

Entering New Markets: A Reflection on Venturing into the UK and Beyond

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Joint Venture

Thank you

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- Darius Paskauskas, President of the Lithuanian Chamber of Commerce in the UK



- Olga Jachimovic, CEO of Eurobaltika Group



Enterprise Ireland Case Study

Case of Success with Enterprise Ireland: Leadership for Growth with the Irish Construction Industry

Background

- As the residential construction boom in Ireland begun to tail in 2006-7, the government recognised the nation had a surplus of building skills and know how that could generate export revenues.
- However many construction executives lacked the skills or experience to internationalise key elements of their business. With over 20% of GDP originating from construction, the nation feared a major decline in the capability base, with associated implications for regional and national prosperity.
- Enterprise Ireland, the government agency responsible for the development and promotion of the indigenous business sector, was asked to intervene, building the skill of construction executives from world-class Irish companies to achieve strong positions in global markets.

Project Scope

- Leadership 4 Growth is a 12 month programme for 30 CEOs across the Irish construction sector. This includes architects, engineers, contractors and materials supply companies. All are established companies (turnover up to €1.5Bn) with potential to scale internationally. The programme comprises:
 - ✓ A blend of business development, personal leadership development and company development
 - ✓ Three 5-day modules for the 30 CEOs, introducing them to the Middle East, Eastern Europe and the UK.
 - ✓ Two 2-day modules for senior team members nominated by the CEO. We believe the senior team is the primary lever of effectiveness and must be aligned.
 - ✓ Personal support for the CEO from an executive coach to focus on their leadership development
 - ✓ Support for the CEO and senior team from a business consultant to implement an internationalization project in a suitable market(s).
 - ✓ A series of meetings with a small group of peer CEOs, facilitated by business adviser, to evaluate progress and share lessons learned.
- The above are carefully integrated and orchestrated by Duke Corporate Education.

Business Outcomes

- While conceiving the programme, we could not have anticipated the harsh economic climate of the past 18 months and its associated impact on the construction industry and the wider Irish economy. Recent conditions refocused executives on international possibilities which greatly aided our efforts, though the challenges of managing a fast shrinking domestic business whilst expanding overseas brought many new leadership demands.

Key achievements from the programme include:

- Executives are very clear about the key capabilities at the core of their company that are in demand in new markets and can be profitably delivered.
- New market opportunities totalling approximately **€400m have been identified** of which €80 MM has already been contracted
- Companies have de-risked new market entry in many ways, including partnering with local market suppliers.
- Aligned senior management teams creating capacity for CEO to grow the selected new market.
- Survival - only one company of the thirty involved in Leadership 4 Growth has gone into liquidation.
- A tight network of CEOs ensures continued learning and passing of suitable opportunities between companies.

What the Participants Say About the Experience

- According to Liam O'Donohoe, divisional manager at Enterprise Ireland, one of the key objectives of Duke CE's Leadership 4 Growth programme is "to get the chief executives to work a little more on the business and a little less in the business".
- "They (the companies) were too busy building Ireland's infrastructure," says Mr O'Donohoe. "And the reputation you have built in Ireland means absolutely nothing abroad."
- "It's about building a leadership culture in the industry, doing it by bringing in a common language and a common way of thinking,"
- Mr Pollock says his company has formed a joint venture with two other participating companies on a project to refurbish a hospital in Saudi Arabia. The company's earlier overseas forays were opportunistic, he says. "Now we've put a man on the ground. We're operating under a memorandum of understanding but we're going to sign a joint venture agreement soon. If we don't internationalise, we'll be dead in the water. Because we're never going back to the old Ireland."
- **"They might compete at home, but there is a strong case for them to collaborate overseas, where a lot of the contracts are very large."**

10 Tips Before You Start

- 1. Do your homework:** Understand the rules of engagement, particularly issues like duties and paperwork. Finding out at the outset what is required might save a few headaches later.
- 2. Understand the market:** For instance, find out how your product and service might need to be adapted for export and what regulations must be complied with – UK & EU.
- 3. Research costs:** Understand any costs you might incur – shipping for instance. A clear understanding of costs is vital to assessing the profitability of each opportunity.
- 4. Get exchange rate advice:** Particularly in uncertain economic times, a good understanding of how fluctuations in exchange rate will affect profitability and pricing is vital.
- 5. Look to the future:** Whilst every profitable sale is welcome, it is always worth looking at long terms market potential, to assess whether initial investment might bear fruit later.

10 Tips Before You Start (continued)

- 6. Assess the competition:** Find out who you are competing with, how their products and pricing differ from yours as well as things like how and where they operate.
- 7. Communicate effectively:** Be sensitive to language and cultural differences in your target market. Tailor your communication to suit potential customers.
- 8. Streamline the paperwork:** Secure export certification and documentation online, insurances, letters of credit etc to save time and money, but use only trusted suppliers.
- 9. Don't over-commit:** Focus your efforts on one market at a time and prioritise according to both short term opportunity and long term potential.
- 10. GET HELP: Export or business support and advice through every stage of the export/venturing process is invaluable. In many cases it makes the difference between success and failure.**

7 Tips for Exporters

1. **Market research**

Is there demand for your product/service in the target country? How much is the business in worth? Why buys?

2. **Plan Ahead**

There are many different ways of exporting, for example, you can simply buy products to final customers or intermediate agents. Alternatively, you can become find a distributor for your products in the UK.

3. **Think about the tax**

Think about the tax implications of what you're going to do. In most cases you are going to have to pay tax somewhere but, by the careful choice of structures for the deal, you can often reduce the taxes payable by a very significant amount.

7 Tips for Exporters (continued)

4. What obligations are you going to be taking on when importing or exporting these goods?

If it is a simple purchase for later sale there should be very few obligations, however if you are going into some form of distributors' agreement there will probably be commitments as to the volume of sales, not dealing with competing products, having suitable demonstration facilities etc.

These commitments require a good, clear, contract and this should be drawn up by your lawyers, indeed, most contracts that we come across which have been prepared by the individual companies' concerned turn out to be disasters.

5. If you're exporting, check out the product carefully

It is important for importers to check the product very carefully to ensure it complies fully with the requirements for sale in the UK market place.

If you are exporting, it is important to provide potential importers with proof that the product can legally be sold in their country.

7 Tips for Exporters

6. Think about any licensing, regulatory or intellectual property issues relating to your plan

It is important to ask questions such as: Do the goods have a **trademark**? Are you **entitled** to use it? Are you going to be using any marketing materials prepared by the sellers – promotional videos, brochures etc.? **Do you have the right to do so?**

If the sale of items need some sort of **licence** (for example, **pharmaceutical** products) who is going to be responsible for obtaining the license and at whose cost?

Are you proposing to establish to give the person you are dealing with the sole rights to sell your product? If so, be clear about the territories concerned.

7 Tips for Exporters

7. What are the arrangements for contracts and payment?

Arrangements for payment need to be **very clear** and this will ensure you receive money quickly and efficiently without problems. Questions to ask are:

- **Are there going to be any form of guarantees?**
- **Who is to pay for shipping and delivery?**

In most countries parties to commercial contracts have the freedom to agree the legal rules that will apply to their transaction and the way of dealing with any disputes that arise from it. Depending on your choice of law your rights – and obligations – can vary a great deal.

Think about including an agreement that will force both parties to the contract to deal with any dispute, in the first instance, **by informal mediation**. This can save a huge amount of time and money. If this fails it is worth thinking about a clause that requires the parties to deal with the dispute by way of **Alternative Dispute Resolution (ADR)** rather than by going to court as this, again, can be much faster and cheaper. These clauses need to be carefully drafted and you need to make the right choice of the people who will deal with the ADR.

Appendix

- This part of the presentation is intended to be used as a reference manual for companies in Lithuania to start planning or perfect the plan to enter new markets.

Elements of a strategy

What will be the speed & sequence of your moves

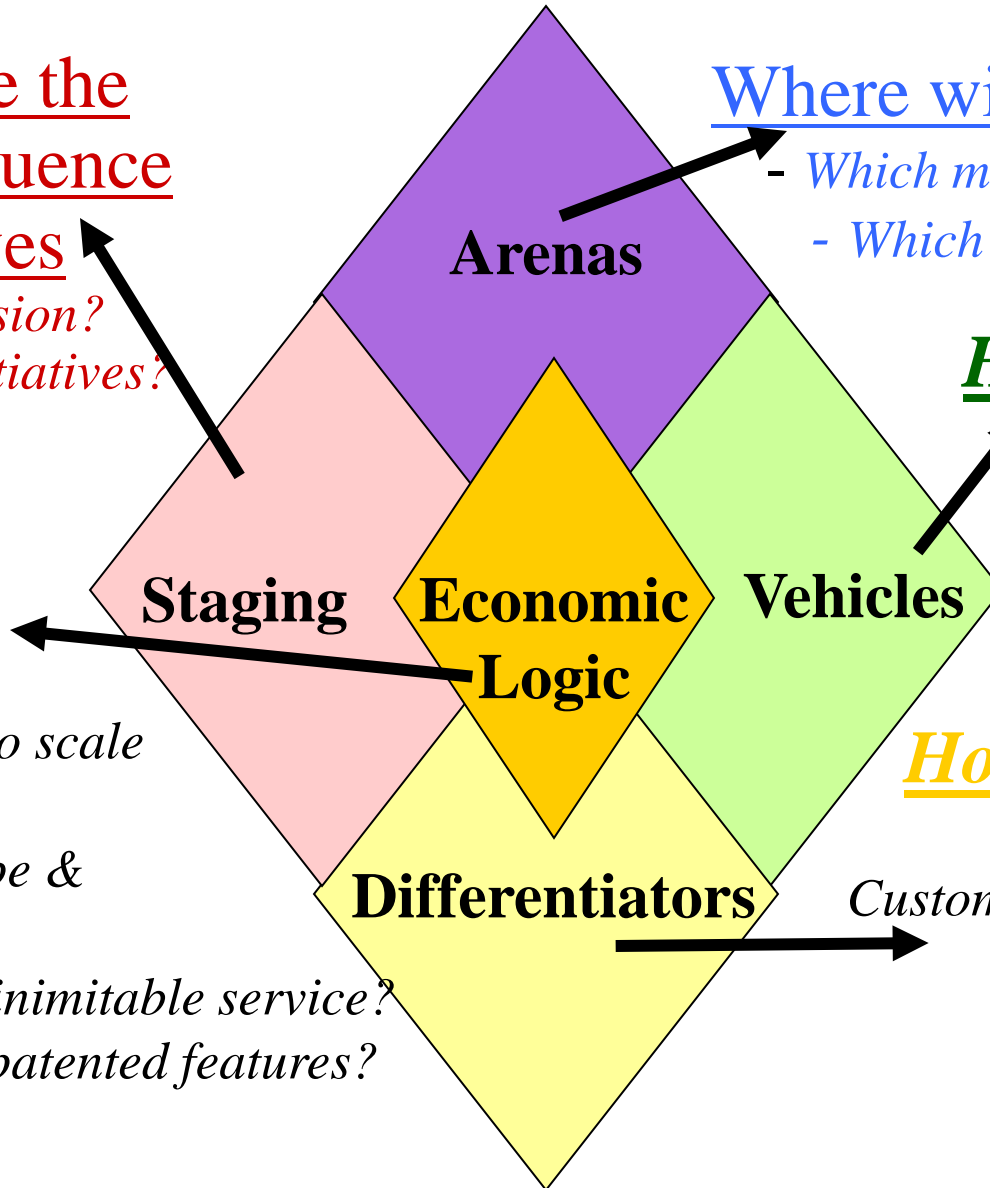
- Speed of expansion?
- Sequence of initiatives?

Where will you compete?

- Which markets/products/areas?
- Which activities/capabilities?

How will you get there?

- Internal Development
- JV or Alliances?
- Licensing?
- Acquisitions?



How to be profitable?

- Lowest cost due to scale advantages?
- Lowest cost -scope & replication?
- Premium price - inimitable service?
- Premium price – patented features?

How will you win?

- Image? Styling?
- Customizing? Price? Product Reliability?

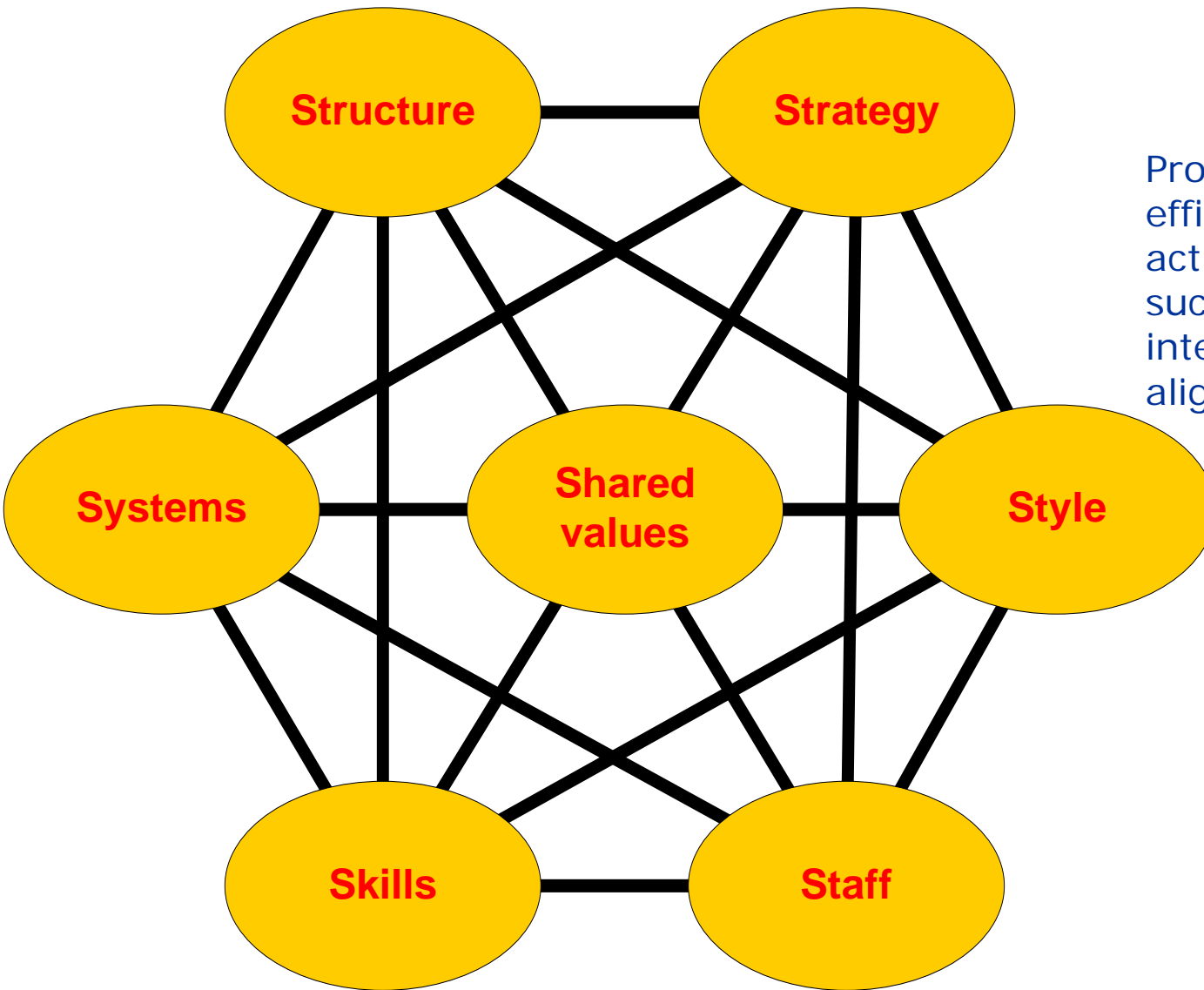
Drilling through levels of analysis

Level	Horizon	Issues	Key questions	Tools of analysis
Environmental analysis	Long term 5-10 years	<ul style="list-style-type: none"> • values of senior mgmt. • organisational 'momentum' • social goals 	<ul style="list-style-type: none"> • What business should we be in? 	<ul style="list-style-type: none"> • environmental assessment
Market evaluation	Medium term 2-5 years	<ul style="list-style-type: none"> • gov't regulation • market changes • competition • social effects 	<ul style="list-style-type: none"> • Which markets should we focus on? • How do we allocate our scarce resources? 	<ul style="list-style-type: none"> • market life cycle • Ansoff matrix
Competitive assessment	Short term 0-2 years	<ul style="list-style-type: none"> • strengths • weaknesses 	<ul style="list-style-type: none"> • what degree of success can we expect in a market? 	<ul style="list-style-type: none"> • Value mapping • SWOT matrix

Environmental assessment

Political issues	Economic conditions	Social & demographic factors	Technological changes	Legal issues	Environmental issues
<ul style="list-style-type: none"> • political stability • global warfare & terrorism • pressure groups • government policy change • change in attitudes toward global concerns 	<ul style="list-style-type: none"> • GDP trends • global economy • interest rates • inflation rates • consumer spending & saving • unemployment • energy costs • taxation • global capital flow 	<ul style="list-style-type: none"> • lifestyle changes • consumer activism • career expectations • education level • nationalism • pop'n. growth rate • age distribution • regional shifts • life expectancies • birth rates • diversity • work/life balance 	<ul style="list-style-type: none"> • gov't spending on R&D • focus of technological efforts • IP protection • impact of internet & communications • Genetics & biotech • Communication 	<ul style="list-style-type: none"> • international legal differences • market regulation • transportation policy • foreign trade regulations • ethics & trust in organisations • national / international legislation • Role of market regulators 	<ul style="list-style-type: none"> • CO₂ concerns • toxic environment • environmental legislation • reliability of energy sources • public concern & call for action • cost of recycling

McKinsey 7 S framework

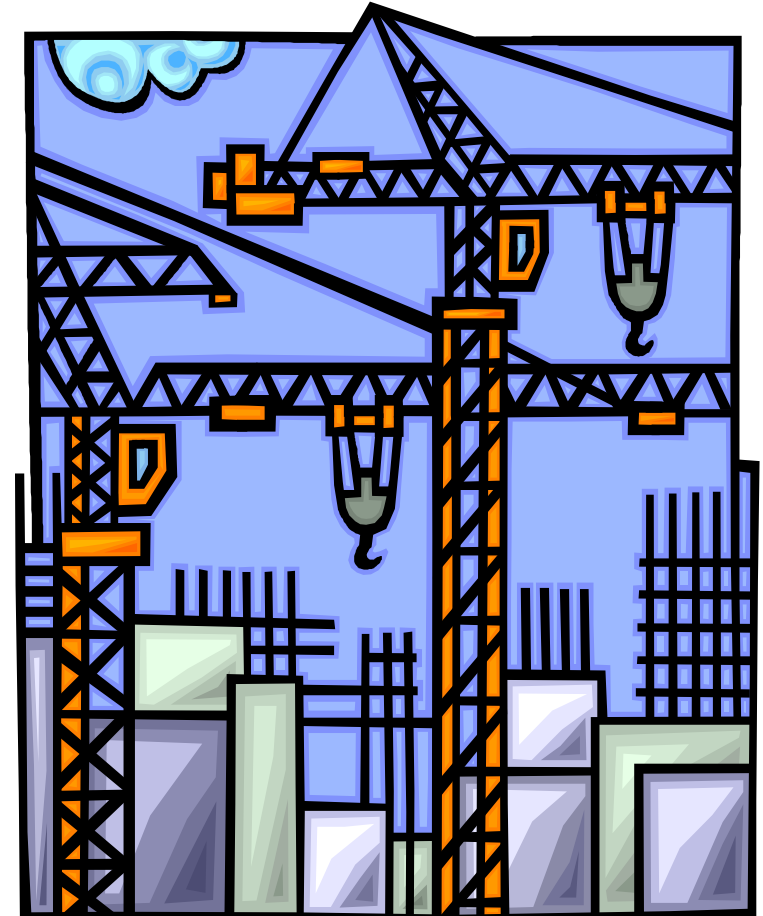


Profitable, purposeful, efficient organisational action cannot be successfully executed if internal elements are not aligned

Source: Pascale, R & A. Athos. 1981. The art of Japanese management. New York: Simon & Schuster

“Hard” S

- **Strategy:** a plan of action to maintain competitive advantage over the competition
 - ➔ Derived from strategy formulation
- **Systems:** measures & actions which accommodate the execution of daily activities
 - ➔ Policies, procedures & directives which allocate resources on a daily basis
- **Structure:** the way the organisation is structured, who reports to whom
 - Communication flow, responsibility & authority, integration



“Soft” S



- ➔ Highlights the importance of social & interpersonal behaviour
- **Style:** what form of leadership style is best adopted to achieve aims & objectives
 - ➔ How managers collectively spend their time and attention and how they use symbolic behaviour
- **Shared values:** company culture, work ethic, etc.
 - ➔ Commonly held beliefs, mindsets & assumptions that shape how a people react in situations
- **Skills:** experience, expertise, cross-skilling
 - ➔ How the firm identifies and develops competencies in key areas of the business
- **Staff:** attitudes, motivation and behaviour of the staff
 - ➔ How the firm recruits, utilises & rewards employees to fulfil organisational tasks

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FINANCIAL TIMES

May 2009 Annual Ranking
Custom Executive Education

	09	08	07	06	05	04	03	
1	1	1	1	1	1	1	1	Duke CE
2	5	11	9	14	16	16	16	HEC Paris
3	4	3	3	-	5	8	8	Harvard
4	2	2	2	2	2	3	3	IMD
5	20	17	14	15	23	25	25	INSEAD
6	8	17	15	-	12	12	12	Wharton
6	9	4	13	8	6	4	4	IESE
8	25	33	38	28	34	36	36	ESADE
8	2	-	18	17	18	18	18	Kellogg
10	11	13	17	16	15	23	23	IPADE
11	11	10	20	15	13	14	14	Ashridge
11	6	5	8	9	10	13	13	Babson
13	21	27	11	16	22	32	32	Cranfield
14	24	15	9	23	19	31	31	CCL
15	35	43	27	23	26	19	19	ESSEC

BusinessWeek

November 2009 Biennial Ranking
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3	8	-	7	7	CCL
4	10	16	-	-	ESADE
5	2	2	3	3	IMD
6	4	7	2	2	Harvard
7	12	12	-	-	IESE
8	13	19	-	-	IE
9	11	11	4	4	Wharton
10	18	5	9	9	Michigan
11	-	18	10	10	Babson
12	5	6	14	14	LBS
13	9	15	12	12	Thunderbird
14	16	-	-	-	MIT
15	20	17	-	-	UNC