Replicating business success: Creating an effective strategy for new markets

When the global strategy is too foreign to local reality – and how to adapt. A guest article from Emerson Marcomini

Expanding into a new territory presents an exciting opportunity, but a central challenge to this arises when an organization tries to apply global strategies to a new and unknown market. Often, an organization relies heavily on the existing tried-and-tested global business strategy, replicating it with a few adjustments – but the resulting strategy can lead to unrealistic expectations for growth, and may underestimate the organizational and operational capabilities of your local team. However, if you develop a greater understanding of the local market and your local team's strengths, you can optimize success across every location.

Large organizations may try and work out why their global strategy isn't translating well to a new location. The business may look to the local team in hope of finding an explanation, but the responsibility lies first with the parent company to foster an in-depth understanding of how the business operates. While it can be tempting to assume that your team is well-versed in your company's strategy from top to bottom, a recent survey indicates that few executives truly understand their organization's global strategy. The negative consequences that can arise from attempts to replicate a global strategy within a local unit may then be amplified by inconsistent and unclear communication from senior management. Without comprehensive understanding and a compelling vision, local teams can move off-course and make poor strategic decisions.

If a local business isn't performing as expected, it's important to evaluate why this is happening before you take drastic action. Sending in a manager from another location to solve the problem because they've been successful elsewhere – or asking someone to take charge from a distant overseas office – may sound like a smart move, but generating local business success isn't as simple as copying and pasting your strategic approach across the world. Replicating effective strategies can lead to business failure elsewhere, because this cookie-cutter approach doesn't take into consideration all the differences that make every location unique: the cultural differences that impact your organization's operations and create an environment where your business can thrive.

Factoring in the local business environment

Identifying the cultural differences present in a new location can help you to understand the strengths they offer your business and overcome the barriers to excellence that may inadvertently appear. The cultural differences in a new location can make replicating your global strategy difficult, because they impact how your business is organized and how it operates. If you don't take into account the nuances of each location when you're considering the core aspects of your business (such as the 4 Ps – Price, Product, Placement and Promotion), your operations may be quickly undone by local differences such as a country's size, climate, consumer behavior, social and economic differences, infrastructure (ports, roads), tax legislations, and so on – and the list for every country will have additional localized idiosyncrasies. Business success relies on knowing your location and working with the challenges it presents.

The case of Brazil provides a useful example. Culturally, Brazilians are perceived as friendly and dedicated, but when it comes to business, they're not known to be as open and direct as business executives from other markets. Also, business approaches that may seem normal in some markets can come across as disrespectful to Brazilian business professionals. This situation becomes more critical at the middle management level because colleagues have less global exposure – they won't necessarily have travelled widely to other locations or been involved in global decision-making (unlike more senior executives). As a consequence, it's common to find situations in which people struggle to take part in constructive debate, which leads to ineffective leadership and a lack of trust, which may prevent team members from contributing to important conversations and lead colleagues to perceive the organization as hierarchical and unfairly demanding.

One case in Brazil demonstrates the challenges of expanding into a new market. A successful global food company moved into Brazil without sufficiently considering the challenges within this market. It hadn't factored in the specifics of consumer habits, or evaluated the challenges posed by Brazil's infrastructure and the tax differences that exist between each region of the country. These oversights cost the business dearly, ultimately impacting prices due to poorly understood logistical challenges within the market (such as goods being imported from the wrong port, and clearing customs in one area while holding inventory in another, making it difficult to optimize potential savings from tax benefits). In addition, although the company sold a premium product, it was too sophisticated for local consumers, who often didn't have the financial means to purchase the product (a factor that also varied across regions).

Increased local insight could have saved this company a lot of time and money, and it may have helped the organization find a way to operate more efficiently in Brazil – in a way that met with the global business's expectations of the local operation. But this is easier said than done, as finding an effective approach that works well in a new market while complementing the global strategy requires you to tread a fine line between embracing the new location wholeheartedly and operating within global budgets and strategic controls (which are also pivotal to business success).

Listening to every stakeholder, from senior managers to your customers and suppliers

Developing a thriving local business relies on more than diligently future-proofing your organization against local challenges. It's also imperative to 'listen to the local crowd' both internally (your top and middle management executives) and externally (your customers, suppliers and distributors).

To be an effective leader, you need to listen to your team: the answers to many problems may be right in front of you waiting to be discovered. One interesting example comes to mind that demonstrates this perfectly. A salesperson at a large and well-admired consumer company was able to boost the organization's sales by developing an in-depth understanding of the characteristics of the organization's core client base. By understanding the differences between successful and unsuccessful clients, they found a way to survey their clients, identify the clients with potential, and dedicate their time to these clients. By evaluating client behavior, they found a formula for repeat sales.

External stakeholders can also offer valuable insights when expanding your business. In another example from Brazil, a large European chemical conglomerate with a small-to-medium-sized Brazilian business unit faced similar challenges to the food company. Although it was an uncontested leader in the market for most of its products, the Brazilian business unit had been underperforming, and it was losing market share to competitors faster than expected. With the help of a-connect, and through a detailed organizational assessment and series of workshops, the organization developed a clear vision of its global strategy, adapted it to the local business unit, and built consensus around the local business's potential, enabling it to set ambitions and common goals for the organization. The parent company was able to foster a company-wide understanding of its vision and global strategy, and achieve the buy-in of the local business unit's management team. The company reassessed the local market opportunity with the help of its external stakeholders (direct clients, distributors, end-users and so on) and determined a realistic approach to achieving business growth. The local business unit then redefined its distribution model, sales organization, and commercial processes and policies to suit the market. By listening to and better understanding their clients, the local business unit was able to craft a more effective go-to-market strategy.

This case highlights that although local leaders may feel they know the local market well, they may not know everything that matters to guarantee business success. By empowering local teams to listen to and understand the local market in all its intricacies, local business units can stay ahead of the game and ensure they're aware of changing market conditions, the new product landscape and the ever-evolving economic situation.

Business success begins at your organization's headquarters and goes all the way through to the salespeople who take your customers' orders. You need the buy-in of everyone at every level of your global organization. Less is more: if local leaders understand their market – its idiosyncrasies and unique challenges – you'll need less meeting time and fewer 50-page reports to guarantee a thriving business that every colleague contributes to. And that happens when they're empowered to take control of their team, be accountable for their decisions, and share the rewards.

To find out more about how a-connect can help your business prepare for the challenges of achieving business success in a new location, contact us today.