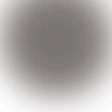




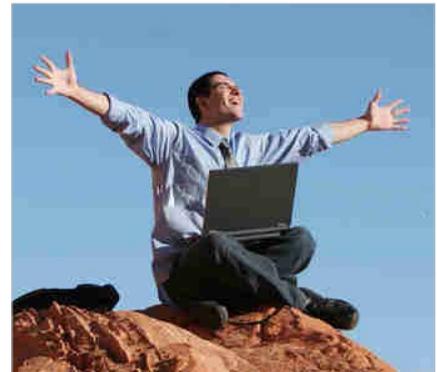
MANDAT  GR  WTH LETTER®

Growth Focus: Internationalization

CEO-Tip *of the Month*

by Guido Quelle

Just How Prepared is Your Company for Internationalization?



Wherever you go, you hear that real growth can no longer be achieved in the domestic market alone. For now let's set aside the question of whether this is true in every individual case or just a convenient excuse. Either way, the fact is that more and more companies are focusing on internationalization, and that some of them don't seem to have quite thought the process through to its end.

For example, what is the point of a company looking to expand into Russia, if it doesn't take into account the fact that business conditions in Russia are completely different from those in Germany? What is the use of planning to expand in Asia if we "long noses" try to enforce our Western ideas on how to do business? Scribbling an important note on the back of a new acquaintance's business card is the best way to sabotage your business plans in Japan.

But nothing says that we have to look so far afield; there are plenty of opportunities for us Germans to establish new business relations within Europe. But those who are unable to muster the necessary level of courtesy common in France or the understatement favored in Great Britain will have a hard time of it. True, German companies do enjoy an increasingly positive reputation around the globe. But the real question that arises is: What are the owners and the Management at German companies doing to actually lay the groundwork for international expansion? Here are a few test questions:

- o How are the English skills when it comes to the Upper Management and the staff most involved in internationalization?
- o What about "everyday English?" Or are their language skills limited to technical vocabulary?
- o What about their fluency in the local language of your new target market if it's not English?
- o How much do you know about those negotiation principles that are accepted in your target market, and those that are frowned upon?
- o What other intercultural peculiarities of the target market are you familiar with and ready to effectively deal with?
- o How many managers and members of staff originally come from the target market (including the Upper Management)?
- o Do you have any connections to the press in your target market?
- o Which company strengths has your Marketing department formulated and adapted to the respective market?
- o How ready and willing is your team to create or expand on international business relations?
- o If you're establishing a branch office abroad: Who is going to go "over there" to help the local Management (which by the way should come from the target market)?

I've seen all too often that German "bullishness," coupled with an "it will work itself out" mentality, results in a great deal of head-shaking on the other side of the negotiating table. If you prefer to avoid this, make sure that both you and your team are truly focused on internationalization. Solid preparations will greatly boost your chances of success.

Strategy & Leadership

by Guido Quelle

Internationalization Should Be Started at Home



The question whether a company is to be internationalized or not simply does not even arise any longer in many cases. Often discussed by management are only the details of „when“, that is the point in time of business large-scale internationalization. All too tempting is the chance of extra business, which in turn should provide additional, ideally profitable growth.

When debating the internationalization of a company, it is often a matter of providing products and services in other countries. This approach is however far too briefly summarized. What is important in this context is, for example, the aspect of a best possible presence in a foreign country to serve the market directly on site. Alternatives spring to mind quickly, such as the use of sales representatives, the setting up of branches or foreign subsidiaries and, if necessary, also joint ventures with a partner company. Mandat Managementberatung's advisory practice shows that such decisions are often made too quickly. With all due understanding for the endeavour to expand one's own business as quickly as possible and, in doing so, to leave competitors as little space as possible so as to benefit from a possible time advantage, it is precisely within the framework of internationalization efforts that care should have priority over speed. Too often, in all the talk about expansion, internationalization, or even globalization, it is often forgotten that several related projects fail. It is precisely this risk that can be reduced through careful planning in advance, the core of

this strategy being: first, it is necessary to first sort things out in one's own country and in the home market before carrying out operations in other countries and/or markets. Otherwise, chaos will be multiplied.

Before aspiring to business internationalization, a company should consider and discuss some important aspects, providing an answer to the related questions.

Internationalization purpose

The most important question to be addressed relates to the purpose of the internationalization project: Why should internationalization ever be started or accelerated? Here it is essential to find honest and not just appealing answers. If the only reason for internationalization projects is strengthening your own ego, then it is better not to start the project at all. Ego has never been a good adviser. Of course, it is not often the case that personal ego is used to justify an expansion or internationalization project, but too many already heard, flimsy arguments relating to an apparently objective basis make reasonably believe that the driver of several international projects is less objective reality and more a craving for recognition. Such an important project as internationalization must not be sacrificed to the individual participants' egos. When trying to motivate the project purpose, it is worth cross-examining the underlying objective grounds.

Internationalization goal

If a strong basis is found for the reason „why“ internationalization should take place, it is necessary to work over the objectives of the project as tangibly as possible. What exactly is to be achieved with internationalization? Which essential or economic goals are to be achieved? And which other objectives improving the image are to be achieved? Which measurable variables are there with which to determine whether the project is going in the right direction, or whether it is merely a project to which one has been holding on too long? Which benefits will the whole company obtain by achieving the goals?

The discussion about goals being as tangible as possible results in the fact that, as far as internationalization projects are concerned, having clear ideas about what is to be achieved and what lies beyond the originally planned schedule is an essential requirement. Only when the purpose of the project and the associated objectives, measurable variables and benefits of corporate governance have been jointly approved, it makes sense to tackle other issues. Astonishingly, too little time is often devoted precisely to this dialogue, which frequently leads to misunderstandings that in hindsight could have been avoided.

Assumptions

Just as important as the debate on the project purpose and goals are the discussions about the underlying assumptions of the internationalization plan: Which conditions are we starting from in the new market? Which customer needs can we assume to meet? Which legislative framework conditions shall we deal with? Which competitive reactions do we expect? Which market volume can we assume to provide? Which lateral entrants do we have to consider? The list of questions that must be answered with respect to the exploration of assumptions is long. This dialogue is however worthwhile as in this way, within the corporate governance framework, one can get a clear view of the management members' ideas about the target market.

Multiplication basis

Internationalization projects start at home not only in the form of a dialogue among the management members about the purpose, goals and assumptions of the project. They also begin at home to the effect that the

business system in the home market must be first set up properly before it can be multiplied remotely. In particular, successfully operating companies, such as those active in the franchise system, are showing the way.

Regrettably, what we also see again and again is that preparation - which must be first done successfully in the home market before looking far away - was not performed, while chaos was multiplied. Quite clear: Internationalization projects are entirely inadequate to cover up weaknesses in the core business system. If business units in the domestic market are not set up steadily or performance in the home market is not up to expectations or even goals; if the level of interconnection of the business units in the domestic market is minimal or non-existent at all, it makes no sense to think about an internationalization project. Instead, it is necessary to guarantee the performance of the core business units as well as to connect them with each other so that a multiplication basis can be created abroad. The companies that try to cover domestic weaknesses through the expansion into new regional markets are bound to fail.

Conclusion

Internationalization starts by no means abroad, it begins at home. Only after making sure that all preparation work has been done at home, steps can be taken abroad. A corporate leadership that is committed to this principle will carefully create profitable growth and will not expand recklessly, just for the sake of size.



Profitable Growth—Release Internal Growth Brakes and Bring Your Company to the Next Level

Almost every company wants to grow—at least officially. Shareholders are demanding further growth and no management team would deny that the growth of their company is one of the top issues they are working on every single day. However, there are barriers to growth, and these are not only external barriers. Most often it is not the economy, not the market and not the customer who just “hasn’t got it.” The main barriers can be discovered inside every company, because growth always comes from within. If the organization is not ready to grow, initiatives to increase market share, to enter new markets, and/or to increase profitability are destined to fail. This book systematically addresses the main internal barriers to growth and provides practical guidance not only for discovering these barriers, but to systematically overcoming them.

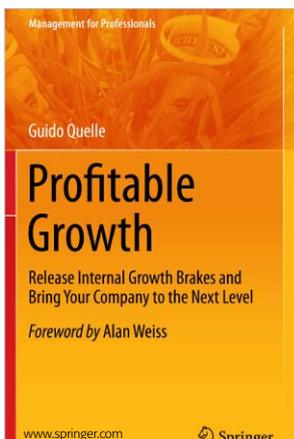
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Professor Dr. Guido Quelle, “The Growth Driver,” is one of the rare people worldwide who focuses on creating profitable and sustainable growth as an entrepreneur, consultant, author and speaker for more than 20 years. His clients are active CEOs, general managers, senior executives, and entrepreneurs who are committed to consistent growth. With his consulting firm, Mandat GmbH of Dortmund, Germany, he successfully conducted more than 350 projects with 120+ renowned private and listed companies. More than 5,000 people were involved just in those projects that he himself managed. Prof. Quelle is always in demand when companies are seeking the support that will enable them to continue on a course of sustained profitable growth.



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“The nuance that distinguishes this book is the orientation that growth is measured, planned, and pursued in an orderly fashion, never growth for growth’s sake. Guido wisely takes the reader through a strategic approach which leads to intelligent tactics, not a frenzied tactical charge that undermines strategy.”

Alan Weiss, PhD, President Summit Consulting Group, Inc., Author Million Dollar Consulting and The Consulting Bible

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