Internationalization of companies

This is a summary report prepared with the aim to offer the reader a glimpse of the work we did to assist a company to internationalize. It contains unabbreviated the executive summary and the conclusion but its other content is mostly charts showing the results of some of the most important aspects researched in the areas of country selection, customer analysis and international comparison, competitors analysis, strategy and strategy implementation.

Those with a more keen interest in the subject, will find the full report and findings at our consultancy’s site: www.sardossolutions.com

Executive Summary

The objective of this study is to respond to a young client company’s request and advise them on how best to internationalize and at the same time build a strong position to grasp future opportunities at home or abroad.

The study proceeds on the guidelines for CIIM competitive analysis and covers five major topics:

(a) Foreign country selection by both qualitative and quantitative assessments
(b) Situational analysis including secondary desk research centered on our choice
(c) Direct research by field surveys and their findings
(d) Competitive analysis
(e) Strategy and its execution

Our desk research provided the information for the foreign country selection and the situational analysis carried out next confirmed that choice. For our direct research, we chose the field surveys given the geographic distance from the selected foreign country. Two different questionnaires were prepared one for the customer companies and the other for the competitor consulting firms.

The market research by field surveys took a lot of our time and longer than expected. We sent around 1300 questionnaires to customers and competitors in the UK alone and also sent reminders twice. We sent more than 350 questionnaires to companies in Cyprus and
made several follow up calls. Having a very poor response from the UK customer companies, made us search for alternatives. So next we sent questionnaires to company executives we had as friends on LinkedIn. Overall, it was a great effort with results below expectations but gave us the chance to talk to a lot of people in many industries.

Going to LinkedIn in our search for responses, there appeared a new opportunity, a new dimension for our study. A lot of the companies that responded were from the US and Canada. Instead of discarding them, we created new groups so in the end we had four categories: The UK, Cyprus (CY), US and Canada (USCAN) and Rest of the World (RWorld) thus creating the possibility for comparison of broadly diverse countries.

The survey direct findings and the country comparison results are presented in charts followed by comments for each country/region and form an important part of this study.

The top characteristics that customers seek in a consultant come out from the surveys in a clear and consistent way. Furthermore, it is worth noting that the customers demand a combination of what we termed “Hard” and “Soft” characteristics of more or less equal proportions and that Price weighs much less than a consultant’s potential for excellent performance.

One further important finding from the comparison of countries/regions is an extensive evidence of similarities in customer demands among regions that subsequently raises the question whether in the management consulting business we are faced with a GLOBAL customer.

Strategy maps and strategy canvasses are produced from the competitor survey results in the competitive analysis. They show whether strategic empty spaces still exist. A new strategic profile is proposed for the new company, and what it takes for it to occupy such a profile is subsequently examined.

Strategy for the new company and its execution are pursued in the following final sections. For a young company, we could not treat international strategy alone without considering its strategy at home too. So we have two sections one for strategy in general and at home, and the other for the company’s international strategy. The report culminates with strategy
execution by the 7 Ps and with the presentation of an Action plan for the business to realize the recommended actions.

An electronic appendix that can be made available upon request contains all that forms the basis of this report including the working tables for the surveys analysis.

By all we have done, can we offer the advice asked by the customer as to how best to internationalize? Which country should the client company select to expand first? Is there a viable strategic space empty for the company to occupy? What should the company do to move to that new strategic space? What should it remedy as weaknesses or acquire as competencies? What strategy should the company employ for its local market and what strategy for its international expansion? What new ideas for action should it embrace? What action plan to follow?

We are confident that to all those questions, our work provides the company with good realizable answers.
PESTELE analysis for candidate countries versus CY

For clarity, only five countries are shown. Left-hand side shows country opportunities-strengths (Economic) while the right-hand side presents the threats. In both respects, two countries come out: Germany and the UK.

PESTELE in chart for candidate countries vs. CY

PORTER Industry analysis

The content of this section is taken from reference 7. For the complete content, please see e3-Appendix (Management and Marketing Consultancy 2015 MARKETLINE(3))
PORTER’s 5 Forces driving competition in the management & marketing consultancy market in the United Kingdom, 2014 – source MARKETLINE reference 7

PORTER 5 Forces

Quote from MARKETLINE 7 which eloquently explains the forces and their intensity

“Low exit costs and players’ ability to differentiate their services by focusing on a particular market niche temper rivalry in this market, and strong growth assists further. **Overall rivalry is assessed as moderate.**

The high likelihood of buyers’ backward integration, market players’ dispensability in most situations, and low switching costs, all work to drive up the power of buyers in vis-a-vis market players. **Buyer power in this market is strong.**

**Supplier power is also high,** largely as a result of high switching costs for market players, as well as suppliers’ scale: large multinational ICT firms like IBM often dwarf the consultancies they supply, for instance.

**There is a moderate threat from new entrants** to the management consultancy market, as although reputation is extremely important, which works against startups, it is possible to carve out a niche in the industry, for example by focusing on a particular aspect of a market.
Finally, there is a strong threat from substitutes, because under normal circumstances consultancy services are fairly dispensable to the majority of potential buyers, and buyers' backward integration always poses a significant risk.” Unquote.

CAGE framework
Assessing the UK and Germany by the CAGE distance criteria. Score of 10 shows most closeness to the company.
Comparison of closeness to the company of the UK and Germany

As expected the two countries are close to the company. However, the very crucial criterion of spoken language, as well as the company CEO’ studies in the UK bring the UK closer to the company for selection.
Customer Segment Profiles

We go straight to the results of our primary market research. What are the characteristics of the customer segments in terms of attributes they demand from consultants when grouped by size and when by type of industry? Which of the two methods of segmentation more clearly distinguishes one group from the other? The graphs below provide the answer:
Consultancy characteristics ratings by client companies of different size

Consultancy characteristics ratings by client companies of different types of industry
Worries ratings by client companies of different size

![Graph showing WA Ratings for Worrisome thoughts by client companies of different sizes in no. of employees.]

Worries ratings by client companies of different type of industry

![Graph showing WA Ratings for Worrisome thoughts by client companies of different types of industry.]

ix
THE INDUSTRY FORCES SHAPING THE CUSTOMER’S CHOICE FOR CONSULTANCY - CY SCORES

**HARD FEATURES - PERFORMANCE -**
- Consulting experience: 9.52
- High ethical standards: 9.08
- Reputation: 8.17
- International experience: 7.28
- Low-price services: 7.28
- Network of associates in other countries: 6.92
- Image - firm's physical appearance: 6.20

**SOFT FEATURES - APPROACH -**
- Is action and results oriented: 9.36
- Looks at your firm's problems from a new perspective: 8.80
- Fits his expertise to the client's skill levels and needs: 8.76
- Gives his/her personalized attention: 8.72
- Is easy to contact and exchange views: 8.40
- Gets consultancy’s CEO and/or top managers personally involved: 7.48
- Shows emotional intelligence-understands people's feelings: 6.92

**PRICE VS PERFORMANCE**

<table>
<thead>
<tr>
<th>Low price</th>
<th>Excellent performance</th>
</tr>
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<tr>
<td>☐</td>
<td>☐</td>
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**HARD VALUES VS SOFT VALUES**

<table>
<thead>
<tr>
<th>Right-for-you approach</th>
<th>Prospects for excellent performance</th>
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<tr>
<td>☐</td>
<td>☐</td>
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**CUSTOMER NEEDS**

**AREAS OF SPECIALTY**
- Strategy: 8.24
- Specific organization's problems: 8.16
- Operational effectiveness: 7.88
- Technological improvements: 7.63
- Marketing: 7.56
- Innovation - new products/services: 7.32
- Change management: 6.92
- Human resource (HR) matters: 6.20
- Internationalizing the business: 5.72

**WEIGHT**

**WORRIES**
- Their junior staff to handle the project: 6.80
- High charges for unforeseen circumstances: 6.40
- Implementation beyond our resources: 5.80
- Not having contact with the consultancy’s senior officers: 5.21
- After-payment problems in communication: 5.20
- Recommendations not appropriate for our firm’s size or type: 5.00

**TYPE OF OFFICE**
- A firm with industry-specific consulting expertise including your industry: 8.96
- A firm with specializations in various management areas: 7.16
- A firm with accounting-audit services that also provides management consulting: 6.36
- A technology-focused firm: 5.80
- A firm with general management consulting: 5.80
- A freelance consultant: 4.63
Comparison of the findings of the Cyprus survey (CY) with those of the US – Canada (USCAN) survey

BY CHARTS
Q5: Component "Hard" characteristics of consultancy in demand - Comparing CY with USCAN

Q6: Sought-after combination between Low Price and Excellent Performance - Comparing CY with USCAN

Q7: Component Approach characteristics of consultancy in demand - Comparing CY with USCAN

Q8: Sought-after combination between Right Approach and Excellent Performance - Comparing CY with USCAN
Q9: Areas of consultancy in demand by companies - Comparing CY with USCAN

Q10: Worrisome thoughts when choosing consultants - Comparing CY with USCAN
Q11: Suitability to client companies of types of consultancy - Comparing CY with USCAN

- All USCAN respondents (9)
- All CY respondents (25)
- Linear (All USCAN respondents (9))
- Linear (All CY respondents (25))
Q12: Where do client companies look for consultants? Comparing answers of CY with USCAN

WAYS TO SEARCH

Q18: Digital orientation of client companies Comparing CY with USCAN
Overall assessment for the customer surveys findings

The surveys clearly show how customers rank and rate important consulting characteristics. Such characteristics are consultants' hard or soft attributes, the management areas of most interest to them, the type of consultancy office they would go as well as the worries they have when employing a consultant.

The combination the customers seek between what we termed “hard” and “soft” characteristics is shown to be very balanced. However, in another question the customers are shown to put much greater emphasis on a consultant’s performance than on price.

The ranking of a consultant’s characteristics for all surveys is shown to be the same or more or less the same in almost all the characteristics examined. And this sameness is irrespective of the client company’s age, size, type of industry or whether they employed or not a consultant before. It is also independent of country origin for the cases examined.

In particular for Cyprus and the diverse and far away region of US-Canada, the similarities in the attributes that customers demand from consultants, are shown to occur to a great extent and degree. We acknowledge though that some deviations exist minor in our opinion.

These observed similarities raise an important question as to whether the management consultancy industry is now faced with a GLOBAL customer. Our survey comparison results show some remarkable evidence. Chart 14.3.1 below is also relevant.

Customer segmentation is examined in terms of characteristics demanded on the basis of customer size, chart 14.3.2 below, and industry type, chart 14.3.3. We found that the basis of size differentiates the segments more clearly.

Chart 14.3.4 shows a quantitative assessment of what all customers said that they valued about consultants when had the chance to express their thoughts freely. The relevant question was placed at the beginning of the surveys so that the survey closed questions do not influence the respondents. Though sometimes the respondents expressed the attributes they valued in different words, those attributes were equivalent to the ones in the closed questions of the survey.

From the findings we generate two important diagrams:

(a) The industry forces that shape the customer's choice for consultancy (14.3.5) and
(b) The pricing diagram that relates price to performance, approach and worries (14.3.6)

The first diagram aims to describe on one page all the issues appropriately weighed that come to the customer’s mind and influence the decision on the choice of consultant. The diagram presented shows attribute weights for Cyprus.

The second diagram is intended to be used for price setting. The price to charge is found through the price-performance line the slope of which is defined by the ratio of the two and is taken from the survey results (ratio of the price performance combination).
The less desirable space (more downward) the company operates in, the less price it can demand and charge.

For the presentation of the two diagrams, please go to sections 14.3.5 and 14.3.6.
Are the consultancy customers Global in character with little or no differences in their demands in the various countries?

Fig. 18 Characteristics and worries of consultancy clients among countries

- **Consultancy characteristics in demand by country**
  - All participants WA rating
  - Cyprus WA rating
  - USA-Canada WA rating
  - UK WA rating

- **Worries of companies by country when choosing a consultant**
  - All participants WA rating
  - Cyprus WA rating
  - USA-Canada WA rating
  - UK WA rating
COMPETITIVE ANALYSIS

CY strategy maps

Fig 24 CY - Performance vs Price
by weighted data

Fig. 32 CY - Strategy canvas
exhibiting the groups' profiles and empty spaces

CY strategy canvas
New Strategy – What should their future strategy be?

What is strategy?

We express strategy in three ways which though different in specificity and emphasis, they are not different as to what strategy involves.

Strategy as the long-term direction of the Organization

Long-term gives the meaning that strategy involves a complex set of activities that can only materialize over time.

Direction has the meaning of selecting from choices of how to go about from your start point to your ultimate goals (vision) i.e. selecting choices to win

The Organization we are dealing with is very important, and any strategy must take into account its resources and capabilities to create a competitive advantage (CA). It must also consider its structures, culture and systems for an effective delivery of purpose.

The two natures of strategy

Strategy as a series of states and trips towards the Vision

Each state or position (rectangles) is defined by objectives that the company has achieved to enable it to be there. Within that state, it now competes (plays the game), while it has its eyes on the next set of objectives. Those new objectives the company is constantly trying to meet to advance to the next state (position) and so on.
International Strategy for the new company in the UK

To define the company’s choice of strategy we alternatively use two different 2x2 matrices. One showing Pressures for local responsiveness versus Pressures for cost reduction and a second one showing Configurations of activities versus Coordination of activities.

International strategy in terms of Local Responsiveness and Cost Reduction

Choice of International strategy in terms of pressures for Local Responsiveness and Cost Reduction: Starting with LOCALISATION and moving to TRANSNATIONAL STRATEGY

<table>
<thead>
<tr>
<th>Pressures for local responsiveness</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>GLOBAL STANDARDIZATION STRATEGY</td>
<td>TRANSNATIONAL STRATEGY</td>
</tr>
<tr>
<td>Low</td>
<td>INTERNATIONAL STRATEGY</td>
<td>LOCALISATION STRATEGY</td>
</tr>
</tbody>
</table>

International strategy in terms of Configuration and Coordination of activities

Choice of International strategy in terms of Configuration and Coordination of activities: Starting with MULTIDOMESTIC and moving to GLOBAL

<table>
<thead>
<tr>
<th>Configuration of activities</th>
<th>Dispersed</th>
<th>Concentrated</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>GLOBAL</td>
<td>COMPLEX EXPORT</td>
</tr>
<tr>
<td>Low</td>
<td>MULTIDOMESTIC</td>
<td>SIMPLE EXPORT</td>
</tr>
</tbody>
</table>
New strategy execution

What do they need to do to execute the new strategy? (7 Ps)

Conclusion

Our recommendations for the client company are presented in an action plan containing specific actions with each given a completion time and assigned to specific personnel. Execution of the plan and regular feedback are vital and the company's CEO will have the overall responsibility for successful outcomes.

There are good reasons for the new company to internationalize including some strategic ones. Internationalizing to the UK is recommended however not before a couple of years of operations locally that will contribute to developing and honing the company's capabilities to make it more competitive. The company's internationalization is treated in an integral manner with its local operations and not separately.

The UK is selected as the first foreign country for the new company to internationalize on the basis of a quantitative PESTEL analysis with its results adjusted to account for the
strength of competition. Industry PORTER and cultural CAGE among other tools together with a brief analysis of the company were used to complete the situational analysis. Overall the analysis supports the internationalization to the UK as a feasible proposition but not without certain conditions for the company to satisfy beforehand.

The company should heed and include in its product design the customer survey findings. These findings showed a clear, consistent ranking of the features the customers seek from consultants and a balanced demand for what we called “hard” and “soft” characteristics. The company should also acknowledge that the characteristics that customers demand can provide a basis for customer segmentation in terms of their size at least for the two extreme sizes the very small and the big customer groups.

A remarkable similarity in the degree of characteristics demanded by customers of vastly diverse geographies was revealed in the comparison of results of the CY and US-Canada surveys, the only two we had an adequate number of respondents.

Such similarities are leading to the opinion that the consultancy customers can be described as GLOBAL. Such a line of thought will make expansion to other countries for the company and others, easier and favor the value network that is proposed for the company’s model.

Empty strategic space on the strategy canvas for the company to fill and to position itself uniquely has been shown to exist by the results of the field surveys done for consultants in both UK and CY (competitive analysis). However, for the company to do so, it must undertake a series of difficult actions to uplift its profile characteristics especially in the “hard” domain, adopt a sound strategy with new ideas generated and grouped into strategic options, and fill in its voids of strategic competencies.

The client company is finally presented with an analysis of strategy. Recommendations are made for what its strategy should be including its international one, and how to execute its designed strategy using the framework of the 7 Ps and an Action Plan.

The recommendations are supported by a company’s financial analysis for a 5-year period which show that financially the years ahead for the company will not be easy and must be handled with the greatest care.