



Business Investment Overseas

Solution Centric Consulting Ltd has prepared this guide to assist clients better understand the issues to be considered when entering overseas markets

My purpose in presenting this guide is to identify the major issues that you need to consider when deciding upon the best strategy to entering overseas markets. This guide is best used as a primer, or check list, to ensure that the important factors are considered and should be tailored to your needs.

Proper preparation is the cornerstone of success with any investment and clients are advised to carryout complete and detailed market entry strategies and feasibility studies before committing to an investment strategy. This document has been designed as an introduction and should not be relied upon on its own to provide the required detail for such a decision.

Solution Centric Consulting Ltd is in a strong position to help in analysing and planning your business strategy as we have experience of international investment projects: we have relevant expertise and can provide coherent and consistent project management of your staff and the other professionals required to achieve your market entry strategy.

I hope that this guide gives you an understanding of what is required when planning to enter an overseas market and I would appreciate your constructive comments to help me improve the information provided. A briefing document such as this can only touch on the issues involved and Solution Centric Consulting would be happy to provide more detailed advice on specific issues if required.

Gary Garner
Director International Business Strategy
Solution Centric Consulting Ltd

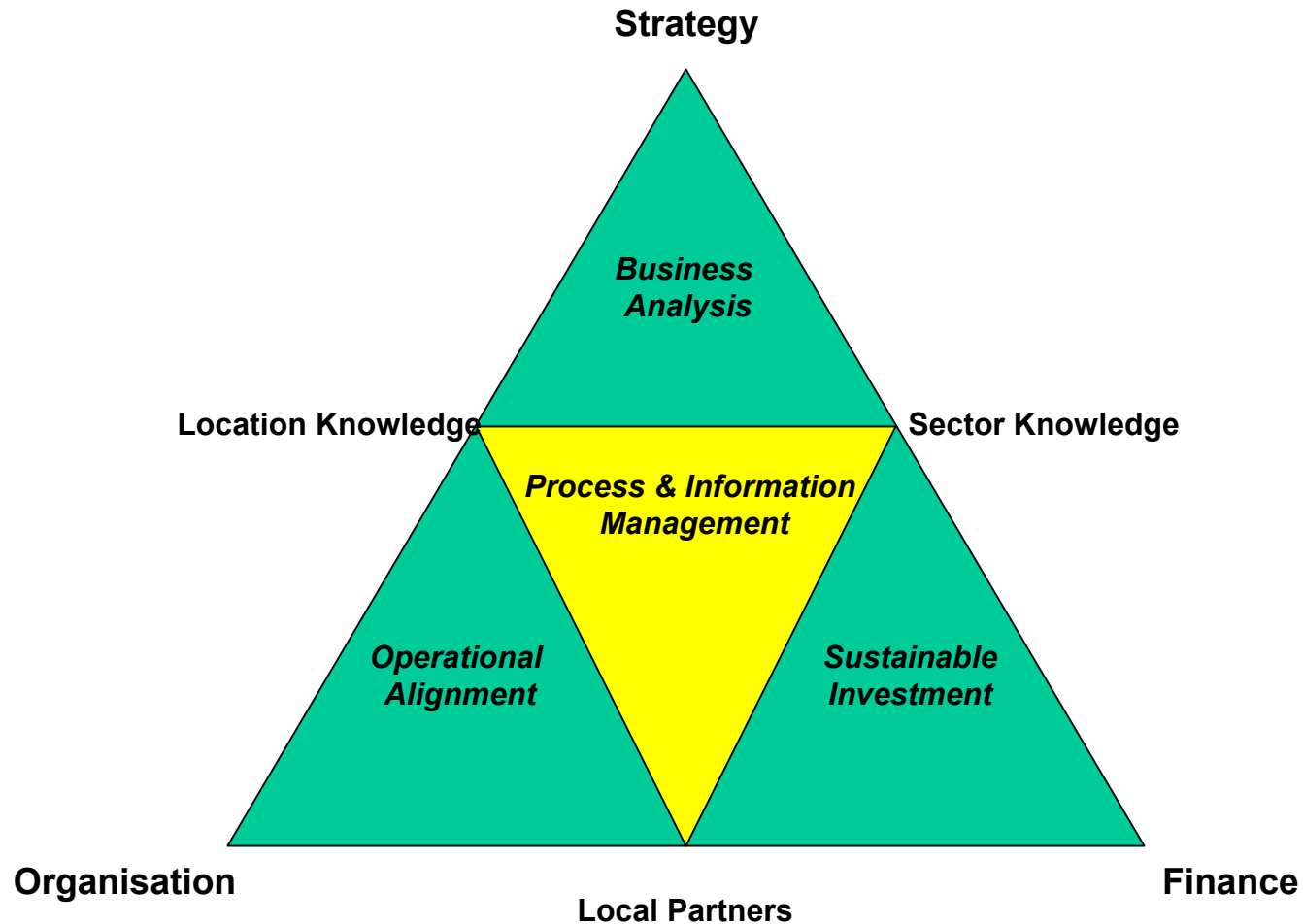
There are a number of reasons why a business may consider investing in overseas operations

- **Increased profit and shareholder value through business growth**
- **Provide services closer to the customer**
- **Extending market opportunities**
- **Better utilisation of resources**
- **Take advantage of local knowledge, skills and resources**
- **Diversify economic, political and business risk**
- **Take advantage of development aid and tax shelters**

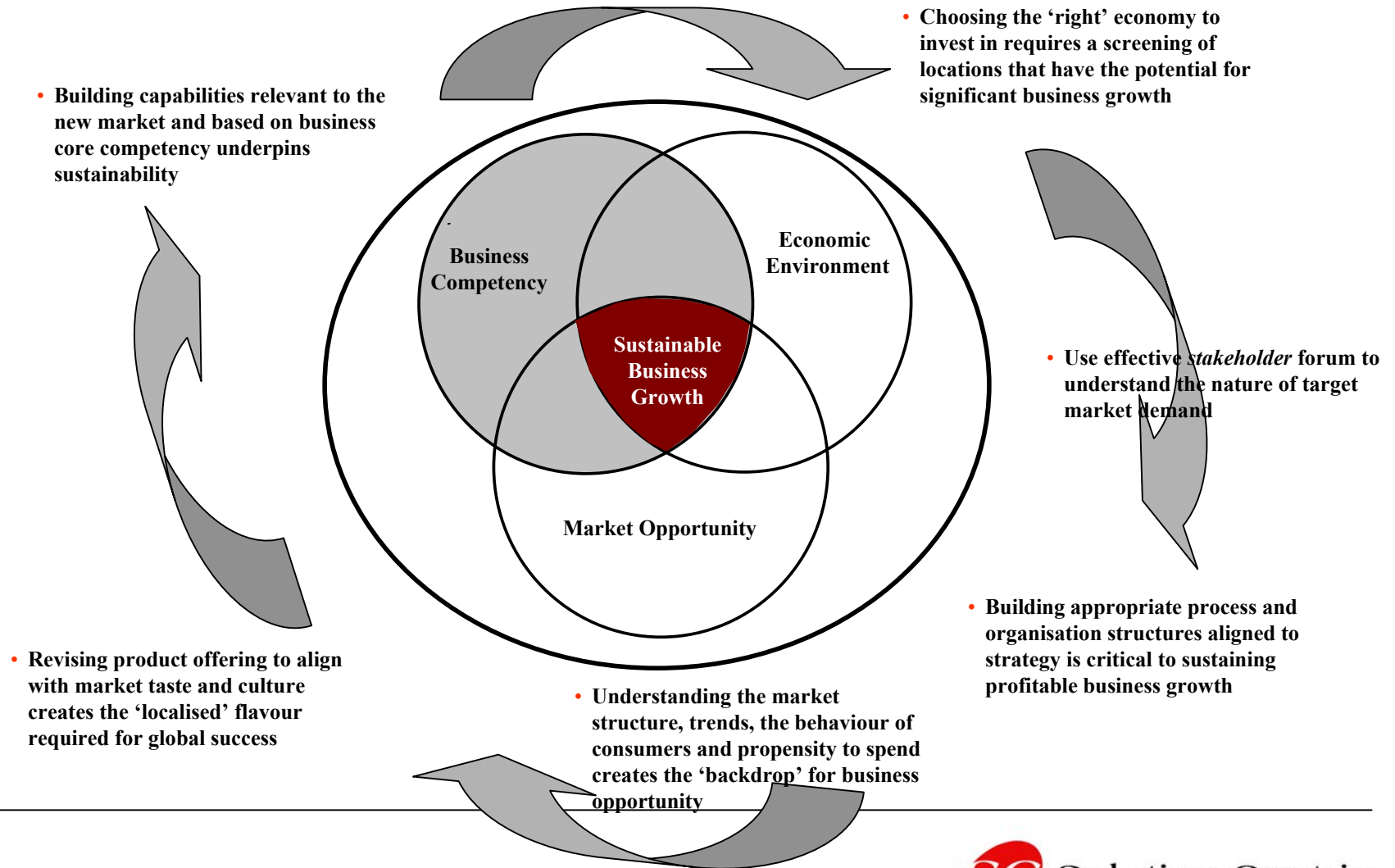
Whatever the reason, business strategy is the starting point for any investment decision

- **Management need to know where they are going *NOW* before moving to a new investment decision**
- **Understand current return and rewards**
- **Understand current market trends**
- **Understand your position in the market**
- **Understand financial capabilities and gaps**
- **Understand resource capabilities and gaps**

A number of key issues need to be considered in the decision process that underpin success



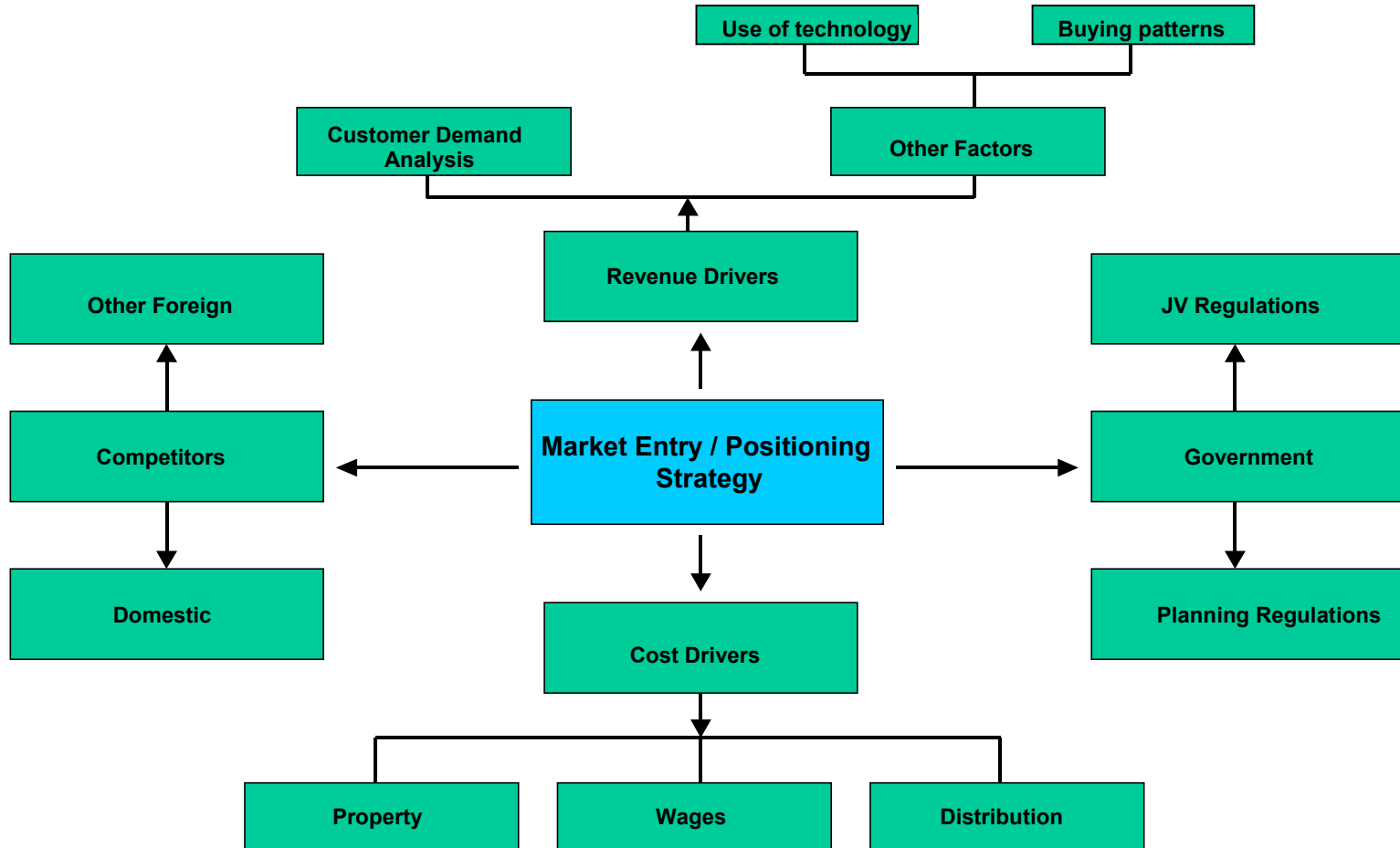
Understanding the 'strategic' and 'operational' issues becomes an iterative process throughout the decision making process



The place to start is with an assessment of the available market opportunities

- You will probably already have an idea of the markets that interest you
- If not, then desk research or business association data on international trends would be a good starting point.
- The expensive option is to commission original research on international market trends and opportunities
- Purchasing market intelligence and reports from research consultancies can be cost effective
- The market could be a country, region or global!

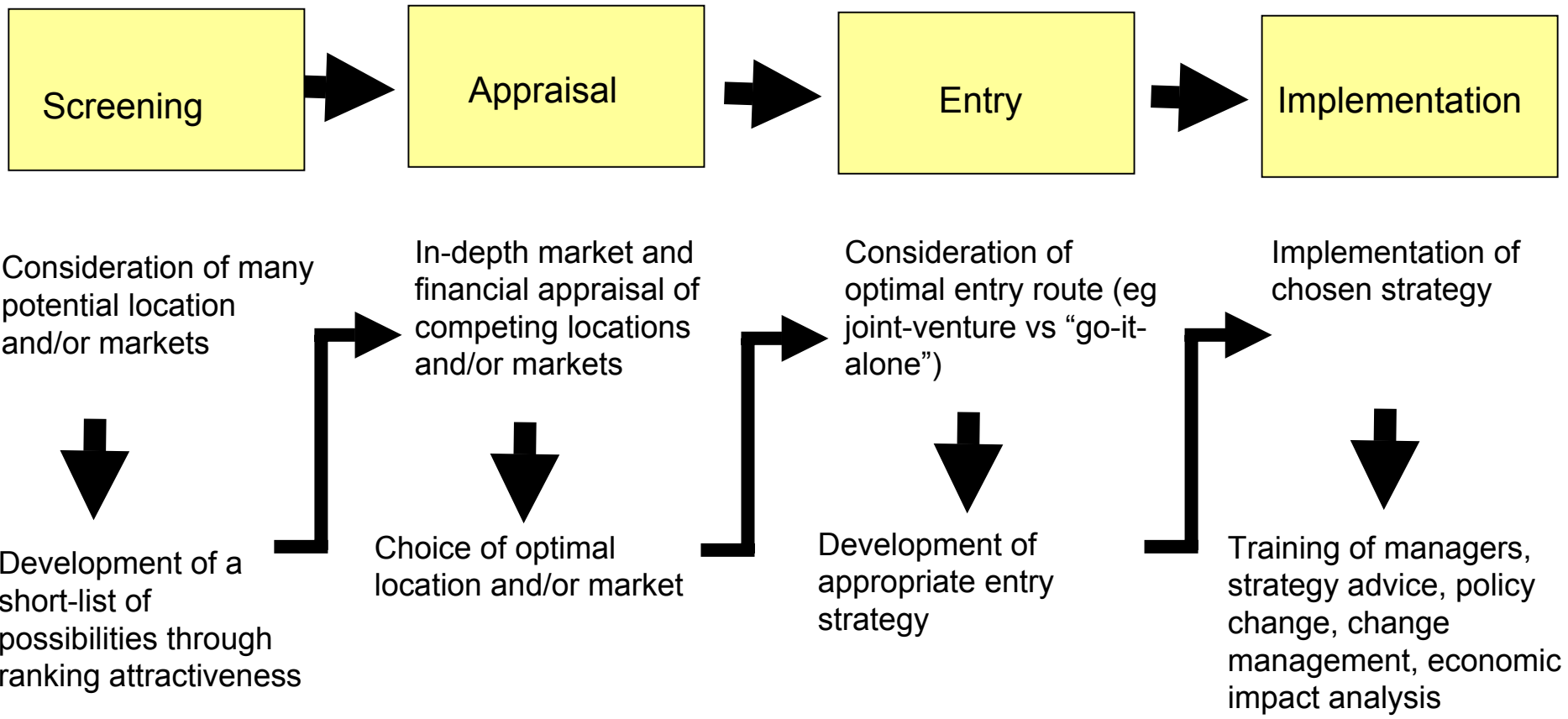
A market entry strategy can be developed using business analysis to assess the relative value of the target markets



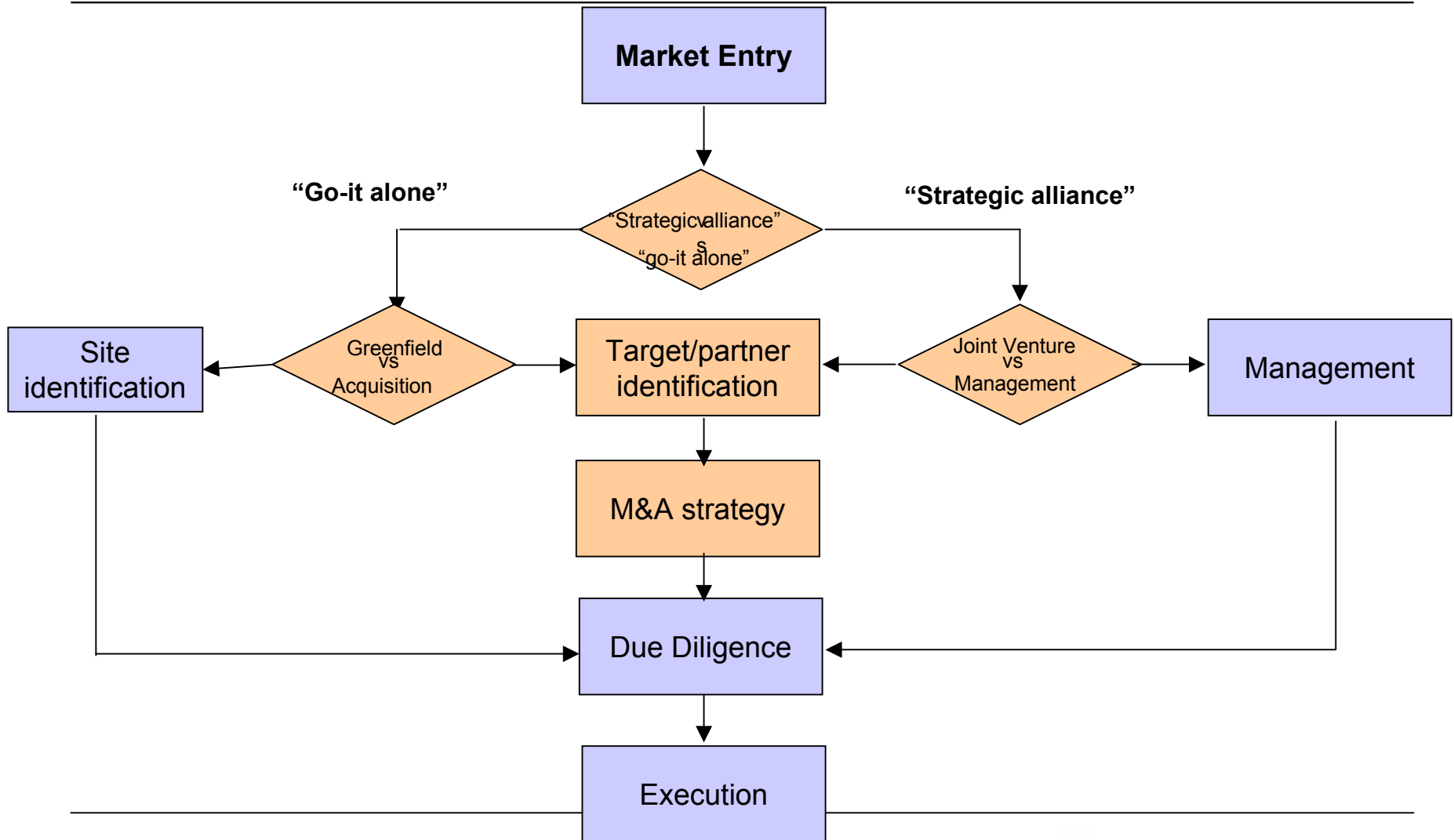
The next step is to select a location within the market that best suits your strategy

- **This decision may be linked to your ‘supply chain’ operation**
- **Government policy and incentives become important considerations**
- **Taxation and statutory comparisons are important**
- **The ability to ‘go it alone’ or not becomes a major consideration**
- **In some markets, local knowledge and introductions become important**
- **The extent to which this is a first time investment affects the decision**
- **The sharing of ‘risk’ with an trusted partner can help**

A structured approach to location selection is important based on decision criteria relevant to your business



The choice of entry strategy depends on the relative benefits of the 'go it alone' or strategic alliance approaches to you target market



In selecting a 'target' a thorough understanding of its operating strength and value is required

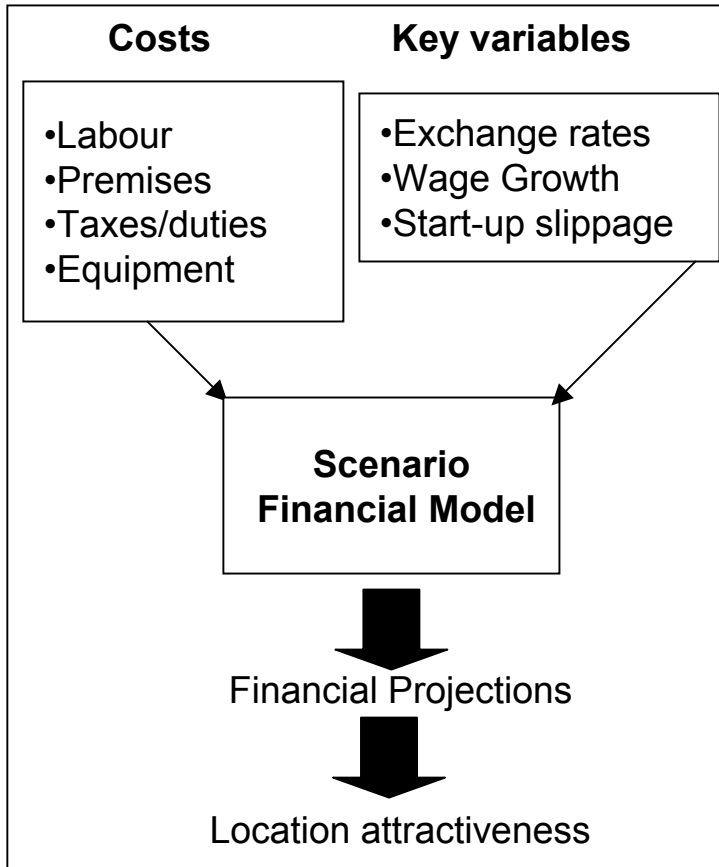
- **They must have the market potential to add value**
- **They should provide an opportunity for growth**
- **They should bring something that you do not have or cannot easily acquire**
- **Partnership or acquisition must cost less than a 'go it alone' approach**
- **You must be able to work with the organisation and its management**
- **The legal and political environment should be predictable to do business**
- **You will need to conduct a 'due diligence' on the target**

Throughout the decision process an iterative financial assessment and feasibility of the investment should be made

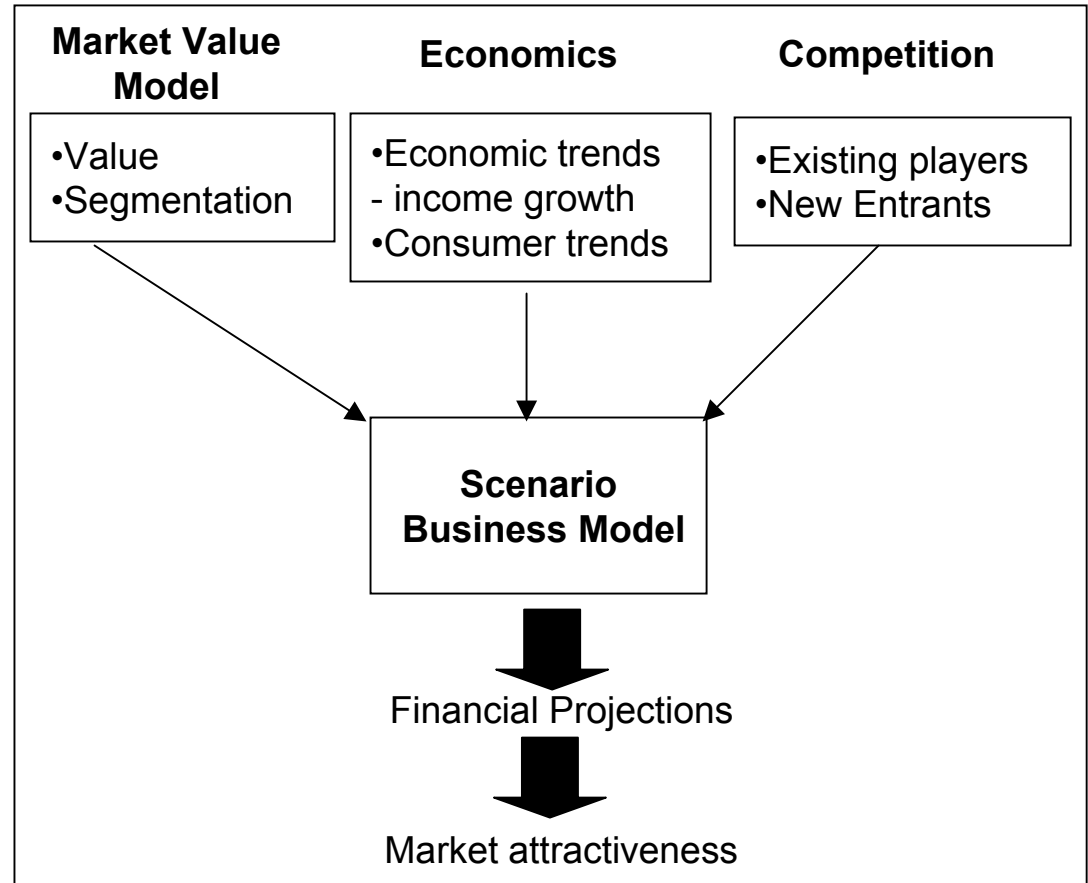
- **Your strategy will determine your starting point, or hypothesis on financial success**
- **Internal rates of return, cost of capital calculations and risk premium will be established**
- **Due diligence on the market and target will provide data for the financial model**
- **Economic, political and fiscal information will enable you to establish the risk to forecast cash flows and risk premium calculations**
- **Where appropriate, a weighted cost of capital calculation can be made**

The investment's costs and revenues are based on a mix of operating, market and economic factors

Costs



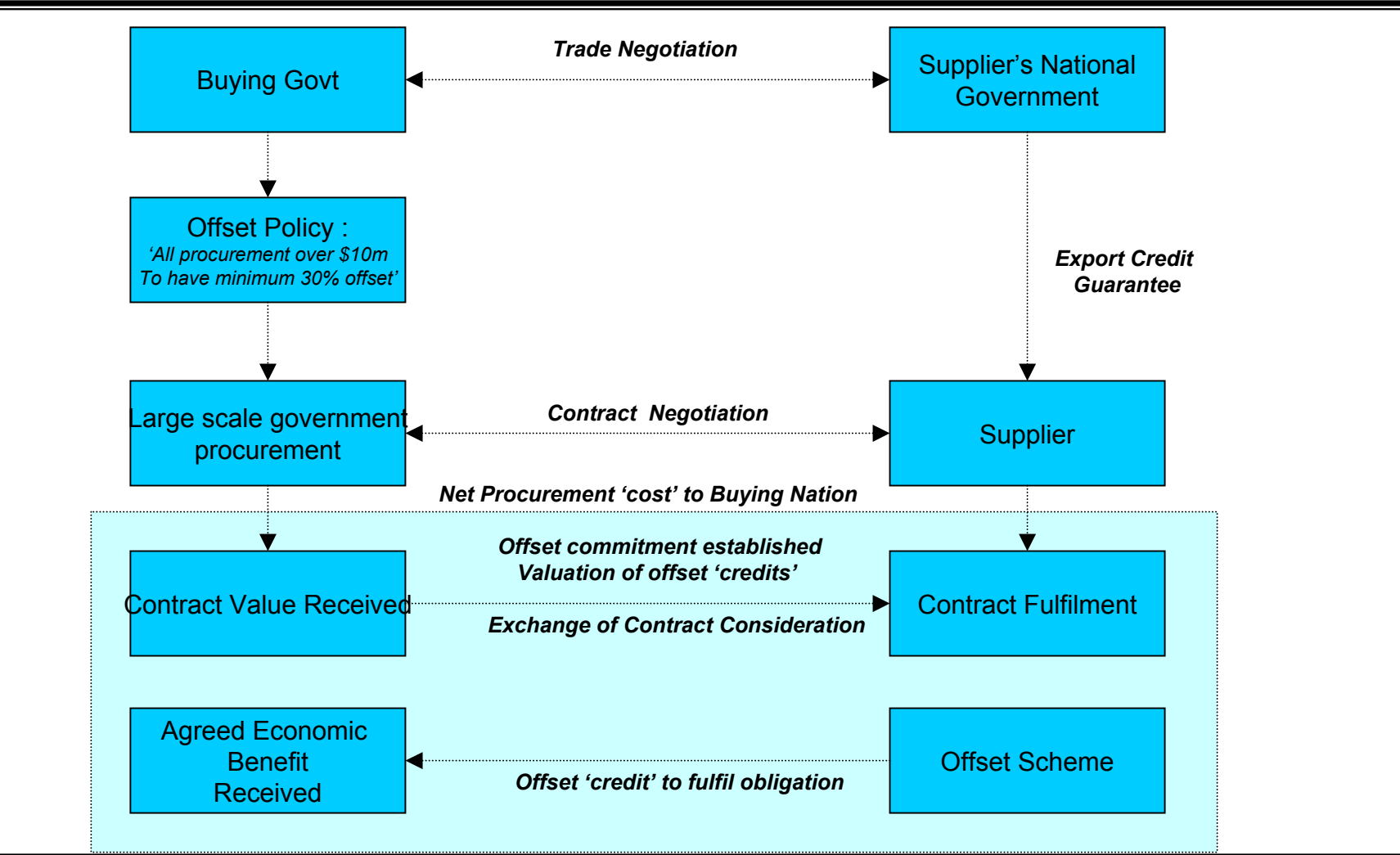
Revenues



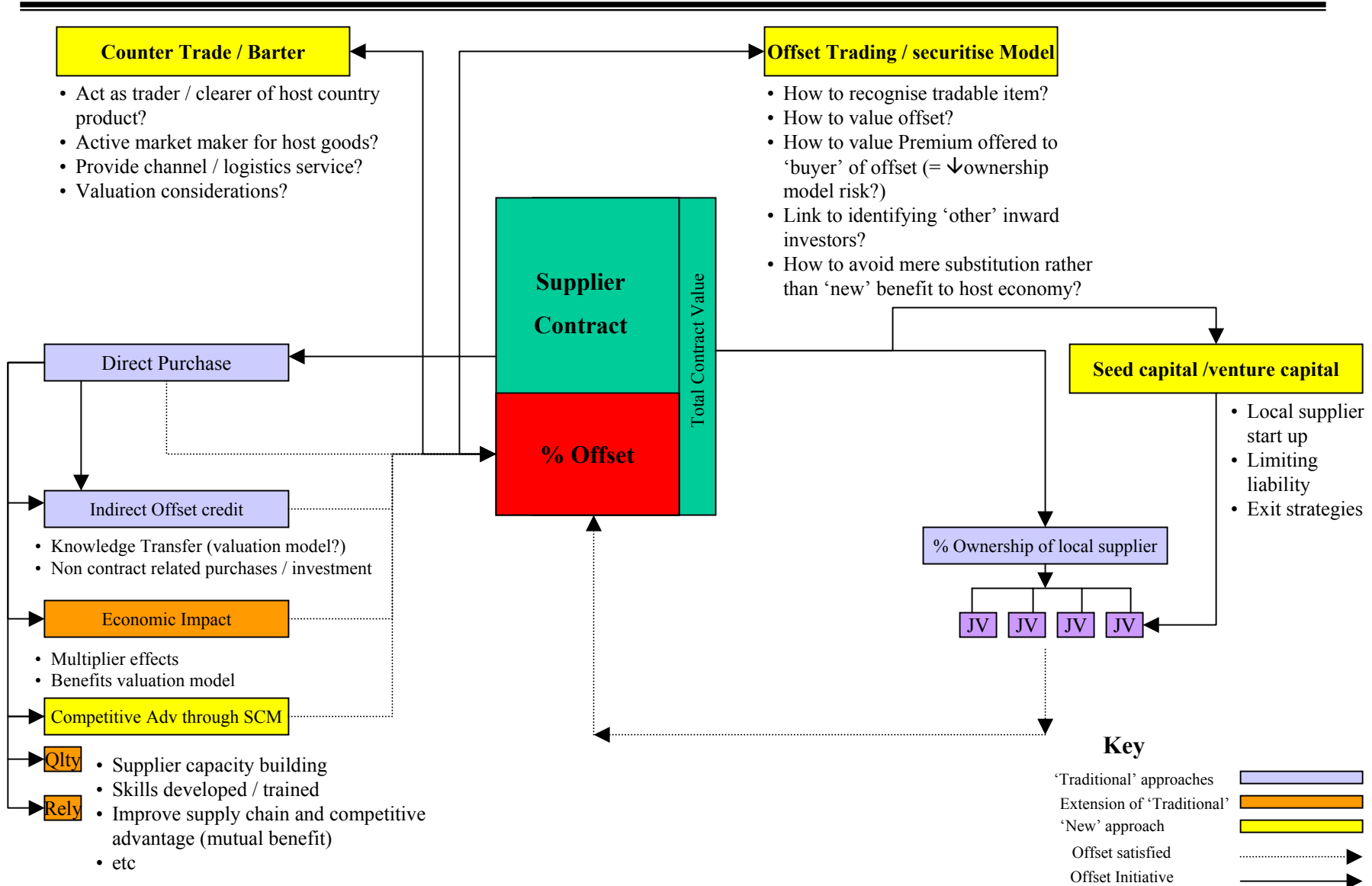
There are a number of key issues to consider that if not properly understood could adversely affect your plans

- **Does the host government have an ‘offset’ expectation for new investment?**
- **Does the host government expect assets injected into the project to be ‘new’ and imported?**
- **How strong is the rule of law – particularly for commercial contracts?**
- **What is the instance of corruption? What is your view on this?**
- **Can you obtain the technical support for plant and machinery?**
- **What is the education standard of the working population?**
- **What is the impact of tax, exchange rate and policy changes on your plan?**

Offset arrangements involve government and business in a set or relationships that can combine diplomacy, trade and business factors



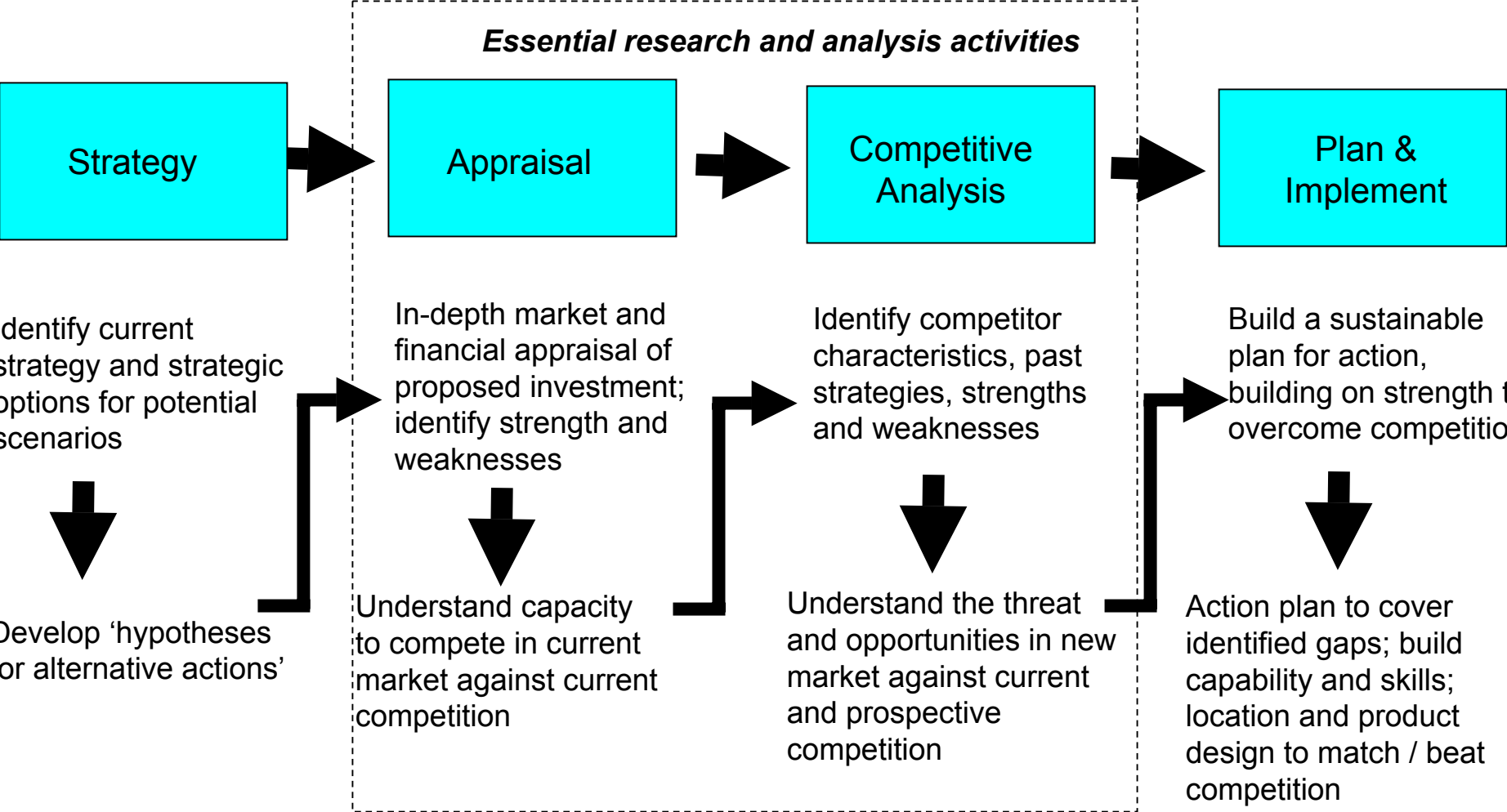
A number of approaches can be adopted that extend the traditional approaches which could be attractive to host governments



Project planning and control is important to success and requires the alignment of the issues raised today

- **Appoint a person senior enough to take responsibility – *probably YOU!***
- **Identify the relevant issues to be addressed**
- **Identify resources required to achieve success**
- **Prepare a plan with time line and dependency**
- **Delegate responsibility and time lines for action**
- **Establish regular briefing and management sessions**
- **Communicate**

An outline plan is shown below and this should be tailored to meet the circumstances and requirements that you face



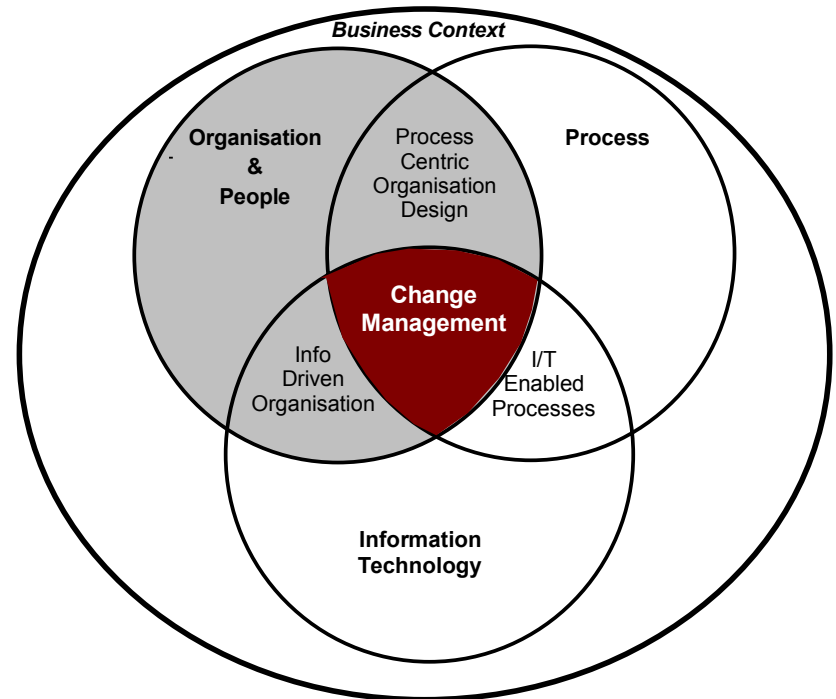
The next few slides summarise some of the core areas of complexity that need will drive project activity

- **Strategy and business plan alignment**
 - Prepare detailed business plan aligned to investment and corporate strategy
 - Prepare financial and market analysis in support of business plan
 - Finalise market entry strategy
 - Government policy impact review
 - Implementation programme management
- **Transaction Completion & Due Diligence**
 - Identify need for negotiation support with government and partners
 - Liaison with legal and financial advisers
 - Completion review and due diligence of contractual obligations to ensure alignment with strategic decision
- **Corporate Governance**
 - local board structure and composition
 - compliance with local corporate legislation
 - employee relations & communications
 - HR policy development and alignment to local legislation
 - compliance with accounting standards
 - local & HQ governance alignment audit
- **Operations Design**
 - organisation design and change
 - skills and capability review
 - business process design
 - supply chain design
 - financial systems review
 - information technology alignment

And finally, a change management plan is needed to ensure that the 'people' issues are properly covered by the project plan

- **Establish core operational capabilities**
 - Recruiting the right people and skill set
 - Impact of localisation policy
 - Training of local and ex-pat managers
 - Orientation of expatriate families
 - Determine practical (& localised) aspects of getting business done e.g: -
 - supply chain/logistics;
 - business architecture: organisation structure and process
 - aligning 'home' operational style to local tastes and culture
 - IT systems review and specification

An holistic approach to implementation is drawn together through strategic change management



The following is a brief check list of the key issues and related matters to be considered in your plans

- ✓ **feasibility/appraisal** ⇒ *identify the scope of the opportunity in target market*
 - ✓ **impact of govt. policy on strategy** ⇒ *how quickly will benefits arise?*
 - ✓ **where to locate** ⇒ *where to locate to leverage opportunity*
 - ✓ **business plan** ⇒ *structure plans, budgets & operating model*
 - ✓ **partner finding** ⇒ *identify knowledge, skill legal gap and determine best partner fit*
 - ✓ **marketing strategy & pricing** ⇒ *competitive environment, legal demands*
 - ✓ **supply chain/logistics** ⇒ *how to overcome global supply chain management issues*
 - ✓ **licensing/government relationships** ⇒ *identify requirements and pit falls*
 - ✓ **transaction support** ⇒ *negotiations, representation, analysis*
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**For more information on any topic raised, please contact
us**

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