ability to understand each country's cross-cultural issues especially those concerning the integration of a diverse workforce. Frost & Sullivan recommends a repeatable process for using the Global Perspective to put an entry plan in place at a country specific level.

The first step is the CEO must conduct a Strategic Review of the business to leverage the benefits of operating in multiple countries, while considering the social, political, economic, regulatory, infrastructural, demographic and cultural differences in each. The Strategic Review is a measurable and proven methodology that clearly identifies the goals of geographic expansion, which countries will be considered for geographic expansion, and new business models for supporting this strategy.

In the Strategic Review, the CEO must evaluate growth opportunities to address where the market growth is. Key considerations include:

- Which markets present the most attractive growth rates?



- Which markets have a window of opportunity to establish a market leadership position?
- Can your existing products be introduced into new geographies or do new products need to be developed for new geographies?
- Will existing products need to be modified or marketed differently to appeal to the local needs of the new market?
- How will you effectively position your products against the local competition? The CEO's Strategic Review must also look at the value chain of their business—i.e. the processes for producing and delivering their products to market. Key considerations include:
 - Which processes must be close to your customers and suppliers/resources vs. which can be remote and linked via technology
 - Evaluate where there are economic and regulatory incentives and/or barriers that would impact the attractiveness of operating in certain countries
 - Evaluate the availability and cultural attributes of talent pools, such as field workers, technical workers, or knowledge workers
 - Evaluate your core competencies and determine if the market entry strategy should result in M&A to acquire assets and resources, or extend internal capabilities to the new market, or partner with third parties via strategic alliances or joint ventures

- Evaluate business risks such as political, security, currency fluctuations and develop mitigation strategies and risk adjusted financial models
- Evaluate the timing, sequence and organizational readiness of market entry

While developing an effective Global Perspective, the CEO will actually look at all other 360 Perspectives (economic, customer, competitive, technology, integrated-industry, and best practices, etc.) through a global lens. The result is a powerful growth strategy designed to capitalize on current and future market opportunities.

Developing the right global strategy is necessary but not sufficient. Without proper due diligence, planning and implementation, geographic expansion strategies will fail. Frost & Sullivan recommends following the Strategic Review with the following steps, using a set of analytic tools and disciplines:

Country Prioritization—Ranking of all countries under consideration for expansion

Entry Assessment—In-depth research of the target country that directs market entry strategy decisions

Implementation Plan—Analysis of all logistical issues pertaining to establishing an on-the-ground presence in the selected country

Implementation—Execution, measuring and monitoring the strategy and implementation plan

In the 1500s triangular sails, compasses, astrolabes, and nautical charts were the tools that guided Magellan's global journey. Today, CEO's can easily get lost in the circumnavigation vortex. They must have a 360 Degree Perspective to go global, with proper market intelligence and toolkits to serve as an accurate roadmap to success.

As the global economy evolves, impacted by each of the Perspectives in the Complex Business Universe, companies (both established and entrepreneurial businesses) must respond by developing and implementing effective geographic expansion strategies. Globalization must be confronted—as deregulation, mega-competition, and information technology have led to an acceleration of rivalries. Myopia is no longer a viable business strategy. CEO's need a 360 view of their business—and the cure for myopia is a Global Perspective.