
Managing Business Investment into Developing and Emerging Markets

Entering a new market requires a level of dedicated resource that should not be underestimated and Solution Centric can provide focused and dedicated people to meet that objective through project management and method

Every successful organisation has the internal skills to achieve its growth objectives. The question is, does your senior management have sufficient dedicated time to make international expansion a business success?

In the same way that businesses no longer own and control every aspect of their business value chain, it is also important to ensure that senior executive time is leveraged by qualified external resources to achieve entry to a new market.

Whether you are 'off-shoring' part of your operations, seeking new partners or seeking to expand into new markets, Solution Centric provides the project management and analytical expertise to support your team's activities that ensures all the 'angles' are covered and that the underlying business risk of entering a new location are significantly reduced.

Solution Centric would like to present our understanding of the issues involved and ways in which we can help you achieve your strategic overseas goals.

**Gary Garner
Director Trade & Investment Services**

There are a number of reasons why businesses may consider investing in overseas operations and understanding these 'drivers' is the key element in designing the market entry strategy

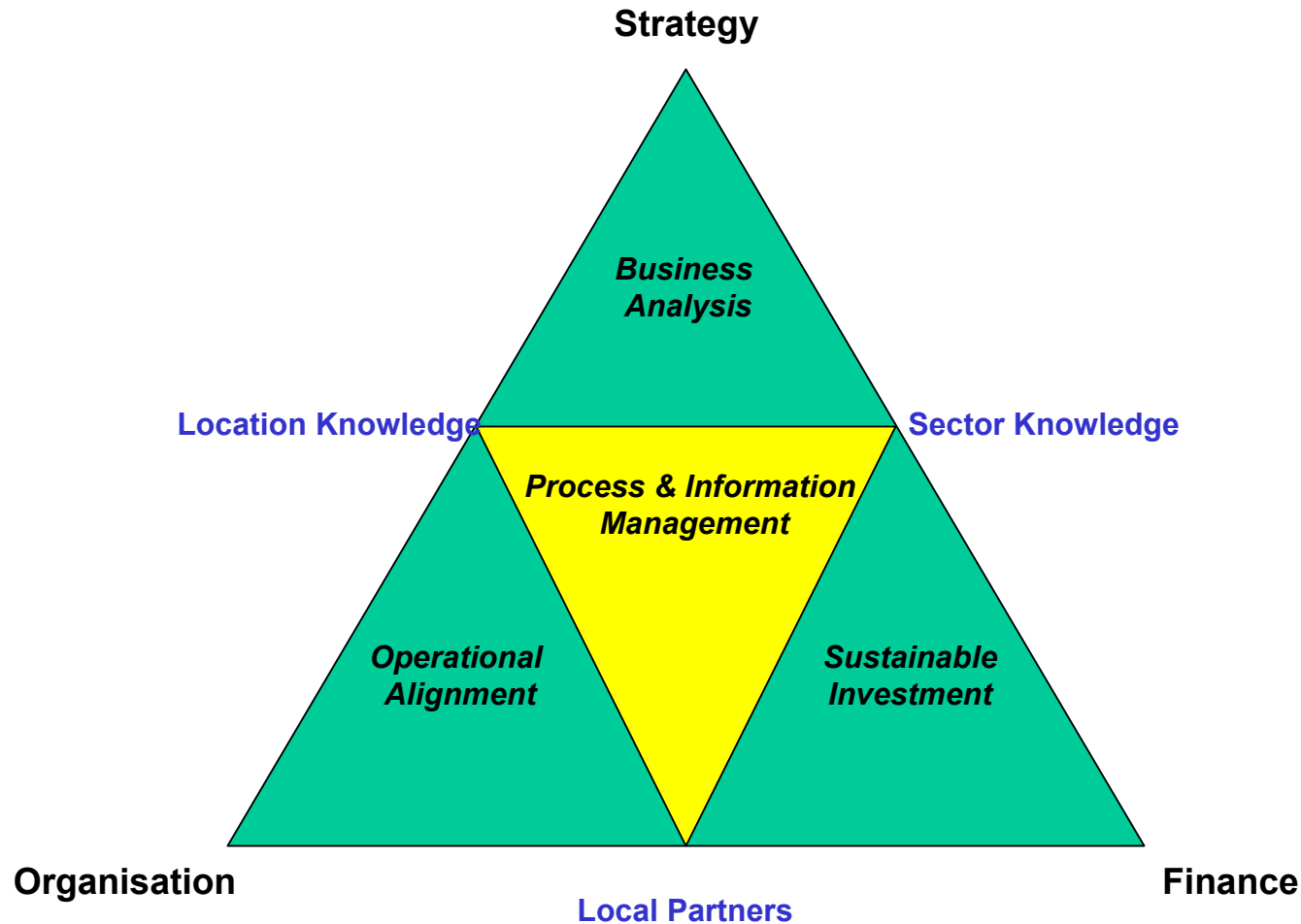
- **Increased profit and shareholder value through business growth**
- **Extending market opportunities**
- **Better utilisation of resources**
- **Reduce unit cost of production**
- **Take advantage of local knowledge, skills and resources**
- **Diversify economic, political and business risk**
- **Take advantage of development aid and tax shelters**

Whatever the driver of your international expansion, your current business strategy is the starting point when assessing and comparing investment options so as to arrive at the 'right' decision for your company

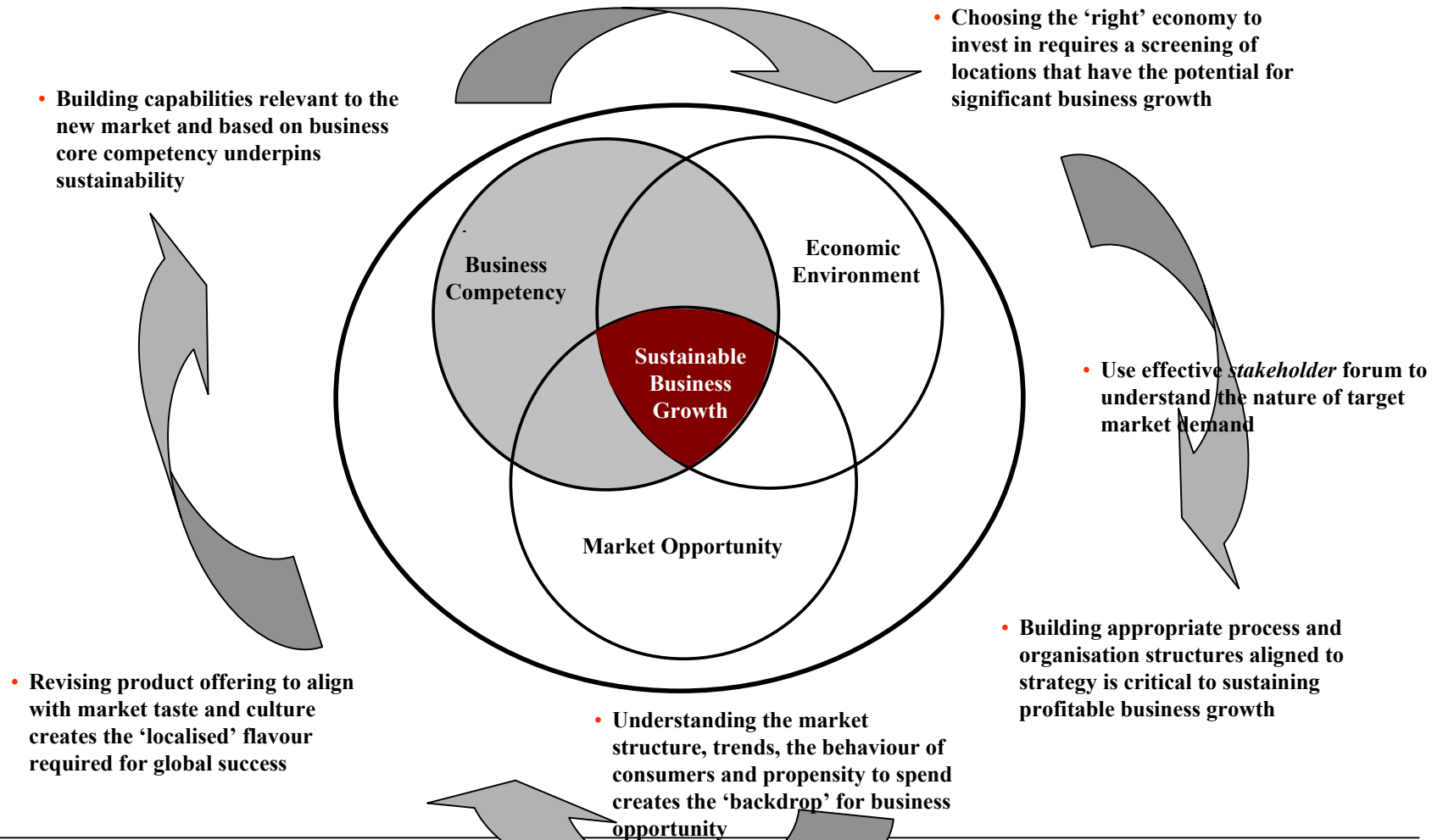
- **Management need to know where they are going *NOW* before moving to a new investment decision**
- **Understand current return and rewards**
- **Understand current market trends**
- **Understand your position in the market**
- **Understand financial capabilities and gaps**
- **Understand resource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

Identifying the gaps between current and proposed investment strategy is essential to building a project plan that incorporates these issues as your business implements its investment strategy

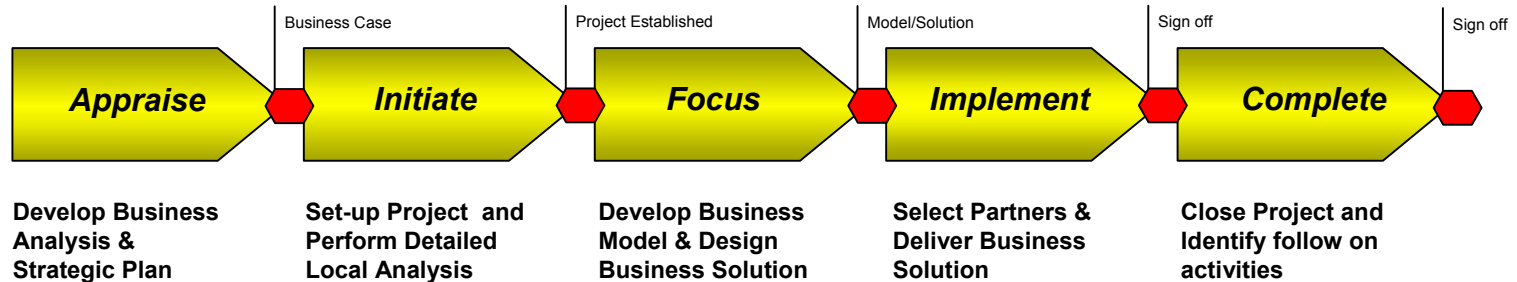
A number of key issues need to be considered in the decision process that underpin success, and pulling these together requires experienced and effective project management



Understanding the 'strategic' and 'operational' issues becomes an iterative process throughout the decision making process and keeping on top of these as well as keeping on top of the current business can stretch current resources



Solution Centric's holistic project management method identifies and controls all the issues arising from your business strategy to develop a business solution that fits your needs and which can be shaped to ensure that the outcome is comprehensive, consistent and appropriate to your company

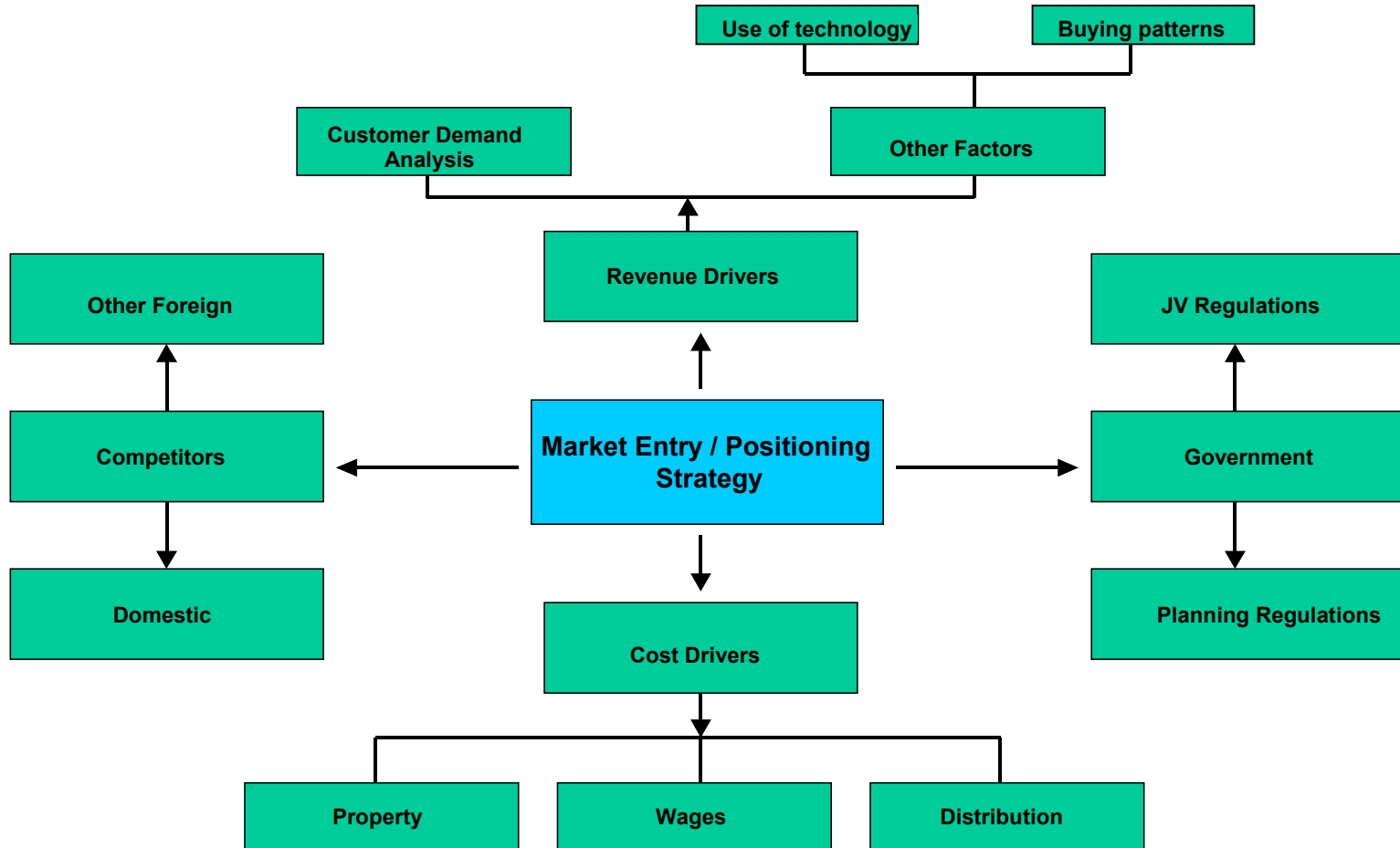


	RATIONALE <small>why</small>	MARKET <small>who</small>	TOPOLOGY <small>where</small>	TIMING <small>when</small>	ENABLERS <small>how</small>	FINANCE <small>how much</small>	PLAN <small>what</small>
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The place to start is with an assessment of the available market opportunities

- You will probably already have an idea of the markets that interest you
- If not, then an initial assessment using desk research and other business data on international trends should be carried out
- Pre-feasibility and, later, more detailed assessments of the target economy and market can be prepared to produce a short list of country, market and acquisition prospects
- Where appropriate, purchased market intelligence and reports from research organisations can be a cost effective input to the project
- The market could be a country, region or global so that alignment with the overall business strategy and business capabilities is vital
- A business case is prepared that enables management to make an initial ‘go’ or ‘no go’ decision.

A market entry strategy can be developed using business analysis to assess the relative value of the target markets, this then creates the back bone to the investment business case



The next step is to select a location within the market that best suits your business strategy and which will have a significant impact on the cost benefit of the proposed international investment strategy

- **This decision may be linked to your ‘supply chain’ operation and design**
- **Comparative government policy and incentives analysis becomes an important consideration**
- **The ability to ‘go it alone’ or not becomes a further major consideration**
- **In some markets, local knowledge, networking and introductions become important**
- **The extent to which this is a first time investment affects the location decision**
- **The sharing of ‘risk’ with a trusted partner can help, but you need to understand the background of prospective partners to minimise business risks**
- **Organisation capabilities need to be considered – how prepared is your company for the changes in management information and management style required to operate internationally or in emerging markets?**

A structured approach to location, target and partner selection is important and should be based on decision criteria relevant to your business

Project Management & Methodology

Screening

Appraisal

Entry

Implementation

Consideration of many potential location and/or markets

In-depth market and financial appraisal of competing locations and/or markets

Consideration of optimal entry route (eg joint-venture vs "go-it-alone")

Implementation of chosen strategy

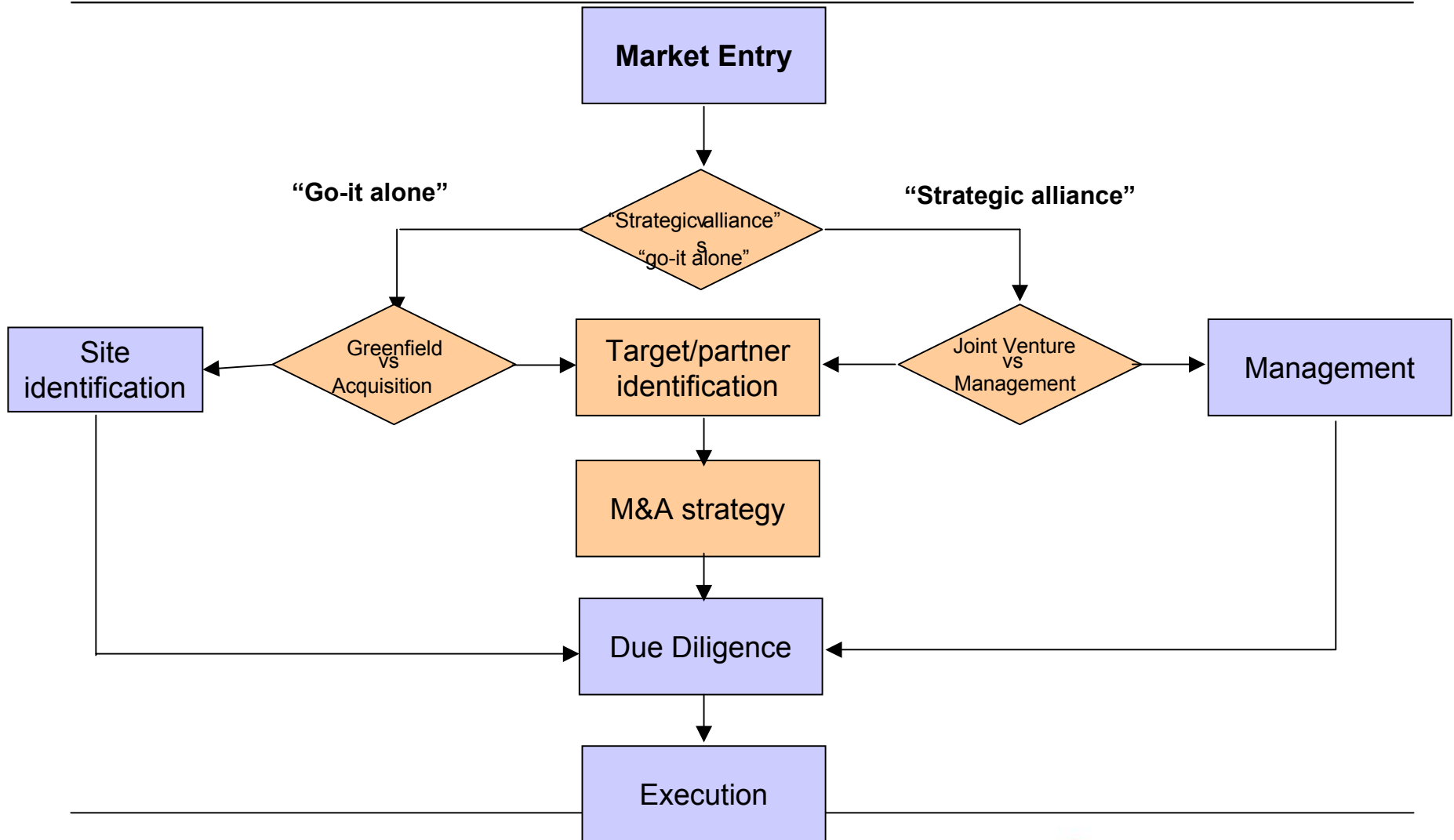
Development of a short-list of possibilities through ranking attractiveness

Choice of optimal location and/or market

Development of appropriate entry strategy

E.g. organisation design, training of managers, change management, performance analysis

The choice of entry strategy depends on the relative cost benefit of the 'go it alone' and strategic alliance approaches in your target market as informed by your business strategy



In selecting a 'target', whether as a partner or acquisition, 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 in order to do business**
- **You will need to conduct a 'due diligence' on the target**
 - ✓ **What do you know about your prospective partner / target?**
 - ✓ **Can you access data on them? Where can you get it if you can't?**
 - ✓ **What do the 'numbers' say?**

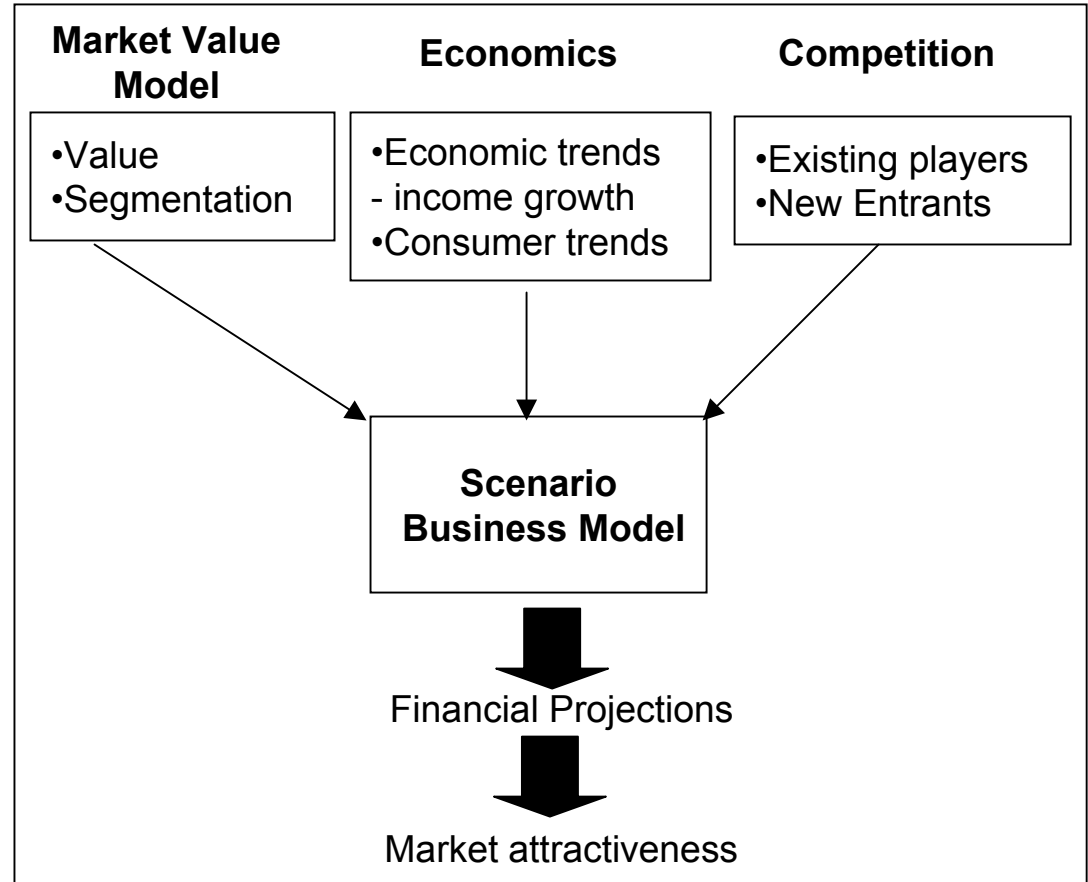
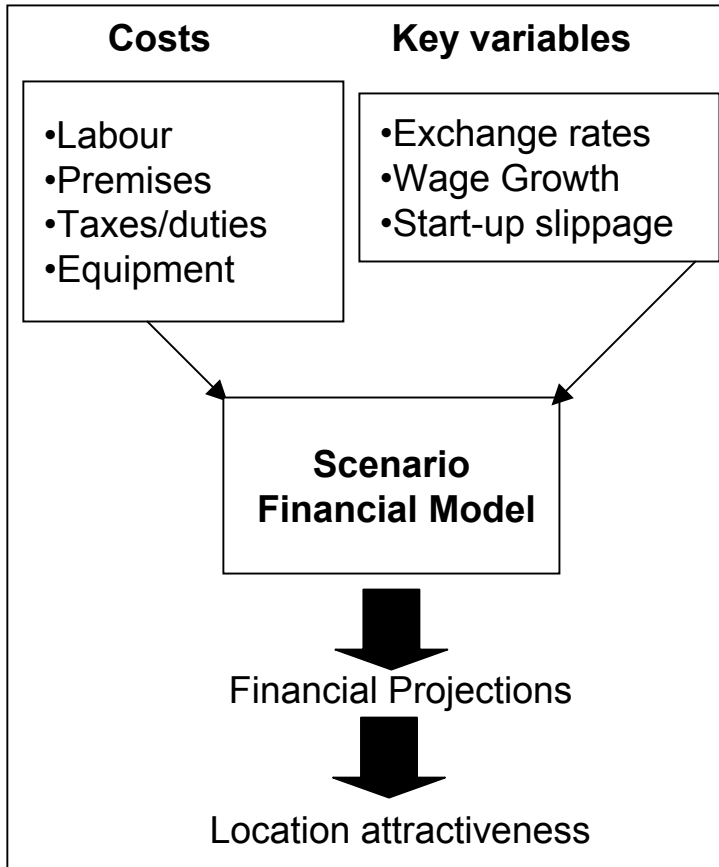
Throughout the decision process an iterative financial assessment and feasibility of the investment should be carried out

- **Your market entry strategy will determine your starting point, or hypothesis, for measuring 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 input to risk premium calculations**
- **Where appropriate, a weighted cost of capital calculation can be made**
- **An assessment of country and commercial risk will be required to measure the relative “value” of different countries and locations**
- **Availability of local skills and local government employment policy will be assessed and cost of acquiring skills will be determined**

The investment's costs and revenues are based on a mix of operating, market and economic factors that are brought together in the business case financial forecast which becomes the measure of success

Costs

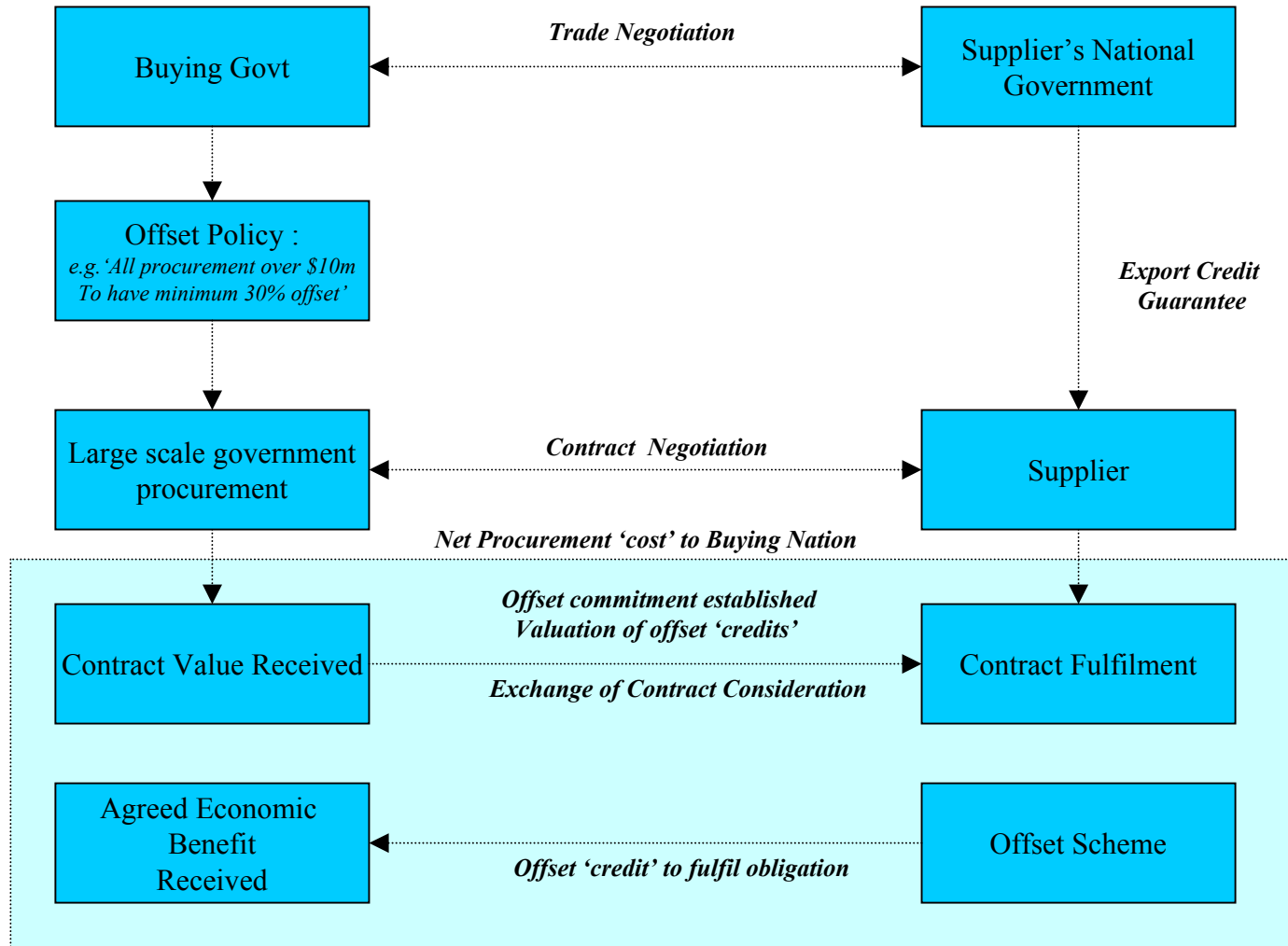
Revenues



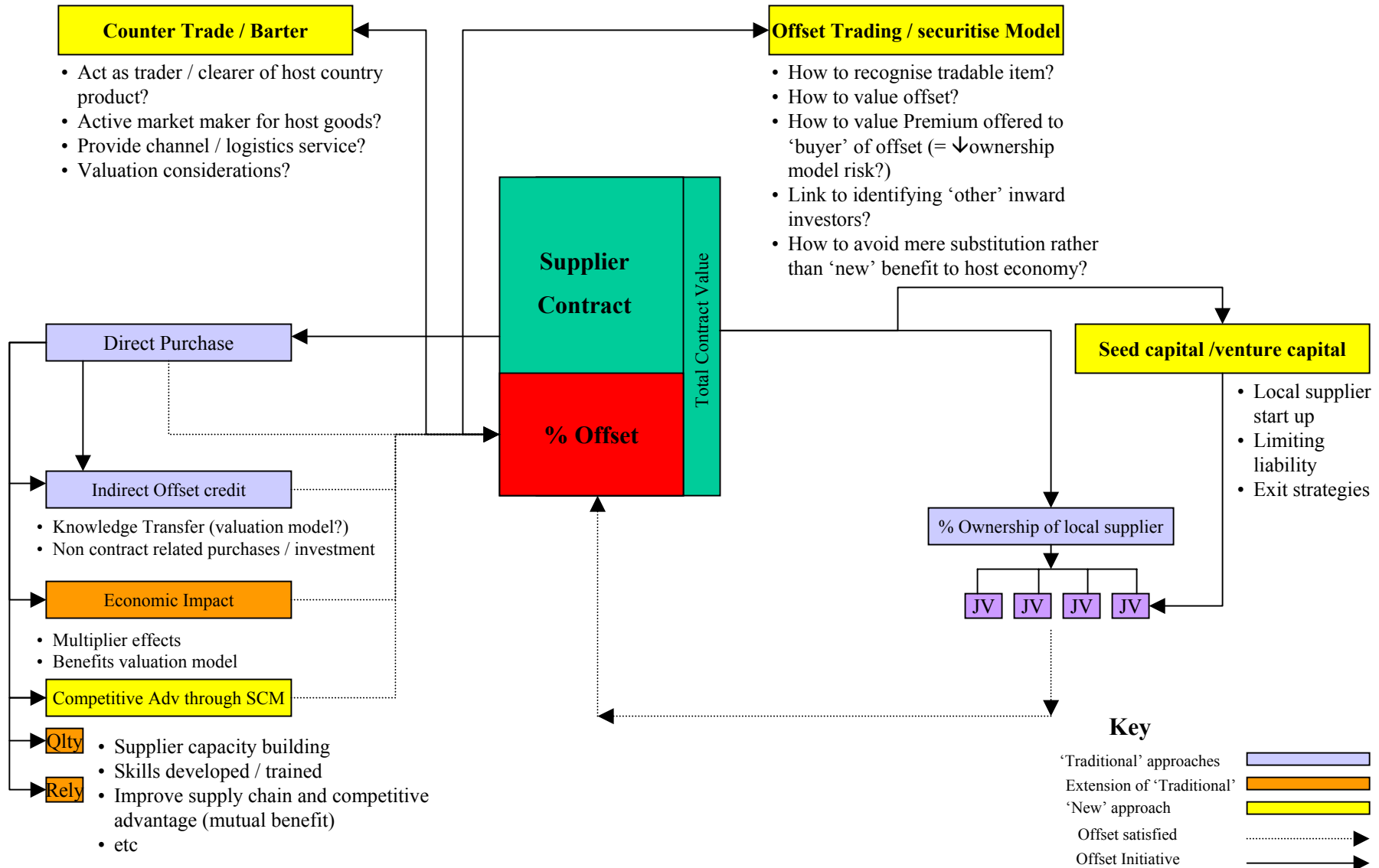
There are a number of key issues to consider that if not properly understood could adversely affect your plans, or increase costs through a failure to understand local policies, incentive and taxation benefits

- **Does the host government have an ‘offset’ expectation for any new foreign direct investment (FDI)?**
- **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 how to manage this?**
- **Can you obtain the technical support for plant and machinery in the target country? If not, what will it cost?**
- **What is the education standard of the working population? What is the local government’s education and training policy and expectations?**
- **What is the impact of tax, exchange rate and policy changes on your plan?**

Offset arrangements involve government and business in a set of relationships that can combine diplomacy, trade and business factors and understanding these relationships is important to your success



Innovative thinking should be applied to the traditional approach to Offset which should be attractive to host governments, and which can then ease the acceptability of your business proposition to the host government

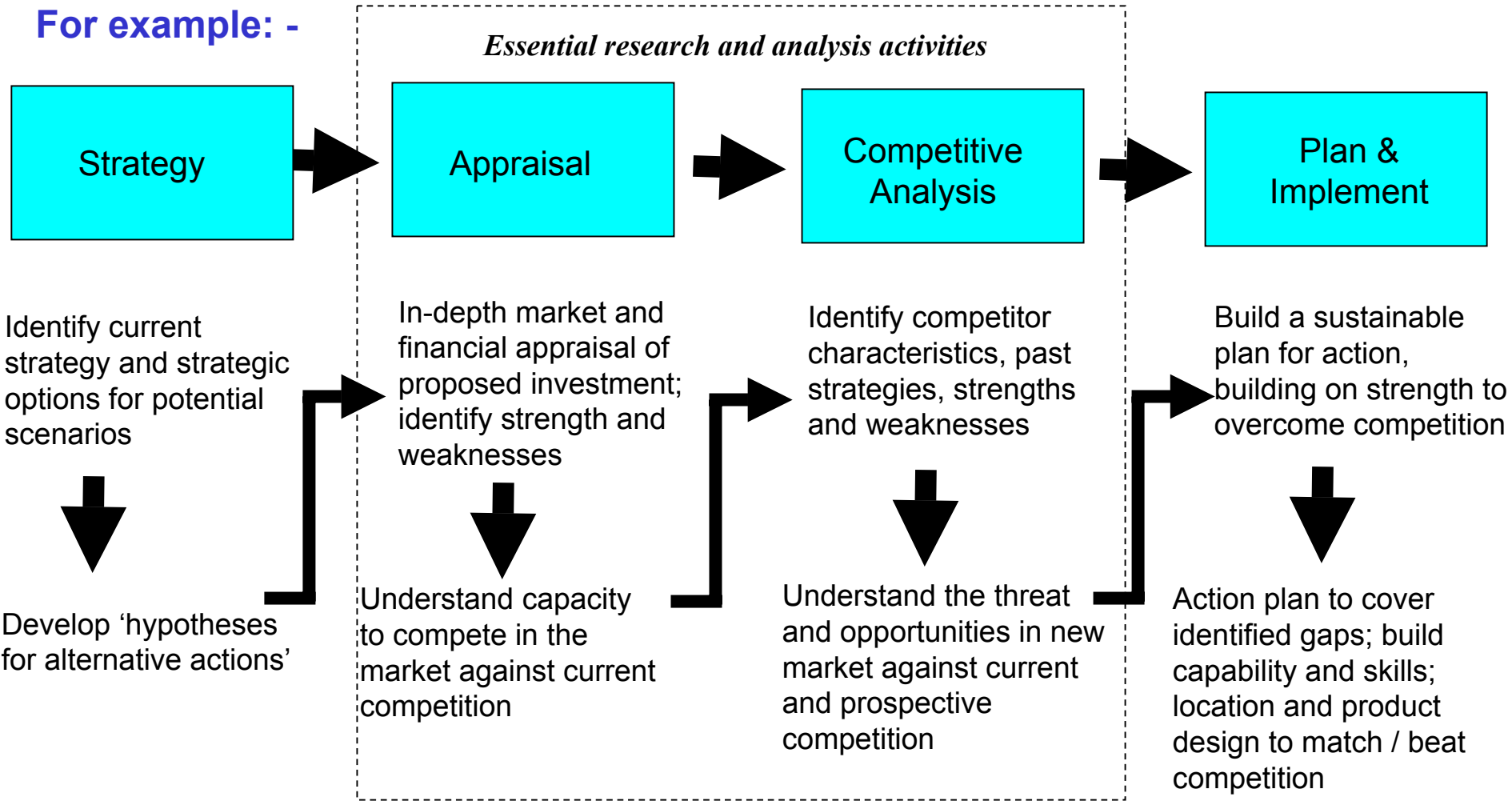


Project management, planning and control is important to success and requires the alignment of the issues identified in this presentation, and this is the core strength Solution Centric would bring to your strategy

- **Effective project management needs the appointment of a person senior enough to take responsibility – *probably YOU!* Solution Centric can manage this process for you and your senior management team by becoming an effective part of your overall international investment appraisal process.**
- **Identify the relevant issues to be addressed by using our method and experience to ensure that all issues are identified and action steps put in place**
- **Identify resources required to achieve success by ensuring that internal and external resources are available and competent to meet the task**
- **Prepare a plan with time line and dependency that ensures you are in full control of all outcomes**
- **Delegate responsibility and time lines for action**
- **Establish regular briefing and management sessions**
- **Communicate**

A decision process is shown here which would be tailored to meet the circumstances and requirements your business face: a specific plan is designed for you using our project management approach

For example: -



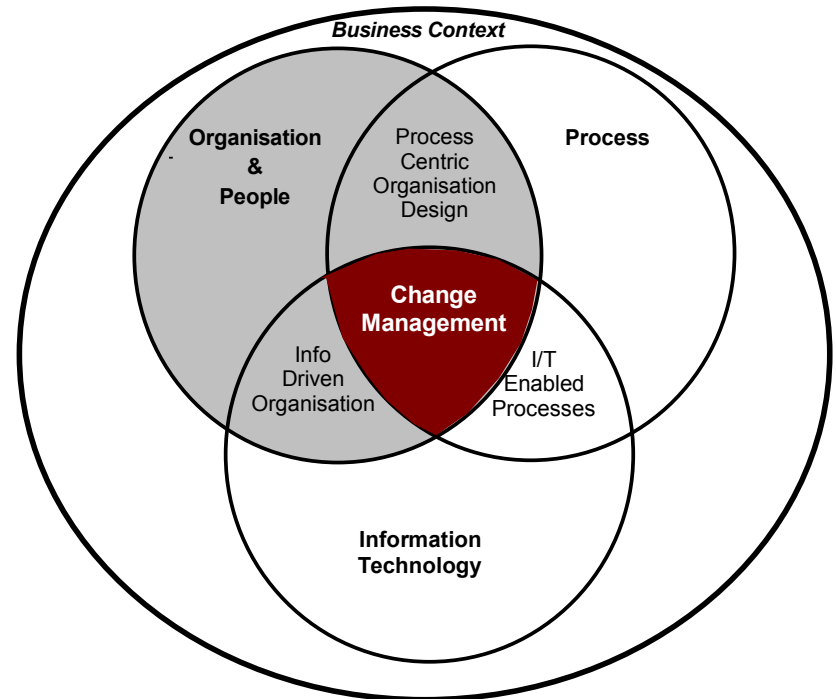
The next few slides summarise some of the core areas of complexity that will drive project activity and which may require external expert intervention depending upon the availability of your in-house and external expert resource

- **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
 - Financial due diligence
 - Local partner background check
- **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 any '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

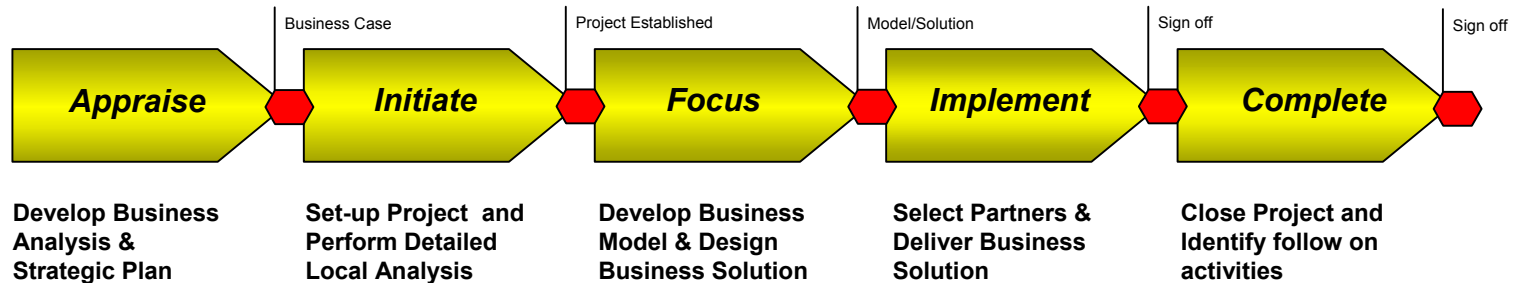
An holistic approach to implementation is drawn together through strategic change management



The following is a brief check list of the key issues and related matters to be considered in your plans and in which Solution Centric has the expertise to assist

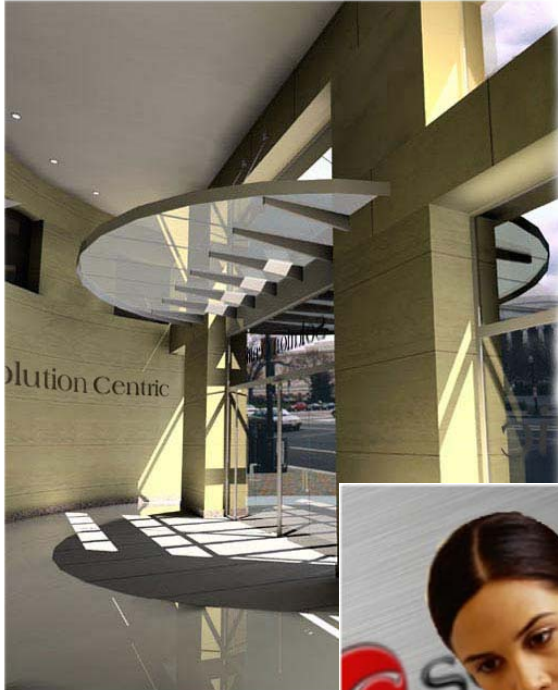
- ✓ **feasibility/appraisal** ⇒ *identify the scope of the opportunity in target market*
- ✓ **impact of govt. policy on strategy** ⇒ *how quickly will benefits arise?*
- ✓ **where to locate** ⇒ *where to locate to leverage opportunity*
- ✓ **business plan** ⇒ *structure plans, budgets & operating model*
- ✓ **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*

The issues and approaches described in this document are ‘processed’ through our method on an iterative basis to ensure that refinement and consistency of outcomes is assured



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For more information on how Solution Centric can assist you to identify, develop and implement your international business market entry and growth strategy please contact the following Solution Centric office



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