



When the going gets tough...

2008 White Paper - the case for continued success during an economic downturn

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Making the case for continued success during an economic downturn

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An analysis of the elements vital to international growth,
drawing on the experience and expertise of the
Ruban d'Honneur winners in The European Business Awards 2008

The aims of this White Paper

This Paper has been created by The European Business Awards in partnership with leading global credit insurer Atradius.

The three underlying tenets of all categories featured in The European Business Awards are: Business Success; Innovation; and Business Ethics. One of the characteristics of The European Business Awards is its commitment to ensure that good practice is widely disseminated to bring as much benefit as possible to the wider European business community.

By sharing the experience and expertise of winners of The European Business Awards Ruban d'Honneur – by definition, an atypical sample – the aim is to highlight those factors that have made these organisations successful in achieving international growth, so that others may benefit and prosper from their example.

The secondary aim of the Paper is to explore the purpose and effect of, and future outlook for, international growth.

Despite Europe's successful economic background, factors such as fast-changing technologies, emerging global economies, increasing cost and resource competition are creating global economic uncertainty. These factors make it all the more important to understand how international companies have become and remain successful, and how they plan to continue that growth.

The western style economies are slowing, but while many other global economies are also forecast to be affected by the slowdown, there are still many areas of the world where economic growth is vigorous.

Add to this growth in regions like the Middle East and North Africa (6% Growth), Candidate EU Countries (5-6% Growth), Commonwealth of Independent States ([inc Russia] 7% Growth), Sub Saharan Africa (6% Growth) and South America (4%), and it suggests a picture more of opportunity than of gloom for those prepared to go on the trail of international expansion.

Given that any economy is, by its very nature, made up of the sum outputs of its businesses – and this is true on both a national and regional basis (e.g. the EU) – then, if the opportunity is greater internationally, it would be prudent to investigate the potential benefits of such activity. It is hoped that this Paper may be useful in supporting, and even inspiring, such an investigation.

Forecast GDP Growth

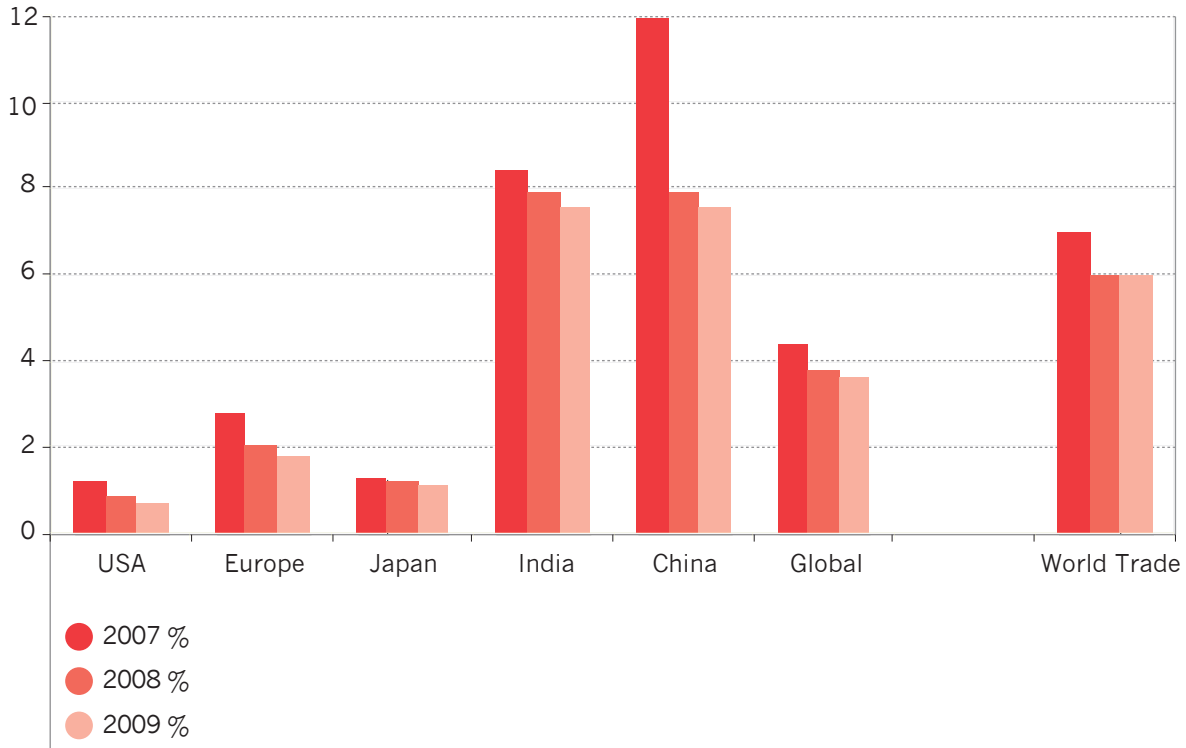


Chart 1. Forecast GDP Growth; Source: EU Commission 2008

Background

Over the past 50 years the EU has become one of the world's key economic engines, accounting for about 30% of global GDP and 20% of global trade flows, while the Euro has emerged as a key international currency.

The European Business Awards receives written nominations for its Award categories from over 20 countries throughout the whole of Europe: both from the traditional EU participant nations and the newest members in the extended European Union.

A rigorous short-listing process reduces the intake to produce the finalists for each Award category. The breadth of the international application is a testament to the prestige enjoyed by the programme and to the success of all its finalists who, as acknowledged leaders, become the Ruban d'Honneur winners.

All finalists are invited to present their case to, and answer questions from, an international judging panel of experts with knowledge and experience of each specialist Award category.

The whole process generates a wealth of intelligence about the way successful companies operate and it is from this source data that this White Paper has been developed.

Why Atradius has sponsored this initiative

As one of the world's leading credit insurers, Atradius' entire raison d'être is to encourage, support and enable successful trade. Therefore, it was natural not only that we should become a leading sponsor of The European Business Awards, but also that we should initiate this White Paper. Understandably, at a time of global economic uncertainty, the immediate reaction of any business may be to go on the defensive, to 'pull up the drawbridge' as it were, and not even consider growth because the perceived risks are too high.

But Atradius would argue that, for the true entrepreneur, success lies in questioning conventional wisdom and finding opportunity where others see only risk. Our philosophy is borne out of the conclusions of this Paper, and tellingly, by the positive vision and persistence of the Ruban d'Honneur winners whose case studies feature here.

Certainly the risks inherent in trade, especially international trade, are ever present. But Atradius, through its credit insurance, market intelligence and global debt collection, frees its business clients to fulfil their aspirations unencumbered by 'But what if...?' concerns that might otherwise hold them back.

We hope that by analysing the attributes that have made the featured Ruban d'Honneur winners successful, often in the face of adversity, and sharing their wisdom with the wider European business community, we will play some part in motivating European businesses to continue to prosper.

Setting the scene

The Political Climate - The view from the EU

World trade increased at an annual average rate of around 7% over the period 2000-2007. The European Union is the world's largest trader of goods and commercial services: 18% of all trade in goods; 26% of all trade in services. Trade liberalisation is beneficial to all trading partners as it improves the allocation of resources and allows goods and services to be produced more efficiently. It also allows the EU to take advantage of increasing business opportunities in the home markets of trading partners, such as China and India, as they grow wealthier.



The following extract positions EU policy in terms of international growth and how the EU views the international growth opportunity:

“The combination of technological progress, lower transport costs and policy liberalisation in the European Union and elsewhere has led to increasing trade and foreign investment flows between countries. This has important consequences for the functioning of the EU economy. While globalisation brings huge benefits and opportunities, it also means that Europe has to face fierce competition both from low-cost economies like China and India and from innovation-driven economies like the US.

Rising international economic integration, or globalisation as it is commonly known, offers many opportunities. EU firms are given easier access to new and expanding markets and sources of finance and technology. EU consumers are given access to a larger variety of goods at lower prices. This opens the prospect of potential significant gains for the Union in terms of higher levels of productivity and real wages. The European Commission estimates that about one-fifth of the increase in EU-15 living standards over the past 50 years is attributable to globalisation. That is why the Union has been firmly in favour of greater economic openness. The EU trade policy has been an important instrument to steer world trade liberalisation.

However, the public often associates globalisation with job losses and downward pressures on wages and working conditions. These anxieties are based on fears that increased competition from low-wage countries puts too much pressure on local producers and workers and may result in the closure, or partial closure, of factories at home and their relocation abroad. While these concerns are not new, they seem to have been heightened by the emergence of China and India on the world trading scene. In particular, the widespread use of information technologies increasingly erodes the boundaries between what can and cannot be traded.

Finding an adequate response to globalisation may be seen as part of the broader policy challenge for dynamic economies – i.e. to successfully cope with structural economic change. To reap the gains from globalisation it is necessary to undergo a process of adjustment as factors of production – such as investment capital – move from activities and firms that cannot withstand the increased competition pressure to those that thrive on it. However, while there is evidence that globalisation has not been associated with overall net employment losses, the adjustment of economic structures does cost, resulting from resources being moved between firms and activities. The more rigid labour, capital and products are, the more costly this structural adjustment is, and it may be strongly felt, at least in the short term, in particular sectors, and in the regions where these sectors are concentrated.

The policy challenge is to turn the potential benefits of globalisation into real gains while minimising the social costs.”

Source: www.ec.europa.eu/economy_finance/int_economic_issues/int_economic_issues5869_en.htm

So in general, it can be said that the political will of the EU is to encourage international trade particularly where it benefits those sectors that are prepared to be more creative, flexible and entrepreneurial in their outlook. The EU has a clear policy of reducing trade barriers, making international trade easier with a track record of some success. However, it is interesting that in spite of this there appears to be little pan-European infrastructure in place to assist businesses with international growth aspirations at either the tactical or practical levels. It is also difficult to find any kind of inspirational quotation from any politician in Europe on the importance, or otherwise, of intra and/or extra-international growth to the commercial wellbeing of the EU. On a national basis the UK's Business Link (www.businesslink.gov.uk) does offer some practical advice in its International Trade section under the following headings:

- Market entry, selling and promotion
- Researching overseas markets. Key issues that need to be researched when entering overseas markets
- Entering overseas markets. Deciding between selling directly and using an intermediary is a key choice when entering an overseas market
- Selling and promotion overseas. Advice and support on sales promotion, marketing, advertising and PR when planning to export to overseas markets
- Distance selling and online trading. Information on the rules applying to businesses that sell goods or services to consumers at a distance or online
- Intellectual property rights for international trade. What intellectual property rights are and how they relate to imported goods.

This is published in a free guide under the following headings:

- What you need to know about overseas markets
- Analyse target countries and customers
- Analyse overseas sectors and competition
- Carrying out and commissioning research on overseas markets
- Practical research for export operations
- Finding business opportunities in overseas markets
- Visit your overseas markets for research.

The degree to which such advice is available within some or all of the member states has not been researched and is outside the remit of this Paper, but some useful research data can be found on www.europe.org.uk/info and other European information websites including:

Euro Offices Services
<http://www.eurooffice-services.eu/>

Early Stage Investors
http://www.earlystageinvestors.org/index.php?option=com_frontpage&Itemid=1

There are a number of guideline sources for international growth, for example, the 'SAFEST' Model

S CALABILITY	Business model that is scalable
A CCEPTABILITY	Product/Service must be accepted in the proposed market
F LEXIBILITY	Both management and process must be adaptable to new market
E XTENDABILITY	Product/Service must be capable of development
S USTAINABILITY	Product/Service must have an acceptable life cycle
T RANSFERABILITY	Business model must be capable of multi market application/adaption

Chart 2. The 'SAFEST' test

The 9 don'ts ... (from www.expansionmanagement.com)

- 1 Don't make the move too soon.**
"Concentrate on export development first. Exports are a prelude to overseas location."
- 2 Don't rely on statistics.**
"A company has to look at its own situation. Don't be led by generalities."
- 3 Don't believe everything you hear – or don't hear.**
"Do your own research, no matter how difficult. If the level of information isn't good, do more research."
- 4 Don't take staffing decisions to extremes.**
"You can lose a lot more money from a bad personnel decision. This is where it's important to get some advice."
- 5 Don't forget consultants.**
"Make sure that the consultant is the right fit for your company and that the firm has connections in your destination country, as well as your home country".
- 6 Don't focus only on the real estate issues – take care of your expatriate staff.**
"Find the right applicant and give him or her a very good idea of what the assignment is going to be like. Otherwise the cost of failure can be tremendous."
- 7 Don't communicate with employees immediately. Choose the right time.**
"Maintaining effective internal communications means staff feel involved and empowered."
- 8 Don't think you understand the business environment. You probably don't.**
"Take the time to understand the country to which you're headed."
- 9 Don't forget to ask yourself over and over, "Is our company committed?"**
"An overseas move is not easy. A company needs the resources to do this right."

The model below suggests that values, culture and language are common factors that need to be addressed generally within each of the conditioning levels that act as a decision filter, requiring the organisation to be broadly satisfied at one level before progressing to the next.

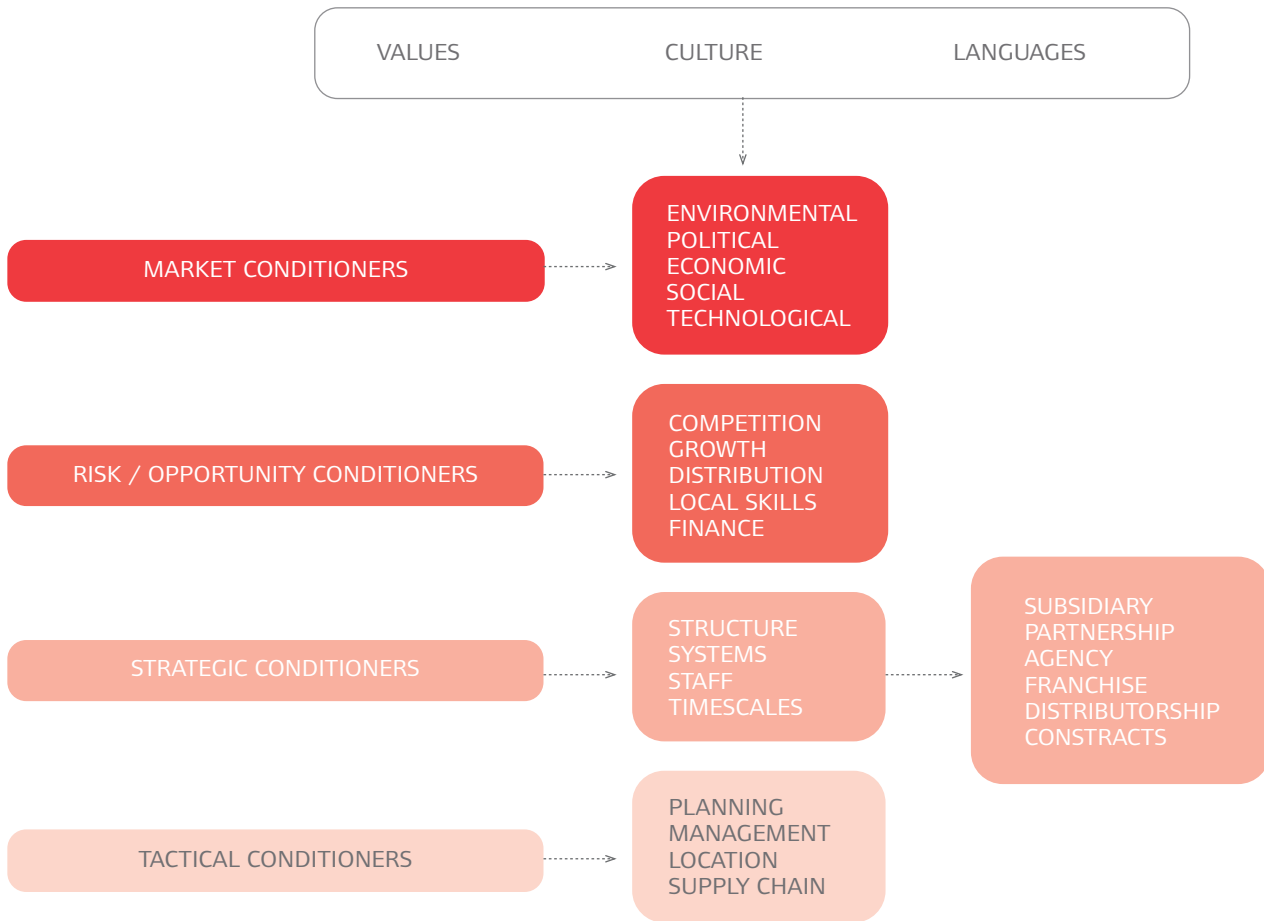


Chart 3. The Levels of Conditioning Model

Is there an opportunity for better advice?

The EU is focused on the reduction and removal of barriers to international trade. Implicit to this strategy is the assumption that European businesses will take advantage of the situation and, in that sense, it can be said that businesses in Europe are encouraged to engage in international growth but in practical terms, they do not appear to be very well supported. There are a range of theoretical models available but it seems that both an opportunity and a need exists for an organisation to provide specialist advice and support to businesses looking to expand internationally.

The view from the Ruban d'Honneur winners

Some businesses are content to operate within their home market, a decision they have made for a wide variety of reasons ranging from the nature of their products or services to a lack of desire to explore new markets. There are other businesses who desire to develop internationally because they see a wider opportunity for growth, those that by their very nature are set up to operate internationally, or those who have to because they operate in a global market where local or regional demand cannot sustain an adequate return on capital. Businesses across this whole spectrum are represented in the Ruban d'Honneur winners.

So what is it that has motivated them to move outside the comfort zone of their own market and venture into the international arena?

Motivation for international growth

The following are the 7 main motivations that emerged:

- 1 Recognising a wider opportunity**
Example: Bigmouthmedia, a highly successful search engine optimisation company whose service offering is effective anywhere the web is used and many of whose clients operate internationally and globally.
- 2 Customer driven needs**
Example: Sykes Global Services, an outsourcing company whose clients need international product and service support.
- 3 Protection of technology and market space**
Example: Intamac, a company with a leading edge web-driven security product that has a unique position in the market and needs to expand internationally in order to protect its market space and discourage competitive innovation.
- 4 Operating in a global market place**
Example: Beluga Shipping, heavy cargo shipping specialists whose customers are globally diverse and operate in a global market themselves.
- 5 High market share in a finite market**
Example: Bank Of Cyprus, the very successful local bank whose national expansion opportunities are limited by its high market share.
- 6 Local market not maturing quickly enough**
Example: Q Cells, the solar energy company who wishes to expand more quickly than the local market for its products.
- 7 Ability to achieve economies of scale**
Example: Vion, the farm-to-table food and bi-product producer that can maintain its cost/price leadership position by leveraging economies of scale.

While these are the key reasons, it is true that they must equally apply to every business in their respective sectors. So this raises the question, what has made these companies act to take advantage of their situation?

Entrepreneurial leadership

Entrepreneurial leadership emerges as one of the key drivers that translates motivation into action. The following table shows the importance that the Ruban d'Honneur winners place on this quality.

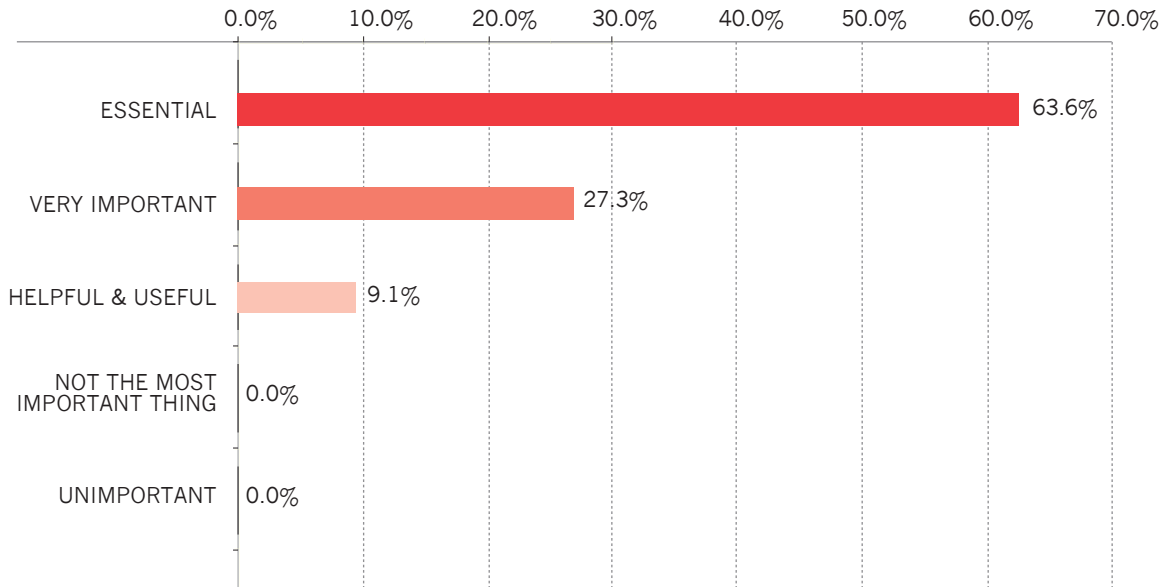


Chart 4. Source: Ruban d'Honneur Winners

An earlier White Paper “Observed Characteristics of Entrepreneurs and How They Succeed” published in 2006, identified the following ten characteristics within the observed sample (all winners and finalists in The National Business Awards of that year).

- Ten I's Model**
1. Independence
 2. Interest
 3. Insight
 4. Ideas
 5. Invention
 6. Inspiration
 7. Involvement
 8. Instigation
 9. Insistence
 10. I-will

Chart 5. Source: “Observed Characteristics of Entrepreneurs and How They Succeed”

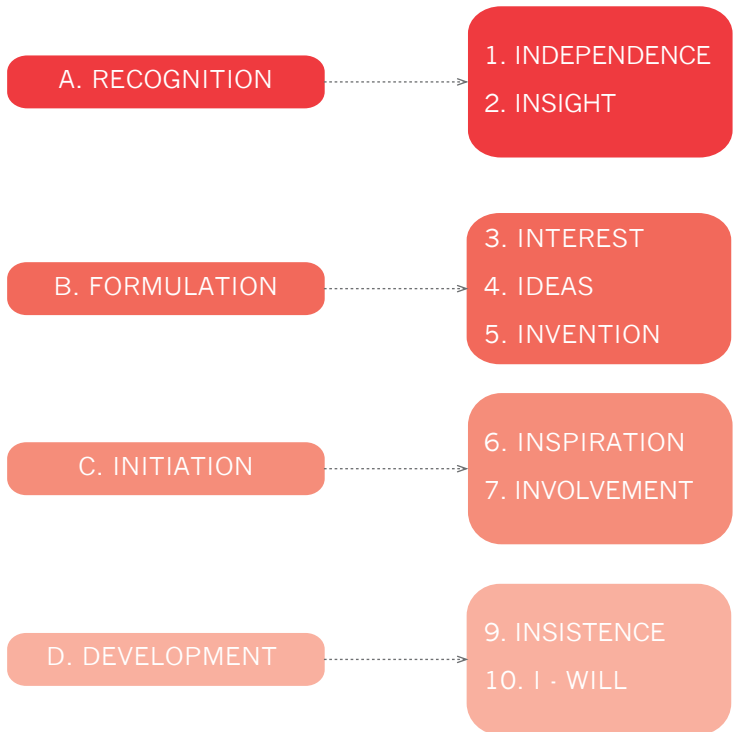


Chart 6. Source: “Observed Characteristics of Entrepreneurs and How They Succeed”

These characteristics (a full explanation of each is detailed in the 2006 White Paper) could be ordered into a four-stage process whereby the initial recognition of the idea becomes translated into a real business proposition.

The conclusions of the White Paper were:

These case studies and the Entrepreneurial Attributes maps demonstrate some interesting conclusions from a small but significant group of entrepreneurs.

Firstly, entrepreneurs are not wild, reckless, dream-ridden corporate misfits with scant respect for the commercial landscape they inhabit. Instead the entrepreneur is observed as a character ready to subordinate risk to the achievement of their aim with a higher propensity to accept failure as a consequence of trying, but who sees the act of not trying as an even bigger personal failure.

Driven by creative rather than destructive forces they are always highly aware of the commercial dimensions and potential benefits of their ventures. Their perception is to see their venture as less of a gamble and more of a certainty. Moreover they have the ability to engage others in their mission. In the early stages this is often achieved by their own commitment, dedication, involvement and enthusiasm. They will also take on the venture alone if and when necessary and they show many examples of persistence in achieving success in circumstances where others had given up. Instigation, and acting upon the opportunity to make things happen, creates a new reality and is a defining characteristic of these entrepreneurs, who through their new business models are contributing to the future shape of the economy.



Entrepreneurial Attributes Map for Overall Average

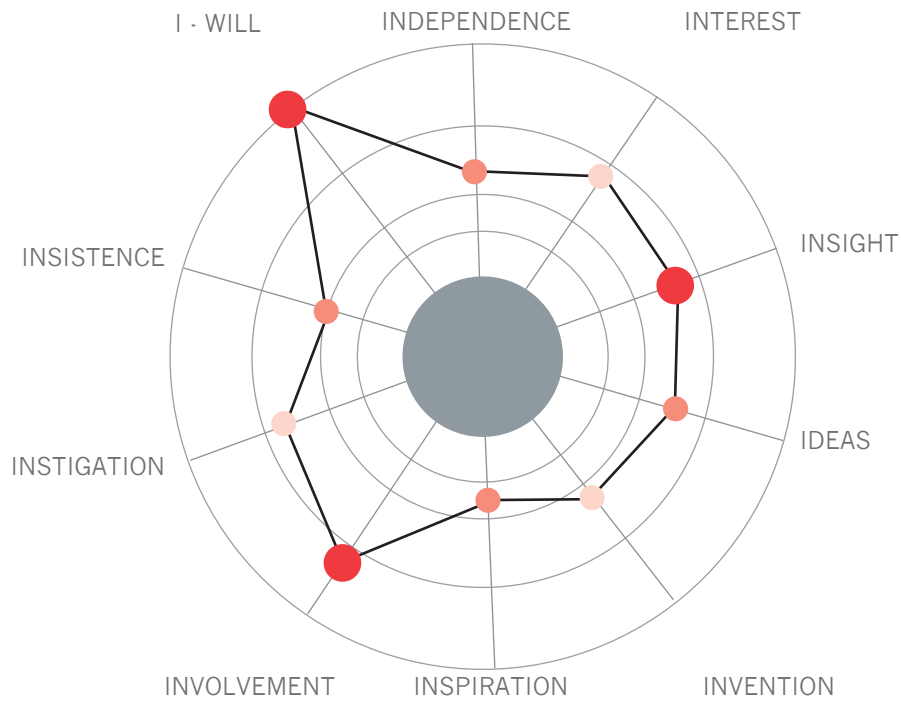


Chart 7. Source: "Observed Characteristics of Entrepreneurs and How They Succeed"

Analysis and comparison of the individual scores in each attribute suggests that all are significant with no individual profile proving to be more dominant or successful than another.

However the Overall Average Attributes map indicates that the three attributes that are marginally higher than the others are:

- *I - will*
- *Involvement*
- *Insight*

Perhaps an entrepreneur as defined by The Business Awards could be 'An individual with a unique view of market opportunity, who has the personal commitment and determination to pursue the opportunity to its commercial realisation'. Inventiveness, ideas and the inspiration of others and the personal provocation to get it done are also important and show the successful entrepreneur to have a very broad skills base including the ability to lead, motivate and engage others in the processes of building businesses successfully and often rapidly.

The entrepreneur is the creative life-blood of the economy. Research and development may be where new products are created but entrepreneurs are the masters of the forges where new business models are made and leaders in the skills of bringing innovation to markets.

The international growth entrepreneurial attributes

The first self confessed attributes of the European Business 2008 Ruban d'Honneur winners are shown below:

• The ability to identify a fast - growth opportunity	(Insight)
• A clear vision of the opportunity	(Insight)
• Get inspiration from others, but not be influenced by them	(Independence)
• Being fully convinced by the your idea	(Independence)
• Being passionate about the potential for the technology	(interest)
• Exploiting potential	(Ideas)
• Constant adaptation to the changing market	(Ideas)
• Forward - thinking	(Invention)
• Thought Leadership	(Inspiration)
• The ability to deal with partners on all levels	(Inspiration)
• Excellent and inspirational, "No- bull" leadership	(Inspiration)
• Great communication skills	(Involvement)
• Clear progression plans for all	(Involvement)
• Build a team with shared vision and common goals	(Involvement)
• Employing good people and trusting them	(Involvement)
• Work objectively & strategically using a phased approach	(Instigation)
• Follow quality processes	(Instigation)
• Perseverance	(Insistence)
• Don't undersell themselves and their ideas	(Insistence)
• Having the drive and determination to see it through	(Insistence)
• Having the conviction that it will succeed	(I - Will)
• Determination to succeed	(I - Will)

Chart 8. Source: Ruban d'Honneur Winners

The need to inspire others

Entrepreneurs do not see risk in the same way as others and therefore have a great deal more certainty about the outcomes of their actions. However they do recognise that entrepreneurial leadership is a key attribute when pursuing a policy of international development and their identification of their own qualities is consistent with previous observations of successful business leaders. The key difference in this context is a greater emphasis being placed on the inspiration and involvement of their teams and partners. This may be due to the more complex nature of international business growth making engagement and collaboration with others a more important factor.

What has been identified as important in the area of staff and partner collaboration is the need to ensure the vision and values of the organisation communicate, with absolute clarity, the strategic intent of the business and the way it conducts itself.

“Team Work is important – Building and believing in a dedicated team with shared vision and common goals and good communication with the ability to deal with partners on all levels”

- Intamac Systems Ltd

“Success and efforts are only possible by virtue of the high motivation and willingness to perform that each member of the Beluga team displays everyday. Our very own “Beluga-spirit is the invisible result which characterises this engagement”

- Beluga Shipping GMBH

“We have developed relationships with clients and partners to the extent that the roles may be interchanged to meet client or project needs”

- Whessoe Oil and Gas

“We respect each other and seek out even the quietest voice. Our people are our greatest strength and success depends on everyone. Working together we combine our skills and knowledge to deliver success – working together we excel!”

- Wood Mackenzie Group

Overcoming the 7 barriers

In summary, the barriers are to do with the following factors:

- 1 Real knowledge of the prospective market
- 2 Scoping the opportunity
- 3 Understanding regulation
- 4 Appreciating local cultural and language nuances
- 5 Minimising investment risks
- 6 Finding and satisfying customers
- 7 Finding the most appropriate trading model

International business has many barriers, which are in most cases, in addition to the barriers to success that businesses face in their local markets. The main barriers identified by the Ruban d'Honneur winners in pursuing international growth are as follows. Note businesses from "Old Europe" and "New Europe" expressed no differences in the barriers experienced.

- a. Identifying market opportunities
- b. Local market knowledge
 - Maturity
 - Size and scope
 - Competition
- c. Local culture
- d. Regulation
 - Lack of a framework
 - Over regulation
 - Knowledge of regulatory constraints
 - Bureaucracy
- e. Brand awareness and acceptance
- f. Investment for expansion
- g. High set up costs
- h. Currency fluctuation
- i. Dislodging established competitors
- j. Lack of staff and skills

A wide variety of means were identified to overcome the barriers:

1. Working with local agencies and consultancies to use market research to identify (a & b)
 - a. Local market size and opportunity
 - b. Relative strength and weakness of competition
2. Investing in using the very best law firms and recruitment companies to get the very best results (d)
3. Appointing and working with channel partners to reduce the investment risk and using a reward structure that motivates them to maximise the opportunity for the mutual benefit of both parties (f & g)
4. Using local knowledge of consultants, managers and staff to avoid pitfalls before taking development action (b & c)
5. Getting customers first. Ensuring that clients' commitments minimise the investment risk (f & g)
6. Ensuring the business model is flexible to accommodate local legislation (d)
7. Producing market leading quality (e & i)
8. Really focusing on customer satisfaction (e & i)
9. Offering attractive employment and training packages (j)

In many senses these are largely the big factors to be addressed when starting a local business. What makes international business different is the fact that small local, cultural and regulatory nuances are very easy to overlook. An assumption that the new market will respond in a similar way to the home market is a dangerous assumption to make. Even something like the brand or company name can prove to be difficult when trading in new markets (e.g. Bigmouthmedia). The way the business is set up in the new markets should seek to not only maximise profits, but also to minimise such risks and also provide a learning platform for the incoming business.

The business set up

The way the business is set up is dependent on a number of factors, not the least of which is the culture of the incoming business. Some organisations wish to have 100% ownership; some countries require businesses to engage a local partner; some require the incoming business to meet a raft of regulatory requirements; some carry very heavy employment responsibilities; others have rules on local taxation and the repatriation of funds. The type of business and distribution arrangement has to balance the need for the control that comes with 100% ownership against the cost and management of the risk of such factors. Cost for most organisations represents a limiting factor to growth and, if rapid expansion is desired, then a business model that engages the capital of others may be more desirable. Therefore, the exact nature of the business model(s) selected is dependent on such factors and there is evidence from the Ruban d’Honneur winners that a successful strategy may be to employ a flexible approach that uses more than one set-up according to market conditions.

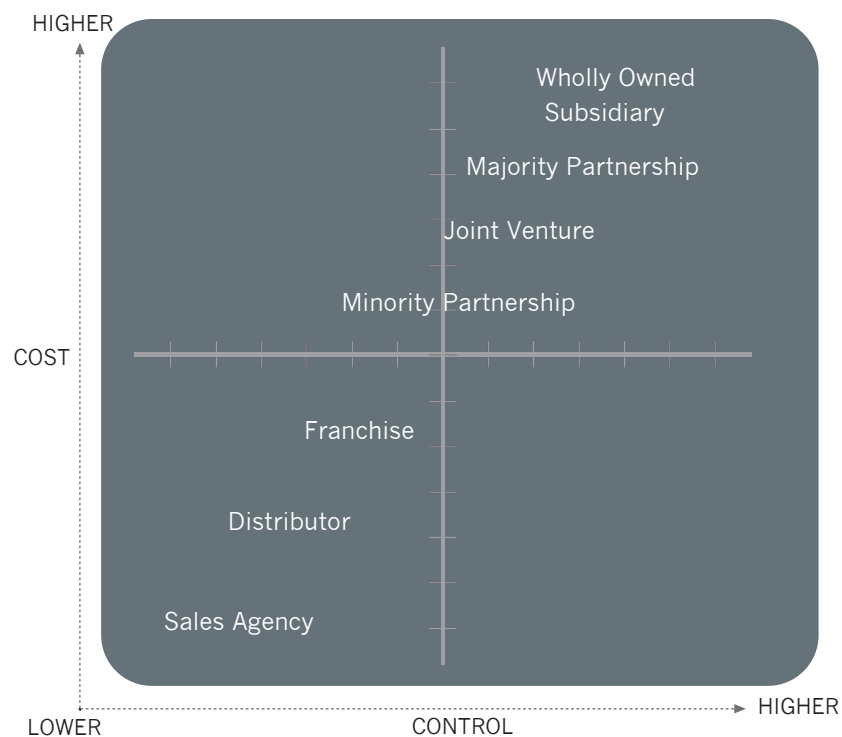


Chart 9. Cost v Control

Chart 9 above shows, in a simplified form, the way the various options interface in terms of Cost v Control. As the options move from bottom left to top right, so the degree of commitment from the incoming organisation increases. There is a school of thought that proposes this is a model process for international expansion, using it as a template for vertical integration strategy, but there is little evidence from the sample that any company is actually doing so.

The Ruban d’Honneur winners were asked to describe their preferred expansion model and the results are shown below. They were also asked their reasons for choosing the model they had used and whether, in the light of experience, they would do anything differently. 100% stated they would not do it differently in the future, so having found a model that works they are happy to replicate it in other markets.

The preferred model identified by the sample was a wholly owned subsidiary. The key reasons were that it gave the organisation complete control over all aspects of the operation and gave greater flexibility when it came to decision making, particularly if market conditions required difficult decisions to be made.

Business Model	% Of Sample Using	Reason for Using	Would Use Again ?
Multiple Own Subsidiary Joint Venture Agent Acquisition	19%	Different markets have different opportunities so need to be flexible. Used in processing and food distribution sectors, financial services sector and equipment hire sector	Yes
Wholly Owned Subsidiary	72%	Need for control and flexibility to respond independently of others under all circumstances, especially bad times. Need to control all operations. Used in technology sector, financial services sector, manufacturing sector and international shipping sector and outsourcing and multinational client support service sectors	Yes
Sales Led Own Subsidiary	9%	First get the customer then open wholly owned subsidiary to service their needs. Used in technology sector.	Yes

Chart 10. Reason For Using International Expansion Business Set Up – Source: Ruban d’Honneur Winners

Given that the highest cost model seems to be the preferred route, it is important to have a good grasp of the key factors that will influence the success, or otherwise, of the business.

The importance of key factors

The Ruban d'Honneur winners were asked to rank the factors shown below on a scale of 1 -10: where 1 was Unimportant and 10 Very Important. The results from "Old Europe" businesses and "New Europe" businesses were compared to see if there were any clear differences.

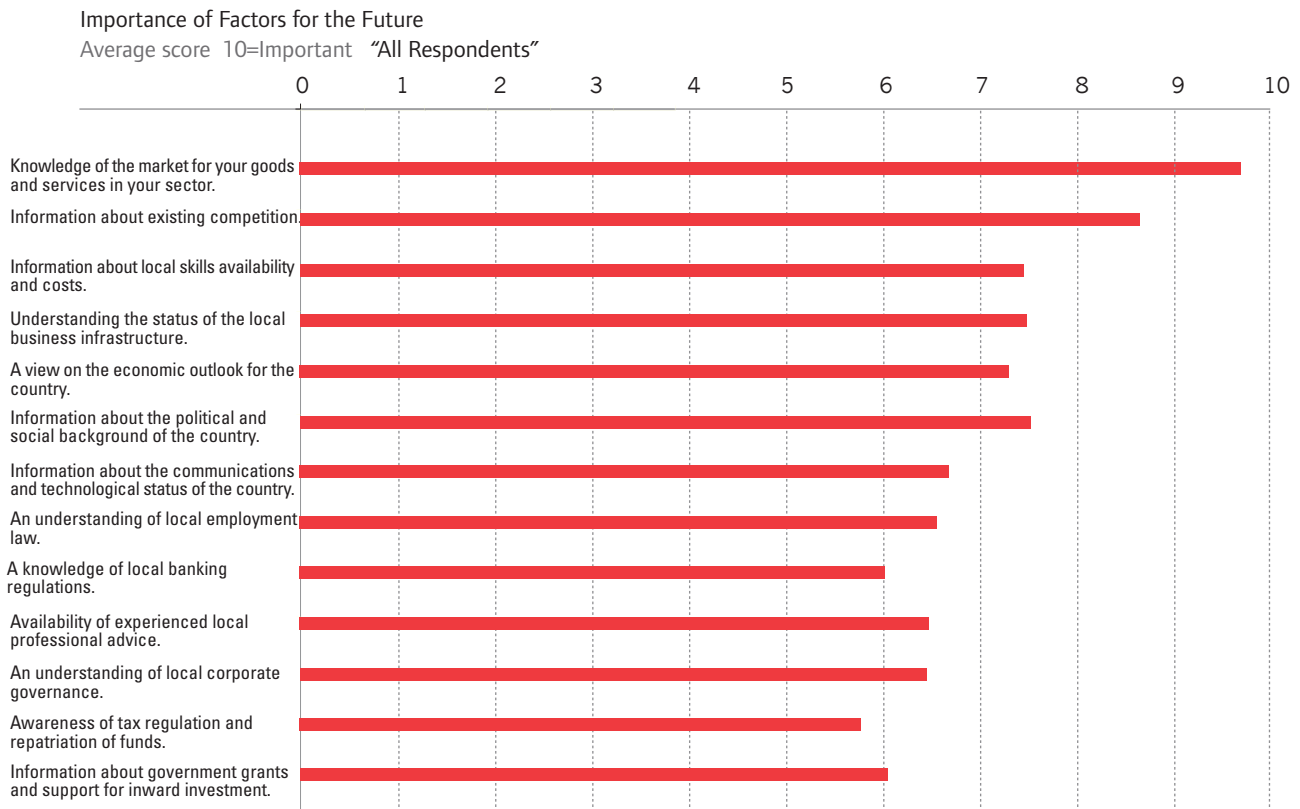


Chart 11. Importance of Factors for the Future - "All Respondents"; Source: Ruban d'Honneur Winners

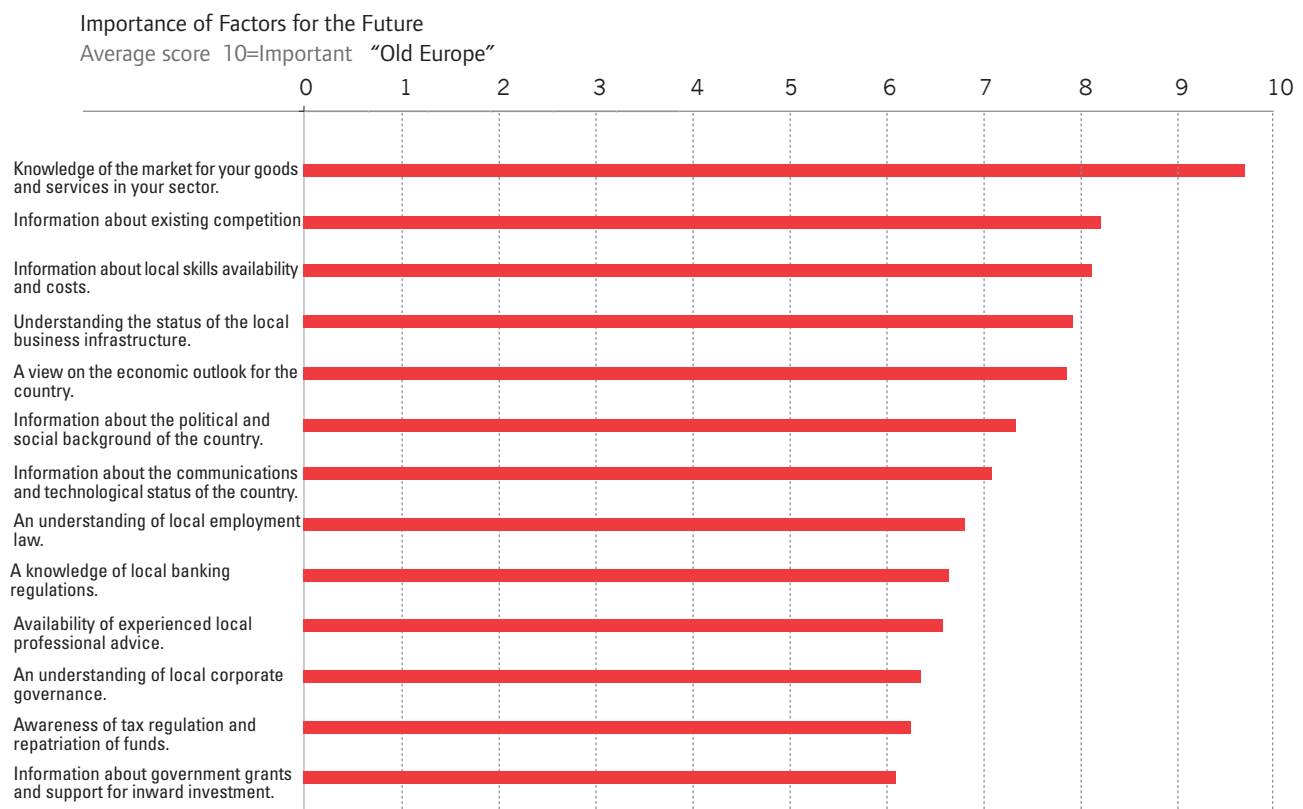


Chart 12 . Importance of Factors for the Future - "Old Europe"; Source: Ruban d'Honneur Winners

Importance of Factors for the Future
Average score 10=Important "New Europe"

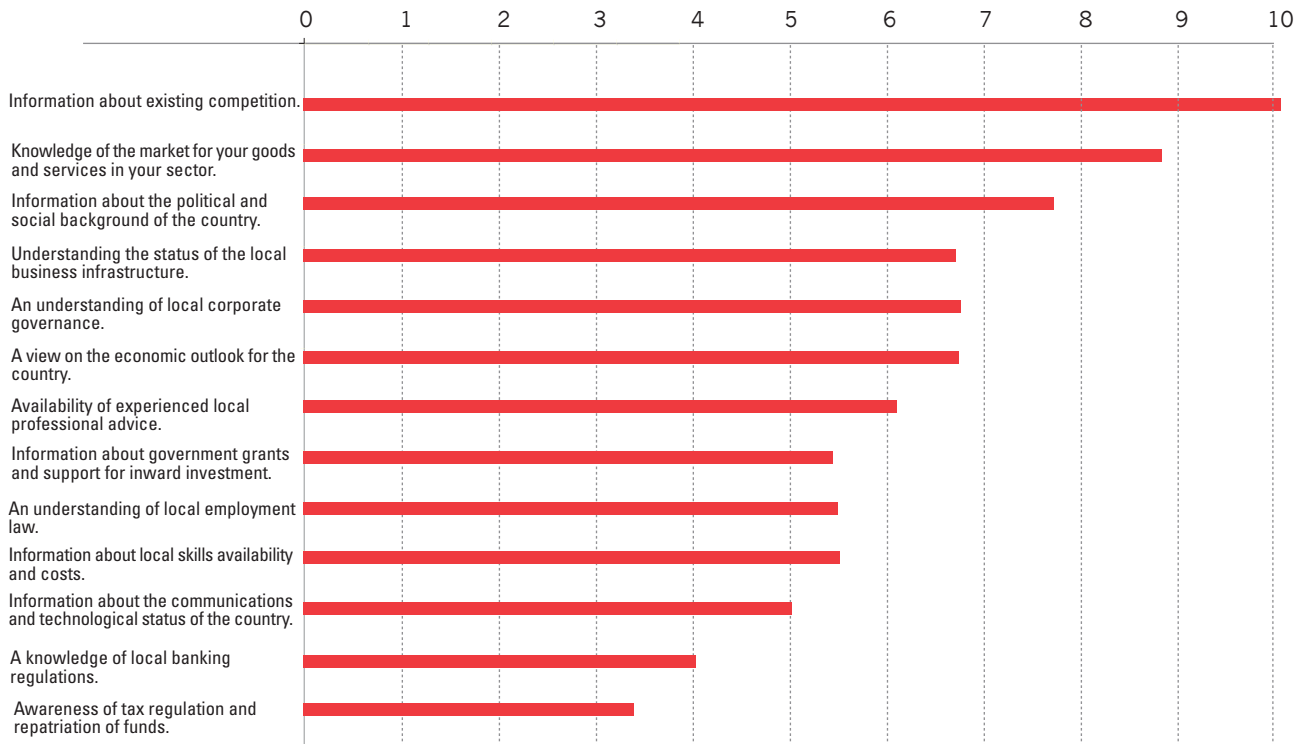


Chart 13. Importance of Factors for the Future - "New Europe"; Source: Ruban d'Honneur Winners

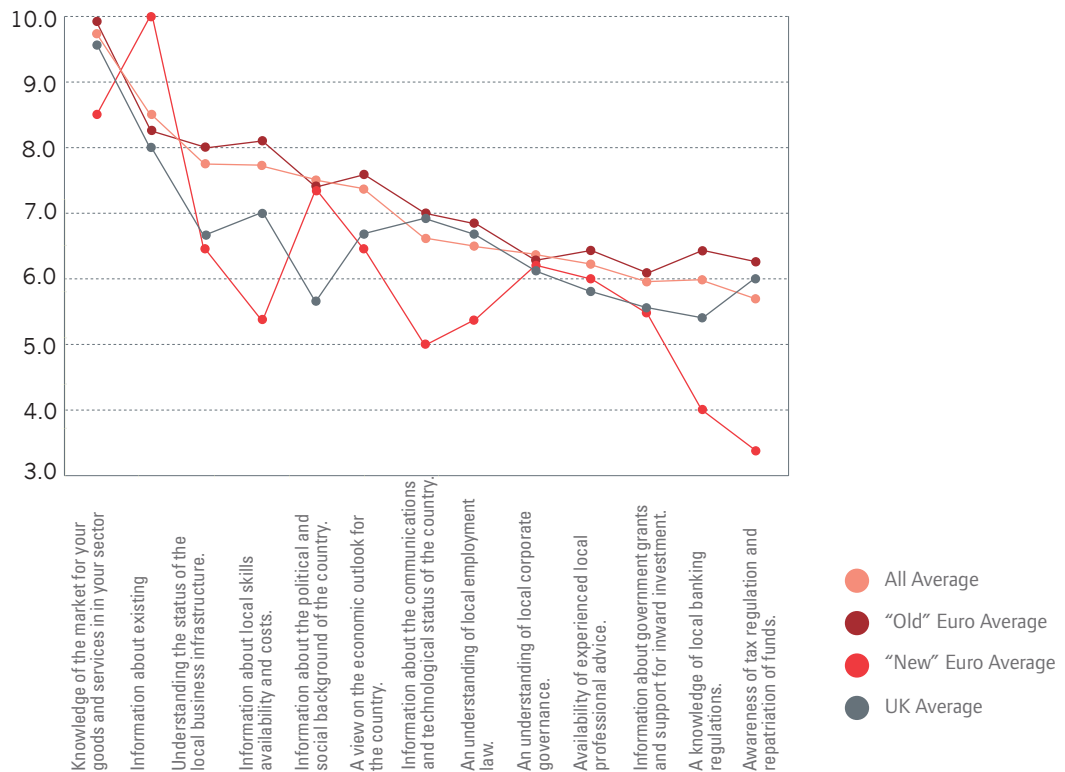


Chart 14. Importance of Factors of future - "Comparative View"; Source: Ruban d'Honneur Winners

The highest scoring factors

The following 6 factors were the highest scoring when measured across all respondents:

1. Knowledge of the market for your goods and services in your sector	9.5
2. Information about existing competition	8.6
3. Understanding the status of the local business infrastructure	7.6
4. Information about local skills availability and costs	7.6
5. Information about the political and social background of the country	7.4
6. A view on the economic outlook for the country	7.4

The viewpoint of “Old Europe” largely reflected these findings with the same factors in the top 6 but 2 minor order changes:

1. Knowledge of the market for your goods and services in your sector	9.8
2. Information about existing competition	8.3
4. Information about local skills availability and costs	8.1
3. Understanding the status of the local business infrastructure	7.9
6. A view on the economic outlook for the country	7.6
5. Information about the political and social background of the country	7.4

“New Europe” presents a broadly similar response but information about the political and social background moves up the order and an understanding of local corporate governance replaces Information about local skills availability and costs, possibly reflecting a higher level of uncertainty about these factors in these areas. The other observation is that the scoring across all factors except the first was slightly lower than the other scores:

1. Information about existing competition	10.0
2. Knowledge of the market for your goods and services in your sector	8.5
3. Information about the political and social background of the country	7.5
4. Understanding the status of the local business infrastructure	6.5
5. An understanding of the local corporate governance	6.5
6. A view on the economic outlook for the country	6.5

The UK companies showed a slightly different profile showing a higher level of importance on information about the communications & technological status and an understanding of local employment law, perhaps in the latter case showing a response to the fact that the UK has less restrictive employment legislation than many other countries:

1. Knowledge of the market for your goods and services in your sector	9.3
2. Information about existing competition	8.0
3. Information about local skills availability and costs	7.0
4. Information about the country’s communications & technological status	7.0
5. Understanding the status of the local business infrastructure	6.7
6. An understanding of local employment law	6.7

Manufacturing or service?

The respondents were asked about their views on whether it was more or less difficult for a manufacturing company or a service company to expand internationally. The viewpoint was split three ways but, on balance, this amounted to an even split between the two:

1. Manufacturing (20%)
 - a. More process driven
 - b. Requires less people
 - c. Easier to achieve economies of scale after initial investment
 - d. Physical, more tangible product easier to market
2. Service (25%)
 - a. People and offices easier to scale in the short term
 - b. Greater opportunities in the service sector
 - c. Lower investment costs
 - d. Regulation generally easier to manage
3. Both the same (55%)
 - a. Strong interdependence between the two
 - b. Both face similar challenges of competition and quality
 - c. Each has a different approach but a similar challenge

Easiest Sector for International Growth

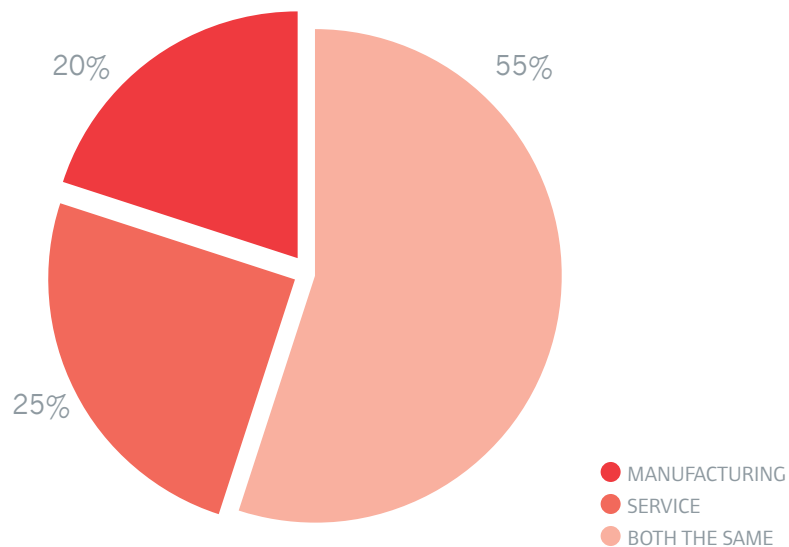


Chart 15. Easiest Sector For International Growth - "All Respondents"; Source: Ruban d'Honneur Winners

The role of the Internet

The internet has had a dramatic effect on the way that business is conducted both nationally and internationally. In terms of a communication medium it is as near to global as any medium developed so far and, in many respects, has moved much of the purchasing power into the hands of the buyer. The economic theory of perfect knowledge may not have been fully realised but the internet has moved customers in many sectors, whether in the B2B or B2C arena, closer to that concept. The implications for this in terms of assisting or impeding international growth are that it is now very easy to establish some sort of presence in any international market at a very low cost, whether that is at one level purely as a communication and information resource, or at another as a fully trading function. A study by the World Bank in 2004 (The effect of the Internet on international trade - Caroline L. Freund and Diana Weinhold) found at that time that:

- a. Evidence of proximity-biased trade growth, i.e. that trade growth is lower for more distant countries
- b. Ten percentage point increase in the growth of web hosts in a country leads to about a 0.2 percentage point increase in export growth

This is borne out of a report from AC Nielsen which specifically looked at retail but carries important clues about customer behaviour in the future:

“According to Nielsen Online, a service of The Nielsen Company, the Web plays an increasingly integral role in retail for brick and mortar retailers, even among purchases that occur in-store. A Nielsen survey in May 2008 found that among a representative group of people who had recently made consumer electronics purchases in a brick and mortar store, 80 percent bought from a store whose Web site they visited first. Further, 53 percent purchased from the retailer on whose Web site they had spent the most time.

While the benefits of online sales have long been apparent to retailers, the ability of the Internet to drive offline sales is now rising to the fore. Among consumer electronics purchasers, 58 percent indicated that if they had only one channel in which to do product research prior to purchase, they would choose the Internet, compared with only 25 percent that would choose to be able to do research in a brick and mortar store.”

Internet usage in the European Union

While growth of internet usage in Europe is lower than the rest of the world, the penetration of users is over 300% higher than the global average.

World region	Population 2008 est.	% Pop. of World	Internet users, Latest Data	Penetration % Population	% Users of World	Use Growth 2000-2008
European Union	489,188,563	7.30%	293,070,327	59.90%	20.80%	210.50%
Rest of World	6,186,931,725	92.70%	1,114,654,593	18.00%	79.20%	318.10%
Total World	6,676,120,288	100.00%	1,407,724,920	21.10%	100.00%	290.00%

Chart 16. Internet Usage in the European Union; Source: www.internetworldstats.com

Top ten Internet Countries in Europe December 2007

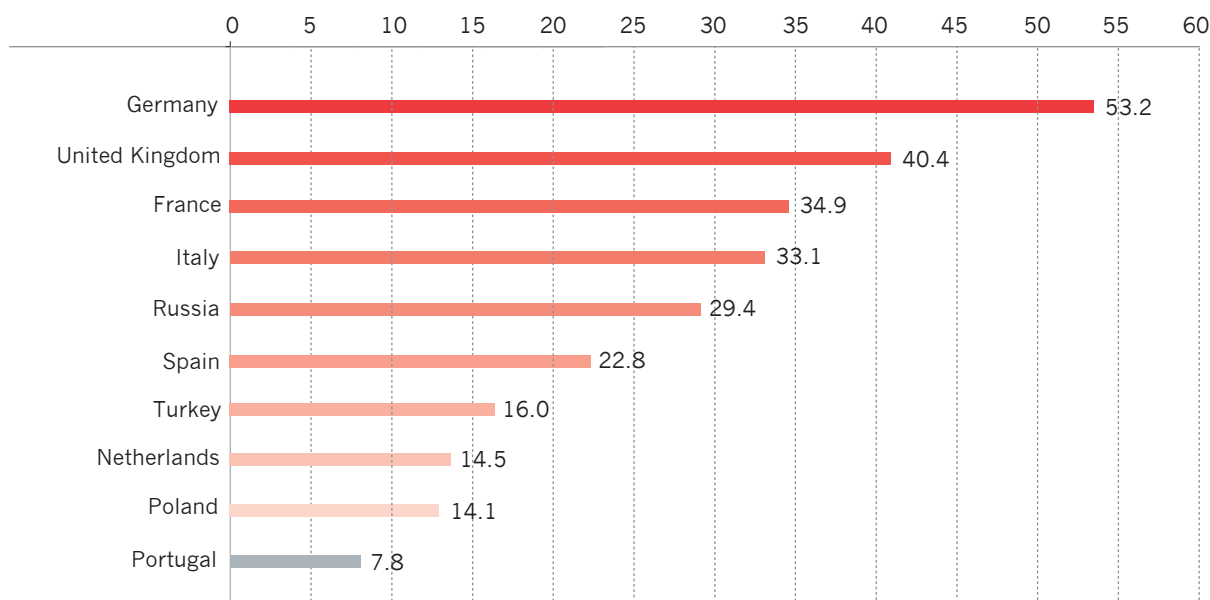


Chart 17. Top 10 Countries on Internet Usage in the European Union

World Internet Usage and Population Statistics

World region	Population 2008 est.	Internet Users, 31 Dec 2000	Internet usage, Latest Data	% Population Penetration	Usage % of World	Usage Growth 2000-2008
Africa	955,206,348	4,514,400	51,065,630	5.3%	3.5%	1,031.2%
Asia	3,776,181,949	114,304,000	578,538,257	15.3%	39.5%	406.1%
Europe	800,401,065	105,096,093	384,633,765	48.1%	26.3%	266.0%
Middle East	197,090,443	3,284,800	41,939,200	21.3%	2.9%	1,176.8%
North America	337,167,248	108,096,800	248,241,969	73.6%	17.0%	129.6%
Latin America	576,091,673	18,068,919	139,009,209	24.1%	9.5%	669.3%
Oceania / Australia	33,981,562	7,620,480	20,204,331	59.5%	1.4%	165.1%
World Total	6,676,120,288	360,985,492	1,463,632,361	21.9%	100.00%	305.5%

Chart 18. Internet Usage in World

World Internet Users by World Regions

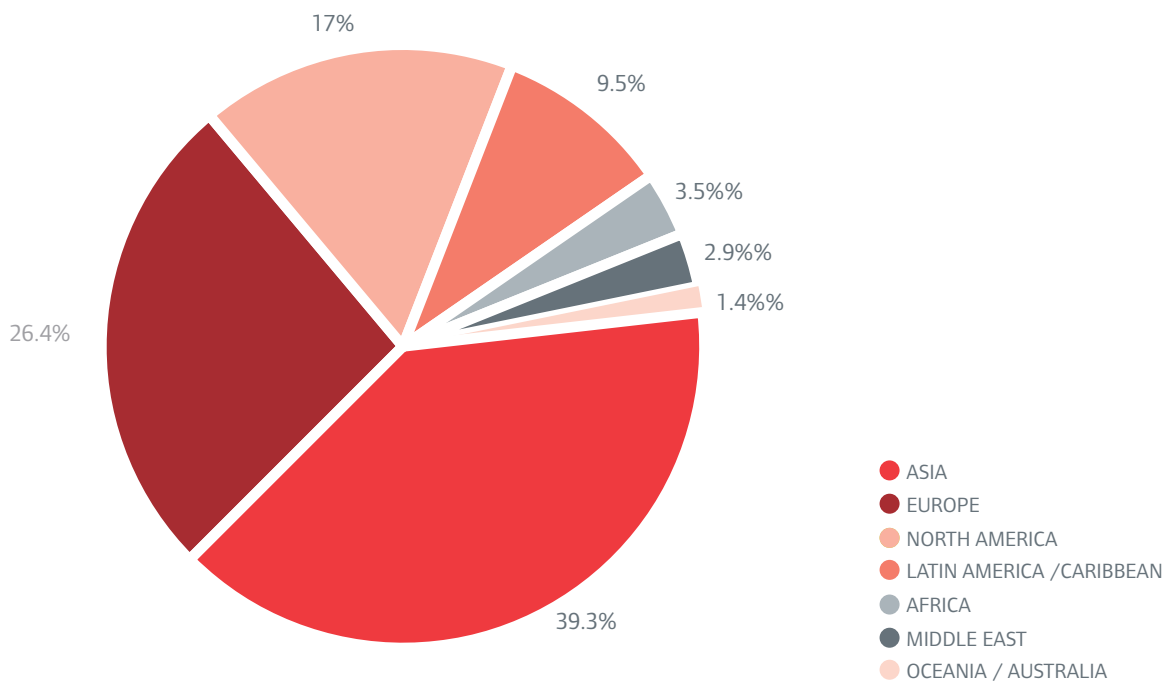


Chart 19. Internet Usage in World by Region; Source: www.internetworldstats.com/stats.htm - 30 June, 2008

The world usage chart shows Europe has the third greatest penetration but also highlights the huge growth potential to come from other parts of the world, especially Asia.

The internet outlook of the Ruban d'Honneur winners

In looking to the future, the respondents were asked whether they felt the internet would play an important role in the development of international growth.

The unanimous response was that it would play an important role, ranging from being "Essential" at one end of the spectrum to "The physical service must come first but the internet follows immediately".

The internet is seen as:

- A vital communication and information exchange tool
- An invaluable advertising medium
- A means of high speed, two-way access to and from customers
- A low cost and instant way of establishing a credible presence in a market

Add to this the businesses that actually exist through the provision of web-based services and there is a "world of opportunity" waiting.

It is currently difficult to gather statistics on the value of truly international trade that is carried out entirely on the internet. It is true to say though that a good, multi-lingual website is an essential trading credential for any business considering an international growth strategy and a potential revenue stream for those products and services that can be delivered internationally via an online channel.



Outlook for the future

At the time of writing, many of the western economies were going through a very difficult economic period. How did the Ruban d'Honneur winners feel the economic climate would affect their international growth aspirations? Overall the response was very positive and confident, and perhaps is best expressed in some of their own words:

"The overall business trend is towards global trading with many emerging markets, so there are lots of opportunities."

"The outlook is good, and a period of consolidating slower growth is good for existing businesses. In periods of fast growth go for sales. In slower times concentrate on the strategic and structural side of the business."

"Technology investment is hard in a new market, so more challenging in a difficult economic climate."

"The future for our business is very bright. We believe we can continue to achieve 20% annual growth over the coming years."

"Worldwide there is accumulated demand for our specialist services. The opportunity for the future is open and promising if one has the means to take it."

"The current economic climate creates challenges for banks to diversify into markets which present good growth opportunities. We are well positioned to expand into these markets, thus offsetting any negative effects that the present situation may have on traditional markets."

"The continuous development of retail banking and consumer credit represents a huge opportunity for our business - even more so for the more mature markets where new technology based tools and market dynamics (e.g. mergers and acquisitions and regulatory issues) produce opportunities to help clients even more."

"International trade growth is vital due to the downturn in the local market."

"The outlook is very good. We are a leading company in a dynamic and growing market."

"In the Chinese language "Risk" is defined as "Danger + Opportunity."

So taking advantage of the situation – ensuring that all is done to minimise the risk through understanding and managing the danger – to maximise the opportunity could be a convenient way of summing up the approach of the Ruban d'Honneur winners in the successful international development of their businesses.

Insights

Aims

One of the characteristics of The European Business Awards is its commitment to ensuring that good practice is widely disseminated to bring as much benefit as possible to the wider European business community. The sharing of intelligence gathered is therefore the primary purpose of this Paper. The sample is atypical in that all businesses are highly outstanding in their respective fields so cannot be said to represent a real cross section of European business. In this light, this Paper intends to share the factors that have made these organisations successful in achieving international growth rather than report on the condition of European business as a whole.

Role of the EU

The role of the EU is to reduce and remove the barriers to international trade among and within the member states. Implicit within this strategy appears to be the assumption that European businesses know how to take advantage of the situation. A great deal of assistance is seen to be available for international development and a great deal of work on the topic is published, but penetrating the minefield of information is easier said than done. It is worth reiterating that while there are a range of theoretical models available, both an opportunity and a need still exists for specialist advice and support to businesses looking to expand internationally.

The 7 Motivators

Businesses may be content to operate within their home market, perhaps from inertia, satisfaction with their current status or even a perception that it may just be too hard. The degree to which the turbulent economic climate of late 2008 stimulates a broader based outlook remains to be seen. There are other businesses that see a wider opportunity for growth and have made the necessary investment in time and resources to take advantage of international opportunities.

Businesses across this whole spectrum are represented in the Ruban d'Honneur winners. So what is it that has motivated them to move outside the comfort zone of their own market and venture into the international arena?

The following are the 7 main motivations that emerged:

- 1 Recognising a wider opportunity
- 2 Customer-driven needs
- 3 Protection of technology and market space
- 4 Operating in a global marketplace
- 5 High market share in a finite market
- 6 Local market not maturing quickly enough
- 7 Ability to achieve economies of scale

Many businesses find themselves having to address one or more of the issues above, so what was the key driver that inspired them to develop an international growth strategy?

The 7 Barriers

Apart from the cultural and language nuances, the key barriers are essentially the same as those likely to be encountered in a start up or expansion in a purely domestic market. The real barrier is that it is not easy to gather the necessary intelligence on these 7 factors to inform the decision making process:

- 1 Real knowledge of the prospective market
- 2 Scoping the opportunity
- 3 Understanding regulation
- 4 Appreciating local cultural and language nuances
- 5 Minimising investment risks
- 6 Finding and satisfying customers
- 7 Finding the most appropriate trading model

Overcoming the Barriers

A wide variety of means were identified to overcome the barriers:

- 1 Working agencies and consultancies to understand
 - a. Local market size and opportunity
 - b. Relative strength and weakness of competition
- 2 Using the best law firms
- 3 Working with channel partners
- 4 Using local knowledge to avoid pitfalls before taking action
- 5 Securing customers first
- 6 Ensuring the business model is flexible to accommodate local legislation
- 7 Producing market leading quality
- 8 Really focusing on customer satisfaction
- 9 Offering attractive employment and training packages

The way the business is set up depends on a number of factors, not the least of which is the culture of the incoming business. Some organisations wish to have 100% ownership; some countries require businesses to engage a local partner; some require the incoming business to meet a raft of regulatory requirements; some carry very heavy employment responsibilities; others have rules on local taxation and the repatriation of funds. The type of business and distribution arrangement has to balance the need for the control that comes with 100% ownership against the cost and management of the risk of such factors. Cost for most organisations represents a limiting factor to growth and if rapid expansion is desired then a business model that engages the capital of others may be more desirable.

The Internet Outlook of the Ruban d'Honneur Winners

The internet is seen as a:

- Vital communication and information exchange tool
- Invaluable advertising medium
- Means of high speed two-way access to and from customers
- A low cost and instant way of establishing a credible presence in a market

Outlook for the Future

At the time of writing many of the western economies are going through a very difficult economic period. How did the Ruban d'Honneur winners feel the economic climate would affect their international growth aspirations? Overall the response was very positive and confident that the future needs to be regarded with caution and the risks well understood but with a very optimistic outlook regarding the opportunities that carefully considered international development could realise.

"In the Chinese language "Risk" is defined as "Danger + Opportunity"

Summary

The Ruban d'Honneur winners represent a diverse range of sectors and business sizes. 100% of the subjects indicated aspirations to grow internationally, motivated by different reasons and using a wide variety of tactics to overcome the barriers to success, however they share a common driver – a strong entrepreneurial quality in their leadership. The desire to look beyond normal boundaries, and the determination to achieve the success that flows from that entrepreneurial quality, has provided the drive that helped them understand and successfully manage the risks inherent in the process of taking a business into a new territory. The fact that they are Ruban d'Honneur winners is just one measure of the success they have enjoyed and is likely to be very valuable as a point of difference in any market situation.

Case histories

The following brief case histories have been selected to illustrate the seven key motivators that drive businesses to explore a policy of international growth:

Recognising a wider opportunity



Founded in 1997, bigmouthmedia is a leading digital marketing agency with over 200 staff across 13 offices, in ten countries on three continents.

An award-winning, multilingual agency with a track record of digital marketing through Search, Online Media Planning, Affiliate Marketing, Social Media and Brand Monitoring that places it at the forefront of the industry.

A proven thought-leader in Search Marketing, the company has successfully built a portfolio of integrated or standalone digital marketing products to maximise benefit for its clients over the past decade. Working from the platform that the client's brand is its biggest asset, it sees its role as making their brand shine in front of an interested audience while preserving and embellishing brand values and maximising return on investment.

It provides its clients with a range of services to meet their end objectives in areas – sales, enquiries, brand exposure, brand buzz, demographic expansion, user engagement, relationship marketing and/or user reach – using a variety of fully integrated digital marketing channels – Search, PPC and Online Media Planning, Affiliates, Social Networking, Brand Monitoring, Online PR and Web Analytics.

The company now works with over 200 international and multinational clients on a global basis. The company recognised that it had first mover advantage with a leading edge service that had multinational application and a growing client base with international needs. It faced some challenges in the translation of the brand in some languages but has built its strategic network of international offices in order to meet the needs of a growing portfolio of multinational clients.

www.bigmouthmedia.com

Protection of technology and market space



Intamac Systems Limited is a UK-based technology company. Through a unique internet platform and portal, it offers a wide variety of products, appliances and devices, networking them together to deliver new and innovative services and exploit the benefits of the Internet.

The Internet has created new opportunities for companies to provide exciting new products and services. The first commercial application of Intamac technology is the “Home Manager™” service, the world’s first Internet based automated security monitoring, control and messaging service. This service is the power behind the BT Home Monitor VP1000 and Bell Home Monitoring product kits.

Intamac has partner agreements in place with a large number of international and global companies in a variety of industries, offering value-added services to their customers. These services help their partners to differentiate their products and offerings — increase profits, strengthen their brand, reduce churn and build greater loyalty with customers.

It provides partner companies with a managed service that allows consumers to remotely monitor and control the devices, systems and appliances in their home or business, through a simple web interface. The company has already delivered new innovative services to the market with major corporate partners such as British Telecom, Cisco Linksys, Yale, and Bell Canada, helping them launch new product bundles that help increase customer loyalty and generate new revenue streams.

The unique capability and performance of the monitoring messaging and control services makes it perfect for a wide range of applications in various industries, enabling Intamac to work with a number of leading global organisations and actively look to partner with more. Their international growth strategy of developing leading edge, patented technology and distributing it via established international or global partners as an add-on to their service offering. This not only helps keep their technology at the forefront through feedback from a diverse end user base, but it also enables them to secure a high profile position in many markets and protect it in a way that would be both difficult and costly to do as a young stand alone business.

www.intamac.com



Operating in a global market place

Beluga's business is tramp shipping. Its activities focus on project and heavy-lift cargo. Beluga is both a shipping company and a charterer with its own state-of-the-art fleet. No matter how big or heavy the cargo is or where it has to be shipped, Beluga perform up-to-date services quickly, on time, safely and reliably.

Founded in Bremen, Germany in 1995, the shipping company has already become established in the top class of the international project and heavy-lift shipping sector.

A network of more than 300 committed employees, currently on four continents as well as 1,300 crew members at sea, ensure proper performance of the complex services offered to clients. At present, more than 50 multipurpose heavy-lift project carriers with onboard crane gear and flexible tweendecks, transport various project and heavy-lift cargo to every port in the globe quickly and safely, with this number expected to increase to 75 by 2010. As of December 2007, these special vessels include the MV "Beluga SkySails" – the first modern carrier in the world to make use of wind power as a supporting and environmentally sound source of propulsion by means of an innovative towing kite system.

Beluga's international growth strategy is based on understanding that they are operating in a truly global market where expertise, equipment and presence are the key ingredients for success. In such a market where logistics have become a competitive quality for industry and trade, the actual transport from A to B only makes up a small part of the process. In times of globalisation, complex service packages are in demand. In the project and heavy-lift cargo segment, requirements are even more demanding than in other standardised fields. By providing everything from a single source, Beluga offer a fully integrated service package for customers who themselves are part of a global supply chain and need high quality and on-schedule performance.

www.beluga-group.com

High market share in a finite market

Bank of Cyprus



Bank of Cyprus is a major Cyprus-based financial institution. In terms of market capitalisation it is the country's second largest company.

Until recently the Group operated a total of 280 branches – 147 in Cyprus, 134 in Greece, six in the United Kingdom, 11 in Australia, one in the Channel Islands and four in Romania. Largely unaffected by the performance concerns of the international banking sector, it recently bought 80% of Russia's Uniastrum Bank for 576 million dollars as part of its strategy to expand abroad. The bank is based in Moscow and has a total of 222 branches and sub-offices in 41 regions of Russia.

Its international growth strategy has only recently become fully developed. Its dominant position in its home market means that domestic expansion is limited. Therefore, it looks to markets where there is a healthy economic outlook and the prospect of potential M & A activity. First opening a representative office and then a branch as a source of information to better understand the market in more detail, it will then look to take the next step. Its acquisition of a majority share of Russia's Uniastrum Bank is a good example of this strategy in action.

www.bankofcyprus.com

Customer driven needs



SYKES in Europe delivers an outsourced contact centre, fulfilment and client finance services to companies throughout the EMEA region. Its clients' needs are many and varied, and each has come to rely on SYKES' capabilities, responsiveness and innovation in meeting modern business challenges.

Aware that one size doesn't fit all, it provides solutions that meet needs in many sectors through observation, evaluation and adaptation to satisfy the most demanding situations.

Its mission is to make its clients more efficient and more profitable while improving loyalty to their company brands. SYKES believes that in today's fast-moving and complex business world, an outsourcer that really adds value is invaluable as, perhaps, the only interface between the client company and its customers – an interface that is managed every day in over 20 markets around the world, in over 25 languages. By controlling the whole experience, SYKES provides integrated systems and mature business solutions that enable its customers to stand out from the crowd.

Its international growth strategy has seen SYKES position itself in markets where it can service its international client base using wholly owned subsidiaries to maintain total control wherever it can, where this is not possible it will engage in joint ventures.

www.sykes.nl

Local market not maturing quickly enough



Q-Cells is focused and specialised in the development, production and sale of high-quality solar cells. Today it is the world's largest manufacturer of solar cells. To maintain this position, it invests in a wide range of promising photovoltaic developments, thus playing its part in designing the future.

In this field it is not only the market leader in Europe but also one of the worldwide leaders in such technology.

Founded in late 1999, Q-Cells AG began with the production of silicon solar cells in the summer of 2001, with only 19 employees. By the end of 2007, approximately 1,700 people were employed at Q-Cells. In order to strengthen its position in the worldwide market, Q-Cells plans to expand its production site in Bitterfeld-Wolfen/Germany and start the construction of a new Malaysian production facility. Beside the mono- and polycrystalline core business it also produces thin-film modules, using different technologies.

Its growth strategy has been, and will continue to be, driven by a desire to continue to grow faster than the market in terms of turnover and production capacity. This has driven them to expand into key international market areas. Today only 40% of revenue comes from the local market, 40% from the rest of Europe, 8% from Asia and 6% each from Africa and America. It is expected that the smaller markets will provide the continued growth-to-export ratio.

www.q-cells.com

Ability to achieve economies of scale



VION N.V., headquartered in Son en Breugel (NL), is an internationally operating foodstuffs group with production and sales branches in all continents. The company operates in the field of high quality foodstuffs and ingredients for both human and animal consumption. 'Passion for Better Food' is their motto. VION supplies its products to consumers within and beyond Europe through industrial, retail and food service partners.

In 2007, VION employed 16,214 people and had a turnover of €7.1 billion. This put VION among the Netherlands' leading industrial companies and also made it one of the largest foodstuffs companies in the world. The group now has operations in almost 20 countries in five continents.

The group's activities are carried out in four divisions:

- VION Ingredients develops, produces and markets ingredients from natural raw materials for pharmaceutical, food and technical applications for people and livestock
- VION Fresh Meat operates in the efficient, hygienic and high-quality production of fresh pork, beef and lamb
- VION Convenience focuses on the development, production and marketing of meat-based convenience foods as well as other foodstuffs such as fish, vegetables and vegetarian products
- VION UK is the division specifically structured for the development, production and sale of food products in and from the United Kingdom. This will include meat, vegetables and potato products

VION's international growth strategy is driven by a highly developed and very effective business management model that enables the group to make healthy returns on parts of the food production process that are normally unprofitable. Part of the model is dependent on the operation being able to achieve economies of scale throughout the business therefore size does matter.

www.vionfood.com

The “ten for starters” checklist

The following checklist has been developed as a first-step, research starter to help any organisation begin the information gathering process – a key requisite to minimising some of the risks associated with international Growth.

1. Which countries / territories offer the best opportunity for international growth?	Why?	When?		
2. Which products/services have the best opportunity to succeed?				
3. How big is the annual market for these products/services?	Growing / Declining?			
4. Who are the main competitors?	What is their market share?	What is their distribution model?	Who are their main suppliers?	
5. What are the local regulatory constraints	Product / Service?	People?	Premises / Facilities?	Finance / Tax? Repatriation of funds?
6. Are there any cultural/language issues to resolve?	Political?	Religious?	Ethnic?	Legal?
7. Who are the key target customer groups?	What are their main needs?	Geographically widespread?		
8. How will you manage and staff the operation?	Who will Lead?	Staff skills and availability?	Reporting Lines	
9. What is the Business Model and How will it be financed?	Capital?	Supply Chain?	Distribution?	
10. What risks are you able to minimise most easily?	Insurance Options?	Finance Options?	Product Options?	People Options

Acknowledgements

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