

Taking Business to Distant Destinations

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Managing Business Risk
when entering new International Markets
through accurate **Information**
and dependable **Partnerships**

RISK:

**"If no one ever took risks,
Michelangelo would
have painted
the Sistine floor."**

Neil Simon, American playwright



Three Steps to Effective International Risk Management

- Identify the individual risks
 - Assess risk magnitudes and exposure levels
 - Incorporate the risk assessment in the decision making process
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Identify Risk through relevant and timely INFORMATION

Relevant Information:

“The three most useless things to a pilot are the altitude above you, runway behind you, and a tenth of a second ago.”

Gather information from all suitable sources about your target markets and identify the major risk elements:

- **use the Internet wisely ("We've heard that a million monkeys at a million keyboards could produce the complete works of Shakespeare; now, thanks to the Internet, we know that is not true." Robert Wilensky, speech at a 1996 conference (Professor Computer Science Division and School of Information Management and Systems - University of California, Berkeley)**
 - **make use of the many trade specific media and collect information about your target market** (example Momberger Airport Information www.momberger.com)
 - **use information available from trade associations (such as the ACC, ACI) and government trade organizations at home and abroad, as well as NGOs that are involved in international trade**
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Assess Risk and expect CHANGE in your business practices

"A competitive world has two possibilities for you. You can lose. Or, if you want to win, you can change." Lester C. Thurow, American economist and educator Dean, MIT's Sloan School of Management

- **get a first hand look at your international markets by joining trade missions by government and trade organizations to help with risk assessment**
- **participate in trade conferences and exhibitions that are most relevant in contents and location**
- **prepare for cultural differences and adapt**
- **consider the less obvious risk elements – example: imbalance of decision making powers when meeting overseas contacts**

anecdote:

Atlanta Business Chronicle - June 28, 1996 by Wilson Harrell (business consultant) relates his experience as an entrepreneur doing business in different cultural and political systems abroad:

“The worst weapon entrepreneurs take into an international meeting is their ability to make decisions. We go rushing in ready and able to make a deal, yet we are usually negotiating with people who have no authority to make a business decision. Because they know you are the decision-maker and they aren't, they have a tremendous advantage. Whatever you say is the final word; whatever they say is subject to someone else's OK. You're ready to shake hands and get going and they're ready to refer the matter. In most cases, there will be an interpreter, which they need like Lake Lanier needs another boat. All the time the interpreter is interpreting, the man across the table is planning his next move. He feels your vibrations -- your anxiousness, your eagerness, your impatience. The smile on his face is not the smile of friendship; it's the smirk of a predator already tasting his next meal.

Before your meeting, spend a lot of time learning about the culture, mores and folkways of the people you're about to deal with, even a few key phrases of their language. Next, practice how to stop being an entrepreneur. Purge yourself of aggressive, arrogant, uncompromising, know-it-all, close-the-deal-fast behavior. I know that changes your whole personality, but take my word, those great entrepreneurial attributes are deal busters over there. Another thing: never talk about your rags-to-riches rise -- about how you started in the basement, outsmarted everyone and built an empire. That may not be possible in their world, so you come across as a liar, bull shooter or babbling idiot. It's much better to be laid back and understate everything.

Try and fool them into believing you are like them. Leave your purple shirts and loud ties back home. Dress as they dress, unless you're in Arabia. Drink what they drink. Eat what they eat.

Above all, be patient. I've often had my head handed to me because of my impatience. With most foreign executives, negotiating is an art form. The same entrepreneurs who spend months working on one deal back home will pack their bags, plan to visit 10 countries in 10 days and close 10 deals. Be smart. Go to one country with an open return ticket. Go into every meeting knowing there will be another. Make sure that it's you who says, "Why don't we think about this overnight," or "Let me discuss this with my people and get back to you." Patience is a magical word in the international arena.”

Incorporate the Risk Assessment in your strategy and set your mind to WINNING

"Let me win, but if I cannot win, let me be brave in the attempt." Special Olympics motto

Take the obvious steps first:

- talk to associates with experience in the intended target markets and build on their advice
- get involved in the ACC Globalization & International Affairs committee to learn and share

Further steps:

- make use of free advice from government organizations and NGOs that know the risks from operations in the field
- investigate export risk insurance offered by your government
- enter into a partnership with a trusted company in the destination market



Risk Management

The challenge is not to eliminate risk (which is inherent in any business venture) but to manage it in a systematic fashion that permits businesses to pursue their business objectives with reasonable confidence.

Fortunately, improvements in the quality and availability of foreign market information have increased the repertoire of risk management tools at the disposal of globally active companies.

Types of Risks:

Proprietary Risk

The expanding global trade heightens the danger of loss of intellectual property, especially in emerging markets.

Market Risk

Global companies confront a variety of market risks: misalignment of capabilities and target markets; insufficient knowledge of technological disruptions of those markets; slow responses to emerging market opportunities.

Foreign Exchange Risk

Uncertainty over the direction and magnitude of currency movements places globally active companies at risk of foreign exchange losses.

Country Risk

Business risk is particularly high in emerging and developing countries where regulatory structures are fragile, rule of law is weak, and political/economic instability is pervasive. But it is precisely these markets that offer the greatest commercial potential for global companies in coming years.



Action Plan to prepare for doing business abroad:

- **Be prepared - Find out what your company needs to do to prepare for doing business overseas**
- **Do your homework - Research your market thoroughly**
- **Make a plan - Work out a detailed plan for breaking into your chosen market**
- **Promote your service or product - Customise your businesses development effort to the target country, taking into account language and cultural issues**
- **Visit the market - If you haven't been to the market already, get out there and see it for yourself. Travel with a sponsored trade mission or trade fair group if you can**
- **Get the legal side right - Make sure your contracts with partners and clients are crystal clear. Check to see if you need a licence. Contact Customs and Excise to find out what your legal responsibilities are. Ensure that your reporting practices are watertight. Make the necessary applications to protect your intellectual property**
- **Get paid on time - Make sure your cashflow won't dry up by using trade finance if necessary. Take out insurance cover if required. Minimise any exchange rate risks**
- **If you export goods - Assess and choose the most appropriate transport method and make sure the goods are insured by you or the importer**
- **After-sales effort - Keep in touch with customers, agents and banks. Monitor any relevant events and developments in your market. Make sure your customers continue to receive good after-sales support.**



Consider different forms of Partnerships in overseas markets:

Some possible types of partners:

- **individual representative with track record and professional qualification for the tasks that he / she is required for**
- **established company in the relevant field with qualified staff / associates and connections to organisations relevant to your business**
(examples of Air Trans Source partners in Japan, India)
- **field / branch offices of affiliated companies or of companies with whom you have close past and existing business relationships**

How to find trustworthy and qualified partners:

- **through visits to the regions where you wish to do business (individual fact finding tours, participation in trade missions, trade shows, etc.)**
- **recommendations from trusted affiliates with long term experience with partnership candidates**
- **fellow members in trade associations** (note: expansion of ACC membership overseas)
- **government trade offices in target markets**

NOTES: obviously, the overseas partner has to have a significant incentive of some form (work / revenue share, commission, etc.) in order for this affiliation to bear fruit and become a long term, mutually beneficial business relationship.

Representatives with too many affiliations and too small an incentives in joint projects may not allocate a high enough priority to your business and produce little or no income from the intended markets / target clients.

In business partnerships “the right Qualifications are great – trustworthiness is even better”

Overcoming The Cultural Divide Language and Cultural Differences

In addition to language barriers, cultural differences, which are often less obvious, can be just as big an obstacle to doing business.

Even when your customers speak the same language, difficulties can arise. For example, companies in the US have a very different business culture to most UK firms even if they talk (mostly) the same language.



Someone once stated that “the United States and the United Kingdom are two nations divided by a common language.”

Sometimes mistakes brought on by cultural and language differences are unavoidable and most potential customers will be tolerant of honest errors - but often just an awareness of other people's cultural sensitivities and a willingness to learn and appreciate them will go a long way to bridging any culture gap.

China has launched a fresh drive to clamp down on bad English (“Chinglish”) in the run-up to the 2008 Beijing Olympics.

Emergency exits at Beijing airport read "No entry on peacetime" (non emergency situations)

A road sign on Beijing's Avenue of Eternal Peace warns of a dangerous pavement with the words: "To Take Notice of Safe; The Slippery are Very Crafty".

Anecdote:

A washing powder manufacturer once advertised his products in the Middle East with a series of images which he thought showed his powder producing marvellously clean clothes. Unfortunately his potential customers read right to left in Arabic - they saw his product making clean clothes filthy

....one more quote about taking RISKS:

Wayne Gretzky, the hockey player, reported the comment of an early coach who was frustrated with his lack of scoring in an important game. The coach made his point when he said, "You miss 100 percent of the shots you never take."

Website Resource List

United States Government

U.S. Department of State <http://www.state.gov>

Country Background Notes <http://www.state.gov/r/pa/ei/bgn>

The **U.S. Government's Export Portal** <http://www.export.gov>

International Trade Administration of the **Department of Commerce** <http://trade.gov>

The Web site of the International Trade Administration of the Department of Commerce.

Canadian Government

Foreign Affairs and International Trade Canada <http://www.infoexport.gc.ca>

The Trade Commissioner Service helps companies that have researched and selected their target markets.

Team Canada Inc <http://exportsource.ca>

Team Canada Inc is a network of federal departments and agencies working with the provinces, territories and other partners to help Canadian businesses prepare for the global marketplace.

Export Development Canada (EDC) <http://www.edc.ca/english/index.htm>

EDC is a Crown Corporation that provides financing and risk management services to Canadian exporters and investors in up to 200 markets worldwide.

International Organisations

The World Bank <http://www.worldbank.org>

The World Bank is a vital source of financial and technical assistance to developing countries around the world. It is not a bank in the common sense. The World Bank is made up of two unique development institutions owned by 184 member countries—the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA).

The International Finance Corporation <http://www.ifc.org>

The International Finance Corporation is the private sector arm of the World Bank Group. Its mission is to promote sustainable private sector investment in developing countries, helping to reduce poverty and improve people's lives.

IFC has committed about \$1 billion in investments worldwide in transportation infrastructure projects (ports, **airports**, and toll roads). Our projects include project financing for greenfield facilities, corporate loans, and refinancing of bridge loans in a variety of contractual structures, including full concessions, BOTs, and others.
<http://www.ifc.org/ifcext/infrastructure.nsf/Content/Airports>

World Customs Organization <http://www.wcoomd.org>

Established in 1952 as the Customs Co-operation Council, the WCO is an independent intergovernmental body whose mission is to enhance the effectiveness and efficiency of Customs administrations. With 169 Member Governments, it is the only intergovernmental worldwide organization competent in Customs matters.

United Nations & Global Security <http://www.un-globalsecurity.org>

An initiative of the United Nations Foundation

In 2003 the United Nations Foundation and a number of partners launched "United Nations and Global Security" an initiative that aimed both to support fresh intellectual contributions to the dialogue surrounding the challenges facing the UN and to enlarge the circles of informed citizens who actively followed and contributed to that debate.

The **International Crisis Group** (Crisis Group) <http://www.crisisgroup.org>

The Crisis Group is an independent, non-profit, non-governmental organisation, with nearly 120 staff members on five continents, working through field-based analysis and high-level advocacy to prevent and resolve deadly conflict.

International Relations and Security Network (ISN) <http://www.isn.ethz.ch>

The ISN is a free public service that provides a wide range of high-quality and comprehensive products and resources to encourage the exchange of information among international relations and security professionals worldwide. The ISN works to promote a better understanding of the strategic challenges we face in today's changed security environment. Based in Zurich, Switzerland, at the Center for Security Studies (CSS) at ETH Zurich (Swiss Federal Institute of Technology Zurich), the ISN's dedicated team – drawn from various disciplines, including the humanities, the social sciences, and information and communication technology – engage in research projects and education activities, provide news stories and in-depth analyses, and develop technologies for information sharing and for creating and supporting e-learning.

International Business Knowledge

globalEDGE™ <http://globaledge.msu.edu>

Created by the Center for International Business Education and Research at Michigan State University (MSU-CIBER), globalEDGE™ is a knowledge web-portal that connects international business professionals worldwide to a wealth of information, insights, and learning resources on global business activities. Partially funded by a U.S. Department of Education Title VI B grant, globalEDGE™ is your source for global business knowledge.

The site offers:

- Global Resources - more than 5,000 online resources
- Country Insights - a wealth of information on all countries
- News & Views - latest issues in international business
- Academy - extensive research and teaching resources
- Diagnostic Tools - decision-support tools for managers

globalEDGE™ offers a wide range of information and knowledge. Partnership opportunities are available for businesses and other organizations interested in international business.

Business Monitor International <http://www.businessmonitor.co.uk>

Established in 1984, Business Monitor International is a print and online publisher of specialist business information on global emerging markets. Its range of daily, weekly, monthly and quarterly services covers political risk, finance, macroeconomic performance, outlook and forecast, industry sectors and the business operating environment. BMI also publishes directories and CD-ROMs profiling multinational companies active in emerging markets.

Worldwide Business Reports <http://www.businessculture.com>

Here you will find a series of reports on business customs, etiquette, cross-cultural communication, proper gifts, negotiating tactics, business culture, manners, business entertainment and much more.

Executive Planet™ <http://www.executiveplanet.com>

provides valuable tips on business etiquette, customs and protocol for doing business worldwide. Our guides are co-authored by experts in international business etiquette, who are available to answer your questions on the discussion board.

Overseas Trade (U.K.) magazine <http://new.overseas-trade.co.uk>

Overseas Trade magazine has put together this **Exporting for beginners** website in association with UK Trade & Investment to provide a resource for companies that have just started out exporting or that are considering exporting in the future.

Wikipedia <http://en.wikipedia.org>

Wikipedia is a multilingual, Web-based free content encyclopedia project. Wikipedia is written collaboratively by volunteers, allowing most articles to be changed by almost anyone with access to the website. Wikipedia's main servers are in Tampa, Florida, with additional servers in Amsterdam and Seoul. Wikipedia was launched as an English language project on January 15, 2001 and is now operated by the non-profit Wikimedia Foundation. Currently Wikipedia has more than 5 million articles in many languages, including 1,430,244 in the English-language version. There are 229 language editions of Wikipedia, sixteen of which have more than 50,000 articles each.

Internation Airport Publications & Information Services

Momberger Airport Information <http://www.momberger.com>

The world's longest serving independent airport news service, established by Karin & Manfred Momberger in 1973. Available in hard copy and electronic formats and with an extensive searchable database covering many years of publication, it is subscriber customizable with a total of 8 sections. Worldwide airport development is covered in the Main Section on airport and airfield planning. In addition, there are six special selectable sections on airport related subjects, including operations and privatization, airport consultancy and contracting, ground support and terminal equipment, air navigation services, aviation catering, and on aviation maintenance, as well as an events calendar.

airport-information.com <http://www.airport-information.com>

including the Albatross World Airports and Suppliers Database & News System, a source for information on Airports, Equipment Suppliers, Consultants, Contractors.

Airports International <http://www.airportsinternational.co.uk>

Airports International is published 9 times per year. The publication is free to qualifying industry decision makers.

Air Transport Intelligence (ATI) <http://www.rati.com>

ATI is the online service for the global air transport industry, providing you with essential real-time news and data 24 hours a day. It is a business service of Reed Business Information Limited.

Airport Revenue News <http://www.airportrevenuenews.com>

The Airport Revenue News magazine and the ARN Fact Book are published by the Armbrust Aviation Group (AAG), a full service international aviation publishing and consulting company established since 1992. Airport Revenue News, a monthly magazine devoted to coverage of airport revenue sources as well as finance and cost containment issues.

Airport World <http://www.insightgrp.co.uk/AirportWorld.htm>

Airport World, the official magazine of Airports Council International's Geneva HQ, and Routes News, published on behalf of the World Route Development Forum.

Aviation Week / AviationNow.com <http://www.aviationnow.com>

AviationNow.com is AVIATION WEEK's web portal, delivering information from AVIATION WEEK publications to aviation and aerospace professionals worldwide, and providing access to services such as Conferences and Job listings. AVIATION WEEK, a division of The McGraw-Hill Companies

China Civil Aviation Report (CCAR) <http://www.chinacivilaviation.com>

China Civil Aviation Report (CCAR), published by Uniworld, provides the world's aviation communities with valuable and up-to-date news on civil aviation developments in China. CCAR is published in conjunction with China Civil Aviation, a publication of the Civil Aviation Administration of China. Uniworld LLC was founded in Taiwan in 1970. Now headquartered in Pittsburg, California, it also has an office and full-time staff in Beijing.

Jane's Airport Review <http://jar.janes.com/public/jar/index.shtml>

Jane's Airport Review helps management professionals make strategic decisions to improve an airport's profitability and efficiency. It covers the latest airport business and development news on the commercial aviation industry, as well as reports on the most recent airport finance deals. Each issue contains market trend information with listings of airport share prices and traffic statistics. There are also dedicated sections on air traffic control, aviation security and safety, and ground support equipment. The magazine is published by the Jane's Information Group in the U.K.

