Harvard Business Review

REPRINT H02T2M
PUBLISHED ON HBR.ORG
APRIL 11, 2016

ARTICLE
INTERNATIONAL BUSINESS

Does Your Company Have What It Takes to Go Global?

by Douglas Quackenbos, Richard Ettenson, Martin S. Roth and Seigyoung Auh

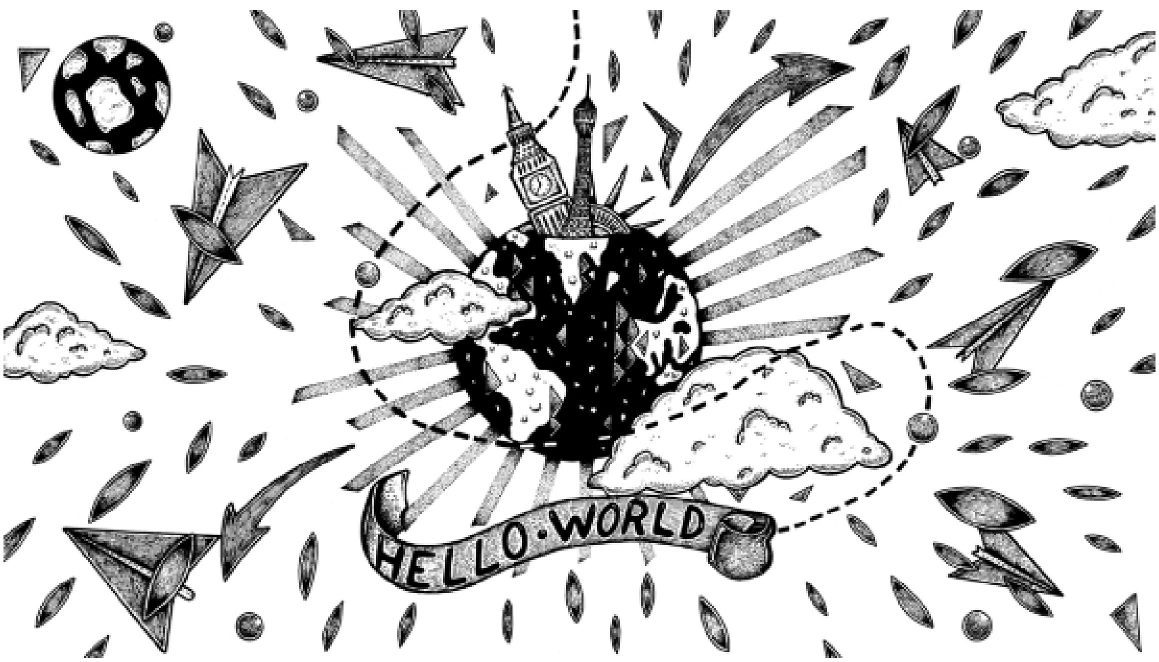
Harvard Business Review

INTERNATIONAL BUSINESS

Does Your Company Have What It Takes to Go Global?

by Douglas Quackenbos, Richard Ettenson, Martin S. Roth and Seigyoung Auh

APRIL 11, 2016



LAURA SCHNEIDER FOR HBR

Ask managers responsible for global business development how they determined their companies' growth potential when they entered new international markets, and most will cite an array of positive factors external to their organizations, things such as favorable country-specific economic and market trends, rising GDP, a growing middle class, increasing incomes, and strong demand for high-quality goods and services. Ask these same managers after a launch whether they met their performance objectives, and too many will answer "not quite" or "not at all."

Despite positive market indicators and careful planning, international-entry initiatives often fall short. High-profile brands whose global expansions missed their marks include Snapple, Kellogg's, and Walmart, among many others. When asked why their strategies failed, managers who were so confident about the positive external factors at work often point to negative external factors they hadn't fully anticipated, such as shifting market conditions, unexpected channel complexity, and aggressive competitors.

Those external factors may indeed play a role, but our research shows that the real cause of these failure often lies closer to home.

In decades of work with more than 100 global organizations, we have seen case after case in which managers and their companies are too eager to jump into the global arena before ensuring that all the right *internal* pieces are in place. External factors only set the stage for an international opportunity; they are just one part — and not necessarily the most important one — of global expansion success. And while companies recognize the need for internal capabilities such as language and cultural adaptation skills in a new market, they tend to overlook other, less obvious internal requirements, only to discover too late that they are ill prepared for what awaits them.

To help companies identify and review the internal capabilities they'll need to succeed internationally, we developed a diagnostic tool that can reveal a firm's strengths and weakness in each of seven areas — what we call the "seven 'tudes of international expansion" that our research shows are critical to overseas success. These include the firm's "attitude" (prioritization of global expansion); "aptitude" (knowledge and skills); "magnitude" (ability to align opportunities with capabilities); "latitude" (ability to adapt); "rectitude" (legal and ethical practices); "exactitude" (tolerance for uncertainty); and "fortitude" (commitment to global initiatives).

The tool consists of 28 statements, four for each of the seven 'tudes. For each overseas initiative being considered, respondents rate on a 1–5 scale their level of agreement with statements such as "The international opportunity is strategically aligned with our capabilities and resources," "Key players will take a career risk to make a new overseas initiative a success," and "The company is prepared to modify after-sales support and offer local customized guarantees."

After completing the survey, the respondent receives a score that gauges the firm's maturity in each area and reveals internal readiness for overseas expansion. Thus the tool can serve as a preemptive reality check of the firm's capabilities in advance of pursuing an international venture.

We've field tested the tool with more than 300 business professionals, 38% at the VP level or above, with extensive international experience and direct experience with a recent overseas expansion initiative. These executives spanned functional areas and industries including consumer goods, IT, telecom, and industrial products, services, and materials.

To identify the internal factors that distinguish successful and unsuccessful ventures, we divided respondents into two groups: winners, whose expansion efforts met business performance objectives such as sales, profit, and market share goals, and losers, whose efforts failed to achieve goals. After ensuring that there were no significant differences in company or participant characteristics between the groups, we compared respondents' capabilities across the seven 'tudes.

As the exhibit shows, managers in winning firms were significantly more likely to agree or strongly agree with the statements characterizing each 'tude. This finding was consistent and robust across industries, headquarters locations, international expansion markets, and company size. Put simply, companies with the highest rates of international success had more flexible internal processes, a clearer vision for international expansion, and greater determination to navigate the challenges that awaited them.

On average, 77% of respondents in winning firms — and just 31% in losing firms — agreed that their company excelled across the seven principles. Delving into the behaviors of these winning firms, we found that their leaders actively supported the seven 'tudes in specific ways.

- **They prioritize global business expansion by:**
  - Reviewing international initiatives at all major internal meetings
  - Assuring that global managers and leaders have titles conveying the roles' significance
  - Cross-pollinating HQ and international leadership

- **They assure the firm has the right knowledge and skills by:**
  - Aggressively training staff
  - Hiring required external skill sets
  - Blending internal company experts with the international team
- **They align scale and scope of the overseas opportunity with the firm's goals and capabilities by:**
  - Making sure all stakeholders understand international opportunities often differ in size from markets in the current portfolio
  - Ensuring internal awareness of objectives and pilots
  - Adjusting the geographic footprint of the initiative to ensure internal significance or avoid overwhelming the organization
- **They adapt the firm's marketing policies and practices to the opportunity by:**
  - Educating HQ on prevailing target-market standards
  - Training and sensitizing stakeholders on cultural differences
  - Proving the "business case" for the initiative despite different overseas standards and practices
- **They assure that the firm's legal and ethical practices allow for overseas flexibility while maintaining corporate compliance by:**
  - Benchmarking competitive practices in country to ensure willingness to compete
  - Encouraging open discussion of potential knowable issues
  - Clarifying objectives and "deal breakers" before entry
- **They reinforce a corporate culture that tolerates some financial ambiguity and market uncertainty by:**
  - Considering strategic objectives versus only financial ones
  - Recognizing that market success may only have a modest impact on the overall business
  - Remembering that deviations from forecasts are to be expected when navigating unfamiliar territory
- **They assure the firm is committed to global initiatives even in the face of setbacks by:**
  - Clearly and consistently communicating commitment to the international strategy
  - Publicly reinforcing stated goals
  - Avoiding "public punishment" of players in failed initiatives

Some of these practices can be carried out in the short term and deliver quick wins — for example, making sure that international initiatives are presented and reviewed at all major internal meetings. Others will require more deliberate planning and time to implement (e.g., hiring the skill sets needed or coming to a common internal understanding regarding strategic versus financial targets). Still others may require a fundamental change in organizational culture, processes, or both. If our diagnostic tool reveals deficits that will require long-term investments to address, the firm may want to pass on a current overseas opportunity in order to make the needed changes.

Investments made in improving these seven factors will pay dividends in both the short and long term by helping the company develop and sustain the culture and capabilities required for global success. By using the seven 'tudes tool, managers will be in a stronger position to avoid the traps and close the gaps that can make the difference between failure and success in overseas markets.

Learn more about the seven 'tudes and complete an assessment of your firm's readiness for its next overseas initiative.

Douglas Quackenbos is a global executive who has served in international positions with Hilti, Newell Rubbermaid, Sonoco and StanleyBlack & Decker.

Richard Ettenson is Professor and Keickhefer Fellow in Global Marketing and Brand Strategy, The Thunderbird School of Global Management, Arizona State University.

Martin S. Roth is Dean and Professor of Management and Marketing at the Barney School of Business, University of Hartford.

Seigyoung Auh is Associate Professor of Marketing and Research Faculty at the Center for Services Leadership, The Thunderbird School of Global Management, Arizona State University.