

## Going global? Expand internationally? – a money pit for American companies?

Ok I am going to start this piece with a few riders. One, don't shoot the messenger I'm just telling you how it is. Two, I know we Brits aren't that great at selling into the USA either, I know I've tried it and three, there are always exceptions. But as a general rule American companies aren't very good at selling directly overseas. The successful global companies normally have their international HQ in Europe. There I've said it.

See if this scenario rings a bell. Company X from Boston or Dallas or Kansas decides that they are ready to break into Europe/APAC/Middle East et al as they have a software/hardware thingy that is compatible with lots of other software/hardware thingy's and is the next big thing as it can save companies a fortune. No brainer eh? So they find a serviced office in London/Singapore/Dubai and one or more lucky executives called Doug or Jim or Randy win the lottery and are posted to start it all up. Like the Lone Ranger they ride in to save the world only to find that the locals actually aren't that interested/are too busy/have no money/have money but won't spend it/it's harder than they thought etc.

So after a jolly 6 – 9 months holiday there is little to show except war stories about the local food and that the European/Asia Pacific/ Middle East market isn't ready for their must have thingy. Don't believe me? Seen it, got the T-shirt. A short while ago I was sat with the head of a major Asian telco carrier and he said something that was a real eye opener. His comments went like this. "I've heard it all before, same old story. These American companies breeze in telling me how they are going to save me millions. How can I live without them? They send people who have no knowledge of my market, talk at me loud like I am a schoolboy and then they are gone. Most of them see it as an opportunity for a nice trip overseas. They have no idea, no interest in what my problems are and no humility." An actual conversation I'm afraid.

Let me explain why the British are pretty good at selling overseas. Britain is a small island. In Britain if you travel 25 miles from our coastline you are in a totally different world where they speak

strange languages and have strange ways of doing business. Out of necessity we've had centuries of building boats, sailing the world and pillaging. We've gotten pretty good at leaving home and making money abroad. We've even learnt how to handle ourselves in far distant lands. Travel a thousand miles from London and you are either in the middle of the Atlantic or in Budapest having crossed numerous other diverse countries and cultures . Go a thousand miles from Boston and you are either in the middle of the Atlantic or in Chicago. Two thousand miles it's either Albuquerque for you Damascus for us. Now I know they talk with a different accent in Chicago but it's hardly Taipei.

At the grassroots sales level most American companies have a 30 day mentality with regard to compensation of their sales people – a reward scheme each month versus target and the salesman lives according to this. In Asia if you are starting a new *international expansion* it can take you this time to get your first meetings set up and believe me Asian's seldom commit until they check you out, feel comfortable with you and trust you. Brits are much more conservative and flexible with how rewards are made to international sales people with a variety of incentives, not all geared towards order/revenue recognition, and paid quarterly or even annually.

Now on the defence side America is huge. It's got everything. In the USA you have anything any country could want by way of great companies, resourcefulness, inventiveness, really good talented people and a large home market so why on earth should you be good at selling overseas. Why bother. Why on earth would you take that chance, dig that big money pit. Easy answer. It's because suddenly the rest of the world has caught up and in many cases has overtaken the establishment. The big markets aren't in the US or even necessarily Europe any more. Oh no.

Economists predict Asia as being the crown jewel for economic success for the future long term growth and sustainability for most companies, in almost every industry sector. Companies that succeed in Asia today will surpass competitors that do not by leveraging Asia's efficiencies, skill and capital sources and rapidly growing markets.

With Asia's hunger for innovative products being the highest it has ever been it is therefore opportune for technology companies in the West to seize the initiative, but beware – the more advanced the Asian's become the more self-reliant they will be. If you are not active in the Asian markets you will be leap-frogged by your Asian competitors.

With me so far? Ok so here's the dilemma. You can choose whether to leverage Asia's momentum or be flattened by it. The six million dollar question being how do you do it and avoid throwing all those sacks of dollars into the aforementioned money-pit. Simple. When setting up in Asia work with those who know what they're doing and have already done it successfully many times.

Before the sales pitch these are some of the benefits I believe Western companies can achieve by entering Asian markets early in their development:

1. Stakeholder value. Asia is probably the largest potential for revenue growth, especially now with the current downturn of the US domestic market. Check out the stats about the growth of Asian markets. Investors are keen to participate in this growth. Indeed when going for IPO or additional funding, a strong Asian story can make a huge difference to a company's valuation.
2. Succeeding in Asia can make you more efficient in other markets. It's the old story of 'Economy of scale' and of driving down cost. I have worked with companies that were late to invest in Asia and when their customers and competitors drove them to Asia, they were doing implementations in Malaysia with consultants flown in from San Diego, how expensive was that? If they had worked with outfits such as Expand Internationally and invested earlier, they could do Asian projects with Asian resources and then those same resources could also be used for projects outside of Asian markets.
3. Being present in Asia helps you build world class products. Remember when Made in Hong Kong was a joke, Forget it. If your competitive edge is quality and your products sell well in Japan, you can sell them anywhere. If your competitive edge is price and your products sell well in India or China, you can sell them

anywhere. If your products and services are good enough to compete against Asian competitors in Asian markets, you will be in much better shape to compete against them in your home market. Makes sense doesn't it.

4. If you are in Asia it can actually help you sell more in the West. Many Western multinationals won't standardize on your product if they can't use it globally. Asia is an increasingly strategic region for every Western multinational.

5. Setting up in Asia can get you government financing. As I understand it there are both federal and state programs across the US that offer local entrepreneurial companies financing for expansion overseas. There are even some governments in Asia which will provide direct investment in your company, subsidized rent and subsidized payroll if you establish their country as your Asia Pacific HQ. Singapore, Hong Kong, Japan, Korea and Australia are pro-active in these areas.

6. Export to Asia and it can get you good PR. If you close a deal to a company in Beijing, Tokyo or Mumbai, your local press will be much more compelled to tell the story.

7. Being present in Asia can get you great talent. Both young graduates as well as experienced professionals with global vision want to work with companies that offer international opportunities for professionals and global exposure.

Those are some of the reasons entrepreneurial American companies should sell in Asia earlier in their lifecycle than was the case 10 or 15 years ago. All of that is the good news. The bad news is as I said at the beginning. In general, American entrepreneurs and their companies are woefully unprepared for success outside the United States.

For a very long time now America has been the strongest, richest, most protected, most secure, and most predictable market on Earth. One language. One legal system. One currency. How much simpler can it be? A Shangri la.

The world has changed. The absolute necessity of succeeding outside their own national market is nothing new to entrepreneurs

in other countries. How many British entrepreneurs do you think have a UK-only view of the world? Ask Branson! Entrepreneurs from almost every other country in the world had world markets in mind the very day they conceived their business.

OK now the pitch. At Expand Internationally our people work with US companies wishing to Expand Internationally and go global, with an emphasis on Asia Pacific. We work with you to identify and execute the most cost effective strategy, route to market, which products or services to take to market and most lucrative market(s), whether it be going direct, using 3rd party channels, agents, licensing, JV etc. We have an extensive network of overseas partners via our own team members which has been built up over many years and we apply this to get your products or services to market in the shortest possible timeframe and with a lower cost of entry than you can achieve yourself.

We are also able to assist companies wanting to move their manufacturing base overseas with linking them to key, well founded and secure sources.

Contact us at Expand Internationally or of course you could always send Doug, Jim and Randy on a long, expensive Asian holiday.

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