CEO Europe
Management on demand

Innovation and international growth

Export is nowadays not anymore a "nice to have", but a necessity for innovative SMEs. It goes through building an international export culture and contracting local executives.

The Global Innovation Index 2011 indicates that countries like France and Italy are lagging behind other equivalent countries in terms of innovation. However, these countries demonstrate a capability to innovate in many fields.

Recently, the French Business Confederation has expressed the concern that French SMEs seemed less capable than others to grow internationally. And the Global Innovation Index ranks France very low for services export (like Italy).

The latter could explain the former: innovation without export remains confidential and has little chance to succeed and generate profitable business.

But exporting is not easy. It takes the willingness to approach each market as a totally new market, in terms of customers, distribution and competition. Innovative companies must enrich their culture with international business culture, mixing foreigners and locals at executive level.

Export is a necessity

Some very large countries have a domestic market large enough to generate significant revenue and economies of scale, ie: profitability.

But in many countries, home markets are not large enough to turn innovation into profitability: international growth is a necessity. Some countries, like former Commonwealth countries, or from the former USSR have a very favorable access to a selected international market. But for most European countries, their previously fast growing domestic markets are not sufficient today in a context of international competition.

Language is a barrier that can be overcome as the Dutch and the Scandinavian have demonstrated. In some countries, export is almost in the genes of the population (Singapore, the Netherlands, Ireland, Belgium...). And they are successful. But other countries do not have the culture to do so, even though they don't really have a choice: export is a matter of survival today.

Specific needs for export

Success in a country does not make success in another country. Some specific products like small electronics, chocolate bars, shoes or cloths may induce to

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believe that markets are homogeneous internationally, but at a more granular level, it is not the case. Design is often country specific, but also market structure and market regulation. Crossing borders takes to reconsider all local elements: customer's expectations, competition and distribution.

Foreign customer expectation

Entrepreneurs immersed in their home market have a natural understanding of their customers' behaviors and expectations. They can identify new trends and design the right solution. They can complete their intuition getting market feedback and applying well known marketing processes, to gather customers' opinions, finalize the right offer, and go to market. They know well their distribution network and after a bit of trial and error, they can find the right final packaging for the offer.

Question: how much of this offer is specific to their home market?

Food is the easiest example: eating habits, cooking habits are significantly different in all countries (can you compare Japan, Spain, the US, the UK, India, Morocco or France?) In some countries, people prefer to prepare meals, in others, they buy and cook ready meals. Some like to buy fresh food every day, others long life products once a week. Food chains know this problem well as they are used to adapting traditional recipes to local habits when they export a concept.

It is easy to make mistakes: a car called "Nova", created in an English speaking country, was exported in Spanish speaking countries under the same name ("no va" means "doesn't work" in Spanish); the German "Gerber" baby food, could never be sold in France as "gerber" means "vomit" in French.

These are funny obvious cases but many are not that obvious. Each country has its peculiarities. One of our iCEOs(*), about to launch a telecom business in a new Asian country, decided not to trust international marketing analysis covering this country: "I asked a local marketing agency to run a local market study, by fear that I would miss something crucial. And I was right! I would have gone "one-eyed" amongst competitors with good eyesight."

Local competition

Being in one country at the forefront of innovation does not mean in today's world that there is no competition abroad. Service ideas are not unique, new products can be created at the same time on both sides of the Atlantic.

Having a competitor on a new market is a good thing: customers are more inclined to make the leap of faith of buying an innovative solution if there is a diversified choice already. But ignoring a local competitor can be a bad mistake, as he has the natural understanding of is native market. In addition, when a foreign company arrives on a new market, it boosts local potential competitors who can catch up thanks to their intimacy with local customers

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and distribution. Local market expertise is a necessity when developing abroad.

Foreign country distribution

One of our iCEOs described a typical situation: two soft drink companies developed almost simultaneously in an Eastern European country; one hired local executives, and quickly established a dominant position, while the other, with mostly foreign managers, stalled. It wasn't until the second company "poached" local executives from the first company, that they regained a market share more consistent with their international market position.

Most countries have subtle specificities when it comes to distribution that international managers may not always identify. A multinational industrial company with 35 different business lines found out that for some businesses, the global strategy had to be specific for targeted countries, because of local distribution peculiarities (different habits for wholesalers, retailers or installers, 2 tier distribution in some countries, 1 tier in others). They could identify it because they were strongly established in each country, and followed their local executives experience and knowledge.

Local executives may also be aware of local regulations, or have political contacts enabling them to influence local regulations or simply approval by government bodies.

Creating an international culture for export

In order to address these challenges, innovative companies need to build an international business culture, as early as possible in the export process.

It is sometimes difficult for SME top executives to trust and hire a foreign executive in the target country. Prejudices are engrained and even sometimes justified! Moreover, language barriers can make it difficult for the recruiting company to perceive the real competence of a foreign executive.

But there are executives with either bicultural competence, or a strong international business culture in addition to their local business culture. The problem is to find them. This is what a natively international recruiting network can provide: identify, select and propose these profiles.

In addition, exporting entails major financial risks. Hiring too early a full time executive is somewhat hazardous. In order to mitigate the risk, SMEs need flexibility: the possibility to temporarily contract these executives and go for permanent recruiting only when success is in sight and when the personality match is confirmed.

(*) international C-Level executive, certified by CEO Europe.

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About the author:

Olivier Pujol has worked over 23 years in many countries, positions, and companies. He has conducted business in 12 European countries, in Africa, North America, South America, and Asia, for companies like Schlumberger or Honeywell, as well as SMEs and start-ups. He has been in the position of CEO, COO, field manager, strategy and M&A specialist, business developer, and consultant. He worked on offshore platforms, in the jungle, but also in board rooms and electronic labs.

Over the years, Olivier has specialized in two fields:

- Management of organizations (with the hindsight of many sectors, company policies, and a long practice of management)
- International development of innovative products and solutions (after experimenting himself the challenge of selling innovation)

Olivier holds an MSc of l'Ecole Centrale de Paris, and an MBA from Insead. He can speak 5 languages (French, English, Spanish, Portuguese and German).

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