

MAKING THE DECISION TO GO GLOBAL

American manufacturers can't ignore the global market.

By Mona Pearl

Listen U.S. manufacturers, this is your wake-up call. The opportunity to plan for today's manufacturing passed, and many missed that mark. Fortunately, today is the day to start planning for tomorrow's manufacturing, and there is still time. However, the old strategies of cost-cutting and downsizing will not suffice in the decade ahead. Only new methods and new solutions designed to respond to today's global market will provide future success.

By 2020, 80 percent of the world's consumer base will reside outside U.S. boundaries. These are our/your future customers, future partners and the future path toward growth. Harness the power of yesterday's advances in technology and communication and connect, starting today, with this vibrant global market. Take a reality check, reform corporate mindset and embrace the new reality – it's the only reality available. Then, map out a plan to incorporate new solutions for these new opportunities.

GLOBALIZATION NO LONGER A CHOICE

Collectively, Brazil, Russia, India, China, (the BRIC countries), Central Europe and other smaller countries are investing significant resources into higher education – emphasizing mathematics, science and engineering. Also, they are building state-of-the-art infrastructure to manufacture competitively today and into the future. Furthermore, these countries are making great strides in adapting, and in some cases surpassing, the treasured U.S. model of innovation into their economic institutions and traditions while competing for limited international talent needed to succeed. No longer can U.S. manufactur-

ers afford to sit on the international sidelines and watch.

Comparatively, U.S. manufacturers remain the international benchmark for productivity, quality and innovation; however, the gap is rapidly closing. More importantly, these new entrants to the global marketplace possess fundamental skills necessary to succeed in tomorrow's global marketplace: skills that are still foreign to many U.S. manufacturers. In contrast to America's inward-looking focus, these countries have an inherent global approach and established tradition of connecting with the international marketplace. This is especially true for smaller countries that historically relied on exports for survival.

"We've had the luxury in the United States to sometimes say we want to engage or that we do not want to engage. We're still the big kind of indispensable nation," said Robert Lane, Chairman and CEO of Deere & Co. While this coveted status is generally considered a strongpoint for the United States, it has contributed to a great weakness in terms of embracing the new world order. Many smaller countries have learned to start thinking globally well before they launch their business locally. Traditionally, U.S. manufacturers waited until they were successful at home first before pursuing global markets; thereby making the global marketplace an afterthought.

GOING GLOBAL: THE CHALLENGE

Although it's tempting for U.S. manufacturers of all sizes to focus and dwell on the many overwhelming issues of the day such as weak economic growth at home, an uncertain credit crisis, a shrinking pool of skill and talent, and increased foreign competition; the fact remains these issues are not

within the control of corporate management. Instead, corporate leadership must take one large step back and look into the global marketplace to discover new opportunities and new avenues to generate future growth. While larger corporations have more resources to invest in exploiting these new opportunities, smaller manufacturers are more agile and readily adapt to change. Regardless of corporate size, global opportunities abound.

A common challenge, however, for many U.S. corporations – and manufacturers are no exception – is summed up in one word: mindset. Fueled by our rugged individualistic and isolationist heritage, it's no surprise that collaboration across international boundaries requires a significant level of reconditioning. The United States must move beyond the "us against them" mindset and recognize that a prosperous world translates to more business for U.S. manufacturers – a win-win situation for all. In fact, this changed mindset is necessary for the United States to maintain its long-standing and valued leadership in the world.

Fortunately, with a large dose of commitment, mindset can be corrected and this challenge can be overcome. How quickly depends on how serious American companies are about joining the global marketplace. As proven in previous decades, with past challenges, if American manufacturers get serious, look out, world!

SUCCESS BEGINS WITH LEADERSHIP

Successful global expansion starts with leaders who think proactively, sense and foresee emerging trends and act upon them without fear. To accomplish this, U.S. corporate leaders need a global mindset and eagerness to look for new opportunities in developing markets. Many leading companies understand that in this new world order, simply having the right product and technology will not suffice. It is the caliber of their leadership and innovation that will make the difference.

Developing a global mindset requires U.S. corporate leaders to:

- Integrate the global component of strategy into their corporate strategy and

change thinking patterns and strategies from a single domestic focus to a broad global focus.

- Manage uncertainty and fear while constantly adapting to change and accepting it as part of a process. Also, get the right people in place with the skills necessary to focus on international expansion.
- Combine the various cultures and values of the corporate work force into a unique global organizational culture. Invest in your people so they can help you succeed globally. Embrace diversity and differences.
- Learn how to cooperate with partners worldwide by successfully managing global teams and alliances.

Once the proper leadership focus is in force, U.S. manufacturers can begin the process of developing a road map to measurable and sustainable growth in the international marketplace.

NINE STEPS TO CONSIDER

A global strategy starts with product development and must be carefully planned all the way through distribution and delivery of the products. Each step in the process, from design to delivery, needs to be made in the context of local interest and culture, not American customs. For example, in many countries the delivery infrastructure Americans are accustomed to (UPS, FedEx) may not exist: products may be delivered strapped to the backs of bicyclists. Therefore, make no assumptions, think locally and utilize those local resources. To get started, consider the following steps:

1. Make a commitment: Entering the global marketplace requires a tremendous dedication of resources.
2. Seek expert advice and be humble: Avoid costly mistakes by seeking assistance from trade associations, attorneys, accountants, marketing and global growth experts.
3. Define your product: Perform the research necessary to seek out and identify target customers.
4. Going global has to be planned to avoid costly mistakes: Perform market research to identify existing competi-

tors, consumer or customer demand as well as cultural and political issues.

5. Consider acquisitions: Here's expert advice from Thomas Knauff, managing principal of Jordan, Knauff & Co., experts in international mergers and acquisitions. "Many companies grow very strategically and very successfully with well executed acquisitions, especially in the middle market and lower-middle market," Knauff says.

"If you acquire a company that already has the product lines you want, or that you want to modify, you avoid both issues: you haven't added another competitor to the mix, and you have leapfrogged the time issue by virtue of the acquisition," he adds. "The execution risk is still there, but different: execution now means effective integration. Make sure you know how to do that."

6. Establish realistic goals – everything takes longer than expected: Do not underestimate the time and expense of launching products into the global marketplace. Set goals for establishing relationships, networks and channels of distribution, but expect delays.

7. Deploy the right team: In some markets it is crucial to have a local trusted person. A successful vice president of sales in the United States may not employ the skills necessary to negotiate the global market. At a minimum, consider cross cultural training. 3

8. Beware of the cultural gap: Consider language, negotiation styles, gender issues and local business practices. Remember, there is no one way to do business. Adopt appropriate policies and strategies to cope with different cultures. These are the sensitivities that can make or break a deal.

9. Be fast, flexible, innovative, motivated and enjoy the adventure! **usbr**

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