



Unlocking International Growth

Criticleye speaks to a number of business leaders on the lessons they've learnt from international expansion



An organisation's ability to expand internationally will depend on the talent and strength of its leadership. Problems occur when boards ignore questions on resource and capability, opting to plough onwards, bewitched by the promise of growth.

Turning away from obvious opportunity is tough, especially in the current economic climate. And yet carrying on regardless has sent plenty of famous retailers and consumer goods companies crashing into the rocks.

The priority for any business, after assessing the size of the prize in a new market, is to look at the human factor and ask: 'Do we have the people to execute the plan?' **Giles Daubeney**, Deputy CEO of

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recruitment concern Robert Walters, has seen the business grow over the past 25 years from a single office to 54, spread across 26 countries. “It's no good having someone up on high calling the shots with no knowledge of the local market – you can make grave mistakes that way,” he says.

“The most important thing is to have the right person to do the job. Not having enough people is one of the biggest constraints to growth.”

For large organisations, there needs to be clear decision making between HQ, regional and local operations.

David Comeau, Criticaleye Board Mentor and former President for Asia Pacific at Mondelez International, saw the latter company transform from a country-focused set of independent operating units into a category-focused global organisation.

“I think a lot of people struggle with this pendulum swing between how centralised or de-centralised a company should be,” he says. >



Graeme Payne
Partner, Bird & Bird

COMMUNITY COMMENT

Graeme Payne, Partner at Bird & Bird, outlines the questions he would ask business leaders considering international expansion.

Why are you expanding?

The answer to this may be reactive and, in some circumstances, taking these opportunities might be the right thing to do. However, typically the planning must be rigorous.

International growth can become a significant distraction. If mismanaged the international expansion may not be a success and your domestic business can falter as a consequence.

It is therefore better to be proactive. Then, having already chosen a market and completed the due diligence, the next steps are looking at the structure.

What model will you choose?

There are a number of different structures – the choice of which will largely depend on the board's attitude to risk and reward. A key second tier of factors will be considering management capability bandwidth and/or capital.

Non corporate growth models, such as franchising or licensing, allow you to take advantage of a partner's local contacts, market knowledge and expertise, as well as giving access to real-estate and a local workforce. The hotel, food and beverage and retail sectors use franchising very successfully.

We're also seeing an increase in educational institutions and healthcare organisations using it, especially to go to markets such as the Middle East and Asia.

Is your brand protected?

Don't ignore the perceivably simple things, such as getting the key brand assets properly protected for international growth.

If you're not prepared to make that investment then there really is little point in expansion – it could actually be more harmful for the business.

Do you understand the culture?

Embrace the local culture that the international expansion will bring – incorporate and welcome it, and be aware of cultural and religious sensitivities in your marketing, messages, and product and services offering.

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According to **David**, it was critical to make changes as rules and responsibilities were not clear.

“For example, there was a brand manager for Oreo in Latin America who thought they were growing the brand globally, but there was also a brand manager in each country.

“We hadn’t addressed how the local teams would be involved or how the new order was going to run; it was difficult to accomplish anything,” he explains.

“We worked with the countries to redesign the organisation and asked their opinion on the best way to accomplish what we were trying to do.

Collectively, we designed a structure that would allow us to operate globally but still be effective on a local basis.”

Joining Up Global Values

Operating on a global scale and understanding the culture at a local level remains a hugely complex undertaking. **Tom Beedham**, Director of Programme Management at Criticleye, warns: “It’s all too easy if you’re based in the head office to say: ‘These are our values and this is our culture.’

But the further out you go you may find the message has changed or the perception is different.

“Learning from peers about how to approach a new market before you enter will mean you are better prepared and can accelerate faster.”

“Businesses that trade internationally are more resilient... and tend to see higher growth rates”

GSK has been evaluating the make-up of management teams across various countries, explains **Kris Webb**, Senior Vice President of HR for Pharma across Europe, Emerging Markets, Asia Pacific and Japan: “We’re making decisions to ensure that what is happening in our businesses across the globe is aligned with the values of the whole company.”

Aside from the internal dynamics of organisational design, strategy and competency, companies must also navigate the risk of political volatility, currency fluctuations and rising labour costs – to name but a few.

Yet the case for expanding internationally is evidently strong, not least because growth in many domestic markets remains challenging at best.

Mark Collings, Head of International for SME Banking at Santander, comments: “Businesses that trade internationally are more resilient than those that remain in their domestic market, and tend to see higher rates of growth.

“If you’re operating internationally you’re not dependent on one market, so if economic instability hits in one geography, you can rely on your presence in other markets to weather the storm.

This can put you in a much stronger position and provide growth, even in uncertain times.”

Just don’t underestimate the importance of people and culture before moving into a new territory. ■

This article was inspired by the Criticleye Discussion Group, [Key Considerations for International Expansion](#), held in association with Santander.

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