



GROWTH PROCESS TOOLKIT

Geographic Expansion

*Accelerating Growth through Principled
and Repeatable Entry Strategy*

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INTRODUCTION

Growth Process Toolkit *Geographic Expansion*



INTRODUCTION

Sustaining Growth in a Global Marketplace

We all understand the conventional wisdom of today's world: the world is flat; boundaries are disappearing; when one market is saturated, another market is likely clamoring for your product. In short, today's economy is global, and your company can be too, if you know what you're doing.

If managed properly, geographic expansion can help you reduce costs, gain access to new markets and talent pools, and perhaps most importantly, provide a robust pipeline to fuel your company's future growth.

This final point is worth exploring in further detail, since a global growth pipeline is the key to sustaining strong, long-term growth. First, a diversified growth strategy protects your company from country-specific economic downturns; you reduce risk by broadening your presence. Second, if you don't take your product global – if you don't adapt to this ever-flattening world – one of your competitors will. The race against competition is intense and unrelenting, and you cannot afford to let a competitor take your place in the global market.

The Promise and Peril of Geographic Expansion

Although geographic expansion provides a compelling path to accelerated growth by opening up access to new markets and customers, many companies fail to take full advantage of global opportunities. A recent survey attests to this hesitation: 63 percent of respondents said they view customers in emerging markets as a future source of profits – and yet only 41 percent have acted on the opportunity.¹ If geographic expansion is so critical to sustainable, long-term growth, then why the hesitation?

Perhaps hesitation is warranted: recent studies suggest that **for every successful market entry, four fail.**² The late economist Paul Geroski, of the London Business School, once paraphrased Thomas Hobbes by remarking, "The life of a typical entrant is nasty, brutish, and short."³ While the opportunity may be evident, the path to success is often unclear.

What Are We Doing Wrong?

A wide gap exists between a conceptual understanding of geographic expansion and a tactical understanding of how to build and execute such a strategy. Just because the idea makes sense doesn't mean your firm is ready. And just because the end result – a global operation serving an international spectrum of customers – is tantalizing, it does not mean that a path from here to there is clear. Between that end goal and the starting point lies a variety of pitfalls must be addressed, as outlined below.

Pitfall #1: You Don't Know Why you're Expanding

That is to say, members of your executive team have differing perspectives on the goal of geographic expansion. Successful strategic execution is dependent upon a shared understanding of the desired outcome of the effort: a multitude of reasons can be just as bad as no reason at all, since differing objectives affect task prioritization and productivity. Consensus-building at the start of any strategy is critical, but even more so when the strategy is high-cost and potentially high-risk. Smart companies build this alignment at the start of any engagement and do not expect consensus to materialize on its own over the course of the expansion effort.

Pitfall #2: You Don't Know Where you're Going⁴

Or, you think you know where to go, but you haven't pressure-tested your theory with anyone who might disagree with you. Some corporate strategists, such as Charles Roxborough, term this a "cognitive bias" – foregone conclusions that can wreak havoc on market entry decisions. Cognitive biases often lead executives to believe that a company's competencies may be more relevant for a particular country than they really are, or that the potential market is bigger than it actually is, or that rivals won't respond to the entry move. Such biases can add unnecessary risk to costly (and untested) market entry decisions.

INTRODUCTION (CONTINUED)

What Are We Doing Wrong? (Continued)

Given the consequences miscalculation, the lesson is not to assume from the outset that you know which countries present the most compelling growth opportunities for your organization. Such assumptions can severely undermine the effectiveness of your geographic expansion efforts.

Pitfall #3: You Assume all International Market Entries are the Same (They're Not)

The communications you develop for one Asian country, for instance, may fail to resonate in another, or the request-to-hire you issue in one European country may violate labor regulations in another. Each country requires its own due diligence – you cannot assume that all countries within a region follow the same laws, embrace the same customs, or offer the same infrastructural benefits or challenges. To do so can jeopardize your entry by alienating or failing to engage customers from the outset. Sensitivity to specific nuances – and a willingness to conduct upfront research for each country – will help you avoid these errors.

Untested assumptions, biases, and insufficient due diligence all contribute to failed entry attempts. The case example below details how Saturn's insufficient research led to its failure to grow sales in the Japanese automobile market in the late 90s.

Case-in-Point: Saturn's Failed Entry into the Japanese Automobile Market^{5,6}

Situation: Following a US-Japan trade agreement opening the way for more Japanese dealers to carry American cars, Saturn elects to take advantage of an untapped market and sell its cars to Japanese customers. Saturn plans to begin with six dealers and expand to 20 during its first year of operations, and even expects to outpace the Toyota Corolla's annual sales in Japan.

Action: Citing cost considerations, Saturn executives also elect to minimize design changes to its cars, arguing that it was not financially viable to make the investment until they had sold a sufficient number of cars in the Japanese market.

Saturn bases its entry strategy on assumptions that Japanese customers would: accept a "no-haggle" pricing structure that forbade discount negotiations; view American and Japanese quality standards as equal; and accept American designs untailored to local preferences.

Upon entering the market, Saturn soon realizes that: Japanese customers expect discount negotiations and are skeptical of dealers that won't haggle on price; local brand perceptions of American cars are poor; and the small-car market is already saturated with Japanese manufacturers that will provide the quality, price, and design that customers prefer. In sum, Saturn executives realize too late that the decision to introduce an American car to the Japanese market with few concessions to local tastes will never produce the projected sales.

When asked why the Saturn would prove so successful in Japan, one executive responds, "We've been very successful in the United States." Put another way, Saturn assumes that performance in one market is a strong indicator of performance in another market.

Result: After four unprofitable years and dismal sales, Saturn exits the Japanese auto market.

Key Takeaway: Saturn could have avoided these strategic blunders if they had invested sufficiently in an upfront due diligence process. Successful expansion efforts require extraordinary discipline and apply a series of rigorous screens before initiating market entry. Failure to use such rigor can lead to wasted resources, opportunity, and time. **A repeatable process for building a market entry strategy is the key to avoiding this common failure.⁷**

The Solution

Successful geographic expansion processes should be repeatable and built upon comprehensive due diligence of a country's attributes, market size, resident or potential competitors, and customer base. This knowledge dramatically raises the odds of a successful entry.

INTRODUCTION (CONTINUED)

The Solution (Continued)

Frost & Sullivan believes that successful geographic expansion is built upon:

- 1) Alignment among the executive team about intentions of a global expansion effort and what will constitute success
- 2) Agreement on which countries your company will enter, and in what order
- 3) A repeatable process for putting the entry plan into action on a country-specific level (i.e., a set plan for researching a country and opening local operations)

The importance of a repeatable process cannot be overstated. *Harvard Business Review* recently conducted a five-year study of corporate growth involving 1,850 companies and found that best-in-class organizations outgrow their rivals by **following a formula for expanding in predictable, repeatable ways**. As opposed to the typical 25% success rate noted on the previous page, companies with repeatable expansion formulas have twice the success rates, and some drive rates up to 80 percent or higher.⁸ Repeatability allows the company to systematize growth processes, and by doing so, take advantage of learning curve effects.

The following case example demonstrates how Vodafone successfully built a repeatable market entry process:

Case-in-Point: Vodafone's Repeatable Geographic Expansion Process^{9,10}

Situation: In 1997, Vodafone establishes a strategy aimed at achieving global leadership in mobile telecommunications services. The company's long-term goal is to build a sustained competitive advantage that will ultimately enhance returns for shareholders. Vodafone's growth plan is a three-pronged effort focusing on customer growth, geographic expansion, and new service development.

Action: As part of its geographic expansion effort, Vodafone develops a predictable, repeatable process for evaluating and acquiring regional cellular phone service markets. A well-honed process for rapidly testing key criteria, mapping market boundaries, and calculating profit potential enables Vodafone to acquire leading wireless players in markets across Europe, North America, and parts of Asia.

Since the process is applied in the same way in each new country Vodafone enters, managers are able to refine and systematize diligence and expansion processes that are developed mostly through guesswork the first time. In turn, this refinement enables Vodafone to initiate – and execute – a number of expansion moves faster than a competitor could.

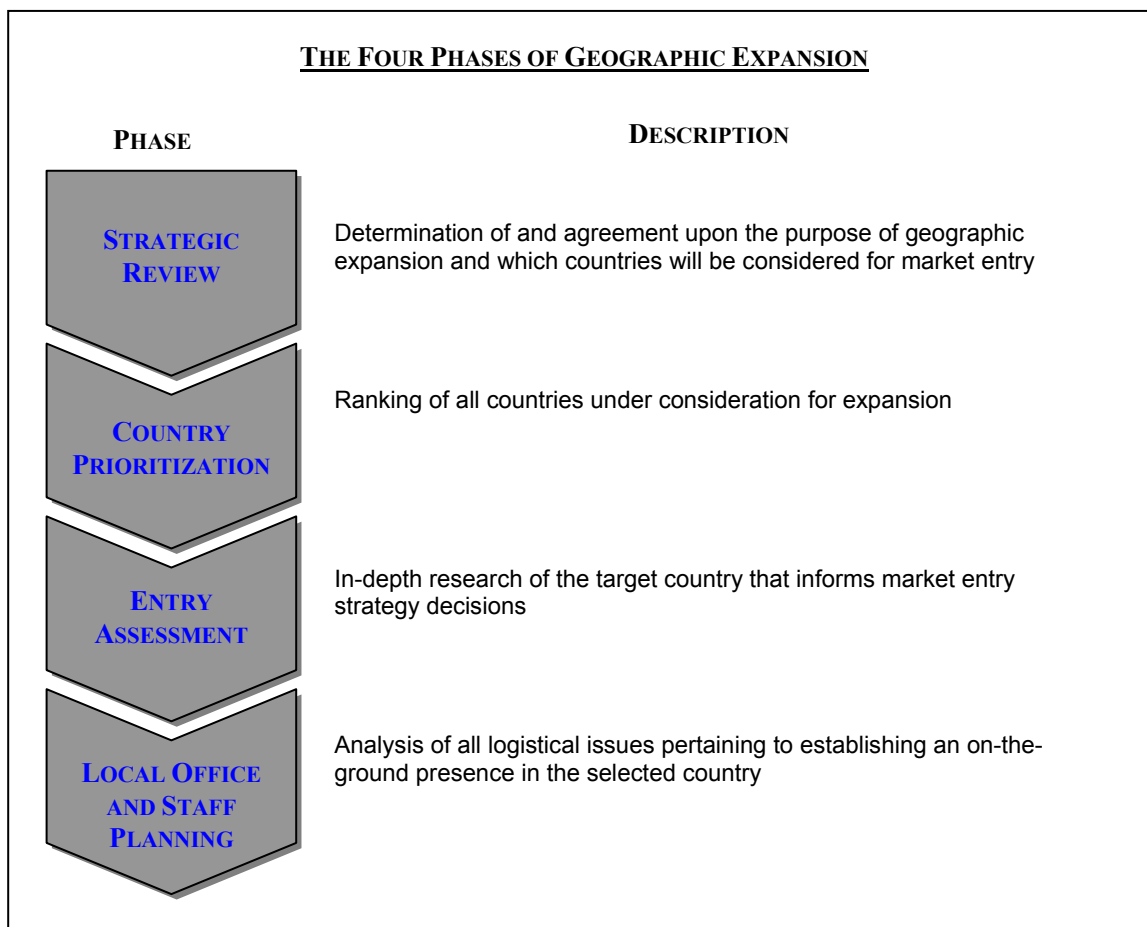
Result: Vodafone's repeatable expansion process contributes to its overall revenue growth from \$1 billion US in 1990 to \$48 billion in 2003.

Key Takeaway: Don't pursue an expansion strategy without building a repeatable process for country or market entry. Companies that build and consistently execute a repeatable formula for growth have the advantage of strategic clarity, because repeatable formulas are compelling, easy to understand, and increasingly simple to execute.

INTRODUCTION (CONTINUED)**How Do You Do It?**

Progressive companies structure their market entry strategy around specific activities that ensure no corners are cut and all pertinent information is surfaced.

Frost & Sullivan specifically organizes the geographic expansion process into the following phases:



While this book will explore each of the phases listed above, its primary focus will be on phases 3 and 4. Many organizations can build a geographic expansion strategy, but very few can repeatedly and successfully execute the plan. This book therefore takes a close look at those phases and features a variety of activities and tools that will save you time and money in execution.

HOW TO USE THIS TOOLKIT

Growth Process Toolkit
Geographic Expansion



HOW TO USE THIS TOOLKIT

The Growth Process Toolkit for Geographic Expansion

What it is: On a high level, this toolkit will help you focus on the right activities throughout the geographic expansion process, taking you from goal-setting to office-opening. This toolkit will show you how to initiate, organize, prioritize, and research your expansion efforts.

On a more technical level, this Growth Process Toolkit presents Frost & Sullivan's best thinking and work on geographic expansion in a step-by-step implementation format. This research gives Growth Team Membership (GTM) members proven processes, tools, and templates to help you successfully manage the risks and pitfalls listed on the previous pages.

How it will help you: This toolkit will help you and your team execute global market entry. While we recognize that assessing organizational readiness for geographic expansion and identification of the right countries to enter are critically important steps, we believe that most organizations succeed at these stage-setting activities but fail at execution. For this reason, the majority of this toolkit will focus on this weakness and show you how improved and repeatable processes can improve or accelerate your long-term growth trajectory.

How to use it: This book is divided into four sections: Strategic Review, Country Prioritization, Entry Assessment, and Local Office and Staff Planning. Within each section, we have outlined a variety of activities and steps that you should complete. For each of those activities, we provide you the tools, templates, scorecards, or checklists that you need to complete that activity to a Frost & Sullivan standard. You can read this book cover-to-cover, or you can reference the [clickable table of contents](#) to access specific sections.

Be on the look-out for helpful reminders throughout this book. We will alert you at key stages when you should involve certain stakeholders, or when it might be a good idea to use additional GTM (or other) resources to aid your execution.

We encourage you to bookmark this toolkit, save particularly helpful tools to your desktop, and share it with your colleagues. We also encourage you to contact your Account Executive if, at any point in your research you require assistance.

The Growth Process Toolkit's Organization and Layout

For ease of navigation, the majority of activities and tools featured in this toolkit adhere to the following template:

Sample Page Layout

Phase 3: Entry Strategy Development – Activity 1: Country-Specific Analysis

Step	Political Evaluation	Economic Assessment	Social Assessment	Infrastructure Assessment	Legal Assessment
●					

STEP FIVE: LEGAL ASSESSMENT

Tool #1: Regulatory Analysis Worksheet and Presentation Template

Overview

What is it?
A tool to help you organize regulatory requirements for the country you are entering.
Why should you use it?
First, it clearly organizes all regulatory information for you on a country and industry level in a single document. Second, you can use this worksheet as a presentation template should you need to share this information with others.

Regulatory Conditions: Worksheet and Presentation Template

Sector/Region	Regulation	Compliance Requirement	Compliance Costs	Compliance Difficulty	Frequency of Changes
Your Company	Which regulations are you currently managing?	Insert details regarding the regulations with which your organization currently complies.			
[Country]	Which regulations govern [Country]?	What would we have to do to comply with these regulations that we're not currently doing?	Short-Term: Long-Term:	1) How long would it take to comply? 2) How complex would the process be (H/M/L)?	To what degree is this sector susceptible to frequent changes in regulatory standards?
[Industry]	Which regulations govern [Industry] in [Country]?	What would we have to do to comply with these regulations that we're not currently doing?	Short-Term: Long-Term:	1) How long would it take to comply? 2) How complex would the process be (H/M/L)?	To what degree is this sector susceptible to frequent changes in regulatory standards?

Reminder! You can find this information by contacting local trade associations, reviewing regulation-focused periodicals or by visiting the regulatory site for any country you are considering entering as part of your geographic expansion strategy.

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PHASE 1: STRATEGIC REVIEW

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PHASE 1: STRATEGIC REVIEW**Tool #1: Goal Statement Template****Overview****What is it?**

A template to help you articulate your company's goals for pursuing growth through geographic expansion.

Why should you use it?

This tool will help you ensure the following:

- *Agreement between among the executive team* – While you may believe your executive team to be on the same page about strategy and vision, this perception may in reality be off-base. Consensus on goals and expectations at the outset of any activity is a good idea – but even more so when navigating waters as complex and risky as geographic expansion.
- *Exclusive focus on expansion options that align with the stated purpose* – A singular focus on strategic fit will greatly reduce the likelihood of going down a wrong path or making a costly mistake. Shared commitment to the Goal Statement will prevent the executive team from reactively pursuing opportunities that, while appealing, do not align with your organization's growth strategy.

Use this as a living document – something that you can revisit over the duration of long-term expansion efforts to refocus team members on shared objectives, while making adjustments as necessary.

Page 1 is featured below and page 2 on the following page.

GOAL STATEMENT: TEMPLATE**COMPANY NAME****Vision: What purpose does geographic expansion serve? How will our organization define or interpret geographic expansion?**

Hint: Do you want to gain new capabilities or access to new markets, expand manufacturing capability, exploit a local technology development, gain a new talent pool, lower costs, or something else?

(a) What purpose will geographic expansion serve within our larger growth strategy?

(b) Which countries should we consider entering? Why?

(c) How aggressive should our expansion strategy be? What should our timeline be? Why?

(d) Are we taking an existing product into a new geography or a new product into a new geography? Is this the right approach?

Importance: How essential is geographic expansion to the organization's future growth potential?

Hint: Do you need to keep pace with competition, jump-start stalled growth, or something else?

(a) How exactly will geographic expansion contribute to the success of our growth strategy?

(b) Can our company achieve the desired growth objectives without pursuing geographic expansion? If 'yes', then why is geographic expansion still part of our growth strategy? What are alternative options?

Organizational Readiness: Is the timing right for geographic expansion?

(a) Would expanding geographically harm or jeopardize our core business? If so, is it possible to establish safeguards protecting our core business?

(b) Do we understand what local customers require and are we equipped to provide it? If not, what research must we undertake to improve our preparedness?

(c) Which skills sets are we currently lacking among our staff?

Page 1 of 2**Page 2 of 2***(Continued on next page)*

PHASE 1: STRATEGIC REVIEW (CONTINUED)**Tool #1: Goal Statement Template (Continued)****GOAL STATEMENT: TEMPLATE (CONTINUED)**

COMPANY NAME

Market Entry: How do we want to enter the market?

(a) Do we want to consider an alliance partnership, engage a third-party distributor, or sell our products directly?

(b) Do we plan to hire new management for each country we enter or will we rely on our home country management?

(c) Do we plan to open a local office, investing in local talent and real estate?

Investment: What financial return can we expect from geographic expansion?

(a) What are our minimum and maximum investment thresholds?

(b) Where would we be most comfortable placing our investment on the risk/reward spectrum?

(c) How long do we expect it will take to achieve a positive return?

Measurement: How will we determine success?

(a) Short-Term: How will we demonstrate the value of the expansion effort to shareholders (i.e., what should be our key milestones)? What metrics can we realistically influence during this time?

(b) Long-Term: What signs of success would we expect 3 to 5 years following the entry? How can we quantify these expectations?

Buy-In: Who has contributed to and/or approved this statement? Who still needs to sign off?

(a) What are plans for ensuring executive team consensus or acceptance?

(b) How will we modify our goal statement if we receive push-back from key stakeholders? On which points are we willing to budge, and on which must we hold firm?

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Page 1 of 2

Reminder! This is a consensus-building tool, so be sure to involve key stakeholders, and especially potential resistors, in this exercise.

PHASE 2: COUNTRY PRIORITIZATION

Growth Process Toolkit
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PHASE 2: COUNTRY PRIORITIZATION

Where Are We Now?

If you have completed the [Goal Statement](#) featured on the previous pages, then you and your executive team should know what you hope to achieve through geographic expansion. The consensus you have established will help ensure team-wide commitment to a process for putting that strategy into action.

What Do I Do Next?

Apply the tools in Phase 2 to screen for those countries and regions that align best with your chosen strategy. Phases 3 and 4 will then provide step-by-step guidance for building country-specific market entry plans through comprehensive, upfront research and analysis.

Tool #1: Regional Needs Assessment

Overview

What is it?

A “regional goal statement” to guide thinking on new geographies and help you eliminate regions that do not fit with your company’s growth strategy.

Why should you use it?

You cannot assume that you know which regions make the most sense for your business. Screening for alignment with must-have criteria at the start will help you avoid wasting time and money on misguided opportunities.

Regional Needs Assessment

Vision: Do we know...

1. Which regions we want to explore further and why?
2. Which ones we’ve ignored or taken off the table and why?
3. If we want to expand into the entire area, or just specific countries within that region? What are they?

Cost: Which regions will...

1. Allow us to reduce operational costs by acquiring more efficient distribution?
2. Be a cost-effective location to offshore and/or outsource labor?
3. Support other functions that might benefit from offshoring and/or outsourcing support (and which functions those might be)?

Legal: Have we considered...

1. Any regulatory issues that might affect a region’s viability? IF YES – What are they?
2. Any political conditions that might outweigh a region’s noted strengths? IF YES – What are they?
3. Any legal considerations that you should be aware of? IF YES – What are they?
4. Any hiring and retention legislation involving unions, standard work weeks, base pay, etc.?

Talent: Which regions...

1. Have deep talent pools appropriate to our needs?
2. Might give us access to skill sets that we currently need but lack?
3. Unionize their employees, and which do not?
4. Might help us strike a balance between talent needs and cost considerations?

Reminder! The criteria featured in this assessment tool will form the core of your due diligence once you begin planning your entry strategy on a country-specific level. We will explore these and other issues in greater detail throughout Phases 3 and 4.

PHASE 2: COUNTRY PRIORITIZATION (CONTINUED)**Tool #2: Country Evaluation Exercise****Overview****What is it?**

A weighted scorecard that will help you: (1) articulate and prioritize compatibility requirements for any country you are considering entering, and (2) evaluate each country according to those criteria.

Why should you use it?

It will help you determine (1) which expansion criteria are most critical to your expansion efforts and (2) which countries meet the standards you have set. Highest-scoring countries can then receive top priority in your expansion efforts, and you will be able to avoid over-investing in low-scoring countries.

Country Evaluation Exercise¹¹

Region:

Country:

Industry:

Note: These scores and weightings are for demonstration purposes only.

Key Criteria	Weight	Yes	No	Unknown	Score
Within (Country), (industry's) current size and growth rate exceeds (X)	7			X	0
Number of competitors currently operating in this country ranges from (X) to (Y)	5	X			5
Market is/is not heavily consolidated or in the process of consolidating (whatever is a positive for your firm)	6	X			6
Barriers to entry are low	10		X		0
Regulatory accommodations would not have a significant effect on our operating efficiency	10	X			10
Our company is prepared to handle translation requirements with minimal additional investment	4			X	0
Cultural adaptation (e.g., changes to go-to-market strategy) is not required/is not cost-intensive	6	X			6
Local employment regulations are easy to follow	8		X		0
Either: A large customer base currently exists; OR: It is not cost-prohibitive to generate demand for our product/service in (Country)	10		X		0
Either: Brand recognition is strong; OR: Strong brand recognition is not necessary/relevant	4	X			4
(Country) has adequate physical infrastructure (e.g., ports, railways, electricity, telecommunications)	10		X		0
Country has a favorable ranking in Transparency International's annual index	10			X	0
The political environment is stable	10	X			10
Total	100	# YES RESPONSES: 6 # NO RESPONSES: 4 # UNKNOWN RESPONSES: 4 COUNTRY COMPATIBILITY SCORE: 41% (41 out of 100 possible points)			

(Directions listed on the next page)

PHASE 2: COUNTRY PRIORITIZATION (CONTINUED)**Tool #2: Country Evaluation Exercise (Continued)****Directions**

1. List all criteria that would characterize a best-fit country for geographic expansion. This should be an interactive exercise and help enforce consensus on intentions articulated in the Goal Statement.
2. Weight these criteria on a scale of 1 to 10, assigning points values that total 100. The higher the score, the greater the weighting.
3. Check “yes”, “no”, or “unknown” for each attribute.
4. In the scoring column, assign the number of weighted points for a “yes” response and 0 points for a “no” or “unknown” response (e.g., if a criterion is worth 5 points and the country meets the criterion, you would check the “yes” box and then place a 5 in the “score” column).
5. Final score equals the total value of “yes” responses.
6. Anything you score as “unknown” should be revisited – by the time you are finished filling out this scorecard for each country under consideration, you should have no “unknowns” left.
7. You will need to determine a minimum percentage of accountability for a country to still meet your criteria (e.g., anything scoring less than 75% - 75 out of 100 total possible points – does not qualify for further exploration). For any score that comes in under this amount, you should either remove that country from consideration or conduct additional due diligence to complete an unknown area (since an “unknown” can become a “yes”, thereby improving a country’s total score).
8. Compare facets and scores of countries under consideration.

Remember: This scorecard serves dual purposes. In addition to assessing countries’ potential, it can also serve as a ‘due diligence checklist’, highlighting any unknown variables for further research. As a result, you may want to revisit this tool as you build your geographic expansion strategy.

Since this exercise can help you evaluate regions, cities, or provinces, you and the growth team should consider this a framework for any geographic expansion decisions you need to make.

PHASE 3: ENTRY ASSESSMENT

Growth Process Toolkit
Geographic Expansion



PHASE 3: ENTRY ASSESSMENT**Where Are We Now?**

Completion of the exercises featured in Phases 1 and 2 have enabled you to:

- Establish a shared vision among the executive team for your geographic expansion efforts
- Determine which regions fit best with your geographic growth strategy
- Identify and prioritize the best-fit countries within those regions for market entry

What Do I Do Next?

Armed with a well-articulated vision and purpose, your next requirement is to build a market entry strategy for the countries you have earmarked for expansion. Phase 3 will aid your awareness and appreciation for relevant country- and industry-specific issues and prepare you to address them.

Outlined below are the activities and steps you will complete in Phase 3. The pages that follow will feature the resources you need to complete each one of these steps.

Entry Assessment: Key Steps and Tools		
Activity 1: Country-Specific Analysis		
Step	Purpose	Sample Tools
Political Assessment	Assess government stability and friendliness to foreign market entrants	Political Due Diligence Worksheet
Economic Assessment	Document and analyze indicators of economic health, including taxes, foreign investor activity, and M&A history	Key Economic Indicators Table
Social Assessment	Collect demographic information including employment rates and age, population, and income history	Demographic Analysis Guidelines
Infrastructure Assessment	Evaluate on-the-ground conditions, including roads, power, and telecommunications reliability	Infrastructural Comparison Table
Legal Assessment	Prepare for all regulatory requirements which your company does not currently follow	Regulatory Analysis Worksheet and Presentation Template
Activity 2: Industry-Specific Analysis		
Step	Purpose	Sample Tools
Growth Potential Assessment	Project realistic growth trajectory following market entry	Sector Scorecard
Competitor Evaluation	Identify top players within your industry	Competitor Concentration Matrix
Customer Due Diligence	Gather insights on customer behavior that can inform adjustments to product design and/or marketing communications styles	Customer Opportunity/Fit Matrix
Communications Planning	Build an effective and resonant marketing mix	Agency Compatibility Scorecard
Pricing Strategy Evaluation	Forecast appropriate pricing approaches	Pricing Strategy Guide

Phase 3: Entry Assessment – Activity 1: Country-Specific Analysis

Step	Political Assessment	Economic Assessment	Social Assessment	Infrastructure Assessment	Legal Assessment
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STEP ONE: POLITICAL ASSESSMENT**Tool #1: Political Due Diligence Worksheet****Overview****What is it?**

A collection of indicators to help you understand how political circumstances might affect your entry strategy. This worksheet will help you anticipate levels of resistance to or support for your entry and build a realistic projection for the upfront lobbying investment needed to enter the country.

Why should you use it?

You need to analyze the impact of a country's political stability (or instability) on your organization's business prospects. By researching potential political risks, you can better prepare your company for the unexpected.

Political Due Diligence Worksheet¹²**Country:** Sample

Category	Political Stability Indicators	Trend
Government	<ul style="list-style-type: none"> • Popularity of president/strong leadership in the governing party • Control of corruption governance score • Likelihood that the government will be destabilized or overthrown by unconstitutional or violent means • Friendliness of the current government to foreign investors • Willingness of the current government to provide financial incentives to foreign investors • Respect for property rights 	Stability Up
Security	<ul style="list-style-type: none"> • Ability to manage civil conflict • Level of preparedness for a terrorist attack • Border security • Existence of gangs or a paramilitary movement • Relationship with home country government 	Stability Up
Society	<ul style="list-style-type: none"> • Ability of citizens to participate in selecting their government • Degree to which freedom of expression, media, and association are permitted • Frequency of crime and violence • Quality of contract enforcement, the police, and the courts • Extent to which citizens have confidence in and abide by the rules of society 	Stability Unchanged

Reminder! You can find this information through the World Bank, Country Corruption Index, local journals and newspapers, and Frost & Sullivan research. American companies may also want to consider the [Overseas Private Investment Corporation](#), a federal government agency that sells political risk insurance to US-based companies to cover export transactions and direct investments in more than 140 countries.

Phase 3: Entry Assessment – Activity 1: Country-Specific Analysis

Step	Political Assessment	Economic Assessment	Social Assessment	Infrastructure Assessment	Legal Assessment
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STEP TWO: ECONOMIC ASSESSMENT

Tool #1: Economic History Worksheet and Presentation Template

Overview

What is it?

A presentation template to help you communicate findings on the economic history of the country you are researching. The key points featured in this template will structure your due diligence efforts.

Why should you use it?

It will help you simply and effectively convey historical economic information to the executive team. By assessing a country's past, you will be better prepared to assess its future stability and growth potential.

Step One: Answer the following questions:

- 1) At what rate has the GDP been growing?
- 2) What has been the catalyst for growth or the root cause of stalled growth?
- 3) What types of business or industry dominate the economic landscape?
- 4) What is the current and historical wealth distribution by region and demography?
- 5) What have been some of the consequences of this wealth distribution for the economy as a whole?
- 6) What are the main locations of industry, business, and wealth production within the country?
- 7) Do you foresee any changes to the historic centers of economic production? If so, what might they be?

Step Two: Present your findings:

Use the template shown below to share your findings with colleagues.

Insert a graph depicting past economic performance.

SAMPLE

The Russian economy has recovered well from the 1999 economic crisis.

Economic Performance

Russian Economic Performance

Year	GDP (billion USD)
2001	300
2002	350
2003	450
2004	550
2005	700
2006	900
2007	1100
2008	1250
2009	1350
2010	1500

- The Russian Economy has witnessed a period of sustained economic growth with GDP growing at approximately 7% (in real terms) yearly.
- The growth has been buoyed primarily by rising energy and oil prices.
- Large scale enterprises dominate the economic landscape, in Russia Small to Medium Enterprises (SMEs) account for only 10-15% of output*. In developed economies SMEs account for 50% of output.
- Wealth is still unevenly distributed in Russia. The privatization of state industries and mega-mergers have resulted in large conglomerates with strong political ties (e.g., Sistema and Gazprom).
- Ownership of these conglomerates is typically opaque with complex holdings structures, little free stock float and state involvement.
- The large Western and central cities of Moscow, St Petersburg, Yekaterinburg and Nizhny Novgorod are the main sources of economic production.

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State the conclusion of your research.

Insert answers to the questions you answered in Step One.

Remember: You can find this information through the World Bank, periodicals, and Frost & Sullivan research.

Phase 3: Entry Assessment – Activity 1: Country-Specific Analysis

Step	Political Assessment	Economic Assessment	Social Assessment	Infrastructure Assessment	Legal Assessment
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STEP TWO: ECONOMIC ASSESSMENT (CONTINUED)

Tool #2: Key Economic Indicators Table

Overview
<p>What is it? A spreadsheet that allows you to consolidate all economic information you're collecting on the country you are researching for market entry.</p> <p>Why should you use it? While this information may not be entirely new to you, placing it all in a shared spreadsheet will ease benchmarking and simplify presentation preparation.</p>

Key Economic Indicators: Country (Sample: Poland)

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Export in billion USD*	27.40	31.65	36.09	41.00	53.57	73.78	89.37	109.58	137.83
Year-on-Year Increase (%)	--	15.5	13.0	13.6	30.5	37.7	21.1	22.5	25.7
Import in billion USD	45.91	48.94	50.27	55.11	68.00	88.15	101.53	125.64	161.94
Year-on-Year Increase (%)	--	06.6	02.7	09.5	23.4	29.5	15.2	23.7	28.9
Foreign trade balance in billion USD	-18.50	-17.29	-14.18	-14.10	-14.42	-14.37	-12.16	-16.06	-24.11
Inflation rate	7.3	10.1	5.5	1.9	0.8	3.5	2.1	1.0	2.5
Budget deficit in billion USD	5.76	7.11	14.94	18.20	17.11	19.13	13.10	11.57	8.77**
As % of GDP	--	2.1	4.2	4.9	4.4	4.5	2.9	2.9	2.0**
Industrial Production in billion USD	197.4	225.7	236.1	242.6	260.7	313.3	322.7	372.0	408.0
Year-on-Year Increase (%)	--	05.7	00.5	01.1	08.3	12.5	03.7	11.3	09.7

* USD is for demonstration purposes only - you can insert the currency most appropriate to your business

** Preliminary Analysis

Remember: You can find this information by accessing reputable sources such as the CIA Almanac. Depending on the country, you may also want to reference a particular country's Ministry of Economy (for instance, information for the sample table listed here was found at http://www.stat.gov.pl/gus/45_970_PLK_HTML.htm).

Phase 3: Entry Assessment – Activity 1: Country-Specific Analysis

Step	Political Assessment	Economic Assessment	Social Assessment	Infrastructure Assessment	Legal Assessment
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STEP TWO: ECONOMIC ASSESSMENT (CONTINUED)**Tool #3: Merger and Acquisition Activity and History Worksheet****Overview****What is it?**

A set of three information-collection tools that enable you to collect and store all information on M&A activity, at both a country and industry level, in a single place.

Why should you use it?

You need to take note of any recent “game-changing” activity within your chosen country. Industry consolidation through M&A, for example, might have a direct effect on your entry strategy. Furthermore, this exercise will help you assess the health of your industry relative to the country’s economy as a whole.

Page 1 is featured below and page 2 on the following page.

M&A Activity and History Worksheet: [Country; Industry]**A. Country Trends: Collect the following information about [Country’s] M&A history:**

Sample: Polish Telecommunications Industry (Sample)¹³

Category	Detail	
Total Number and Value of Deals (in USD billion)	<u>Number</u>	<u>Value</u>
	2006: 389	2006: 10.6
	2005: 322	2005: 7.9
	2004: 239	2004: 6.2
Notable Mergers/ Acquisitions	French Credit Agricole bought 75% share of the Polish Lukas Bank for USD 263 billion in 2001	
Financing Sources	Former foreign trade centrals, national investment funds, banks and trust funds, venture capital and private equity funds, strategic foreign investors, private investors	
Multiples Paid	On average, 1.94 times equity	
Success of Past Acquisitions	15% exhibited above 5% top-line growth within 3 years following the acquisition	
Government Competition Policies	All transactions should be reported to the President of the Office of Competition and Consumer Protection	
Government Regulation Groups	The Office for Competition and Consumer Protection The Securities and Exchange Commission The Ministry of Internal Affairs and Administration	
Penalty for Violating Federal Regulations	No specific penalties, but takeovers that violate the restrictions determined by Polish law are “null and void by virtue of law.”	

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Phase 3: Entry Assessment – Activity 1: Country-Specific Analysis

Step	Political Assessment	Economic Assessment	Social Assessment	Infrastructure Assessment	Legal Assessment
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STEP TWO: ECONOMIC ASSESSMENT (CONTINUED)**Tool #3: Merger and Acquisition Activity and History Worksheet (Continued)**

B. Industry Trends: *Collect the following information about [Industry's] M&A history:*

(Sample: Polish Telecommunications Industry)

Category	Detail
Percent of Total Deals	Accounted for 31% of deals in 2005
Financing Sources	Foreign direct investors; private investors
Multiples Paid	On average, 1.94 times equity
Trend in Recent Activity	Increasing, due to improvement in public finances, overall economic growth, accelerated privatization process, membership in EU

C. Notable M&A Deals in the [Industry]: *Collect the following information about industry-specific M&A Transactions:*

(Sample: Polish Telecommunications Industry)

Buyer	Country of Origin	Target	Value in Million USD	Earnings of Acquired Company	Year
Vivendi	France	Telecommunications assets of Electrim	>780	N/A	2002
Telekomunikacja Polska	Poland	Wirtualna Polska	68	N/A	2005
Mid Europa Partners	International	Aster City Cable from Lion Capital (previously Hicks Muse Tate & Furst)	495 (1.6 billion PLN)	<u>Revenues:</u> USD 92M <u>Operational Income:</u> USD 29.4M	2005
Kapsch	Poland, Austria	Kapsch acquired Getronics Polska, provider of ICT and building intelligence solutions	N/A	After-merger revenues amounted to USD 17M	2006

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Step	Political Assessment	Economic Assessment	Social Assessment	Infrastructure Assessment	Legal Assessment
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STEP TWO: ECONOMIC ASSESSMENT (CONTINUED)

Tool #4: Tax Rates and Rules Table¹⁴

Overview

What is it?

An information-collection tool that allows you to store all country-specific taxation rules and rates in a single place and easily share findings with colleagues.

Why should you use it?

You need to budget for tax rates – but you also need to consider potential adjustments to your entry strategy (e.g., location, number of local employees) that could increase the number of tax incentives for which your company is qualified. Such planning will save you money down the road.

Tax Rates and Rules Table

Country: Poland (Sample)

A. Rates

Type	Rate
Corporate income tax	19%
Personal income tax – progressive	19%, 30%, and 40%
Tax on goods and services (VAT)	22%
Reduced VAT	0%, 3%, and 7%
Excise duty	(As a % of value or volume)
Stamp duty/tax on civil law transactions:	
- Sales agreements	1% and 2%
- Loan agreement	2%
- Partnership agreement	0.50%
Local taxes and charges:	
- Real estate tax for buildings used for business activities	PLN 17.98 (~EUR 4.44) sq m/year

B. Rules

Do you know...	Response (Y/N/NA)
<i>If taxation is uniform across the country?</i>	Y
<i>If the international rule of double taxation avoidance applies to the country?</i>	N
<i>If taxpayers are required by law to keep their accounts and calculate tax independently?</i>	Y
<i>If you are under obligation to make monthly submissions of VAT returns to the country tax office?</i>	N
<i>When VAT should be paid (within the month it is due)?</i>	25 th day
<i>The government agency responsible for attracting foreign investors?</i>	PAiZ
<i>If you are eligible to receive tax breaks for doing business within specified regions (e.g., economically depressed, high unemployment)?</i>	Y
<i>If you qualify for any special state subsidies (e.g., reduction in customs duties)</i>	N
<i>If you must comply with any treaties or agreements on the mutual protection and promotion of foreign investments?</i>	Y

Phase 3: Entry Assessment – Activity 1: Country-Specific Analysis

Step	Political Assessment	Economic Assessment	Social Assessment	Infrastructure Assessment	Legal Assessment
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STEP TWO: ECONOMIC ASSESSMENT (CONTINUED)**Tool #5: Foreign Direct Investment Research Checklist****Overview****What is it?**

A research checklist to guide your investment due diligence on whatever country you are entering. To structure your efforts, we have also included a list of sources you will want to consider over the course of your research.

Why should you use it?

You need to be aware of all standards applied to foreign investors, since everything from treaty agreements to bank and currency stability will affect your entry strategy. Full analysis of all country investment requirements – and of all support resources available to you – will save you time, money, and hassle down the road.

Foreign Direct Investment (FDI) Research Checklist^{15, 16}

Country: _____

- ☐ Total FDI projects initiated in [Country] over the last five years
 - Average number of jobs created per project
- ☐ Total FDI projects initiated in [Country's **Industry**] over the last five years
 - Average number of jobs created per project
- ☐ Stability of currency rate (fluctuation within a narrowly specified range is usually acceptable)
 - Average fluctuation range in a given year
- ☐ Stability of the central bank (if applicable)
- ☐ Trustworthiness of local banks (e.g., ability to handle letters of credit or documentary drafts)
- ☐ Primary contact information for local investment promotion agency (if applicable)
- ☐ Foreign Affiliate Trade Statistics (specifically inward FATS: data representing the operations of foreign-owned firms in the local economy)
- ☐ The terms of any existing bilateral investment treaty between our country and [Country]

Potential Sources to Guide Your Research:

- ☐ [World Association of Investment Promotion Agencies](#)
- ☐ [World Investment Report](#)
- ☐ [Organization for International Investment](#)
- ☐ [FDI Intelligence](#)
- ☐ [Multilateral Investment Guarantee Agency](#)
- ☐ [Organisation for Economic Cooperation and Development](#)
- ☐ [International Centre for Settlement of Investment Disputes](#)
- ☐ [Federation of International Trade Associations](#)
- ☐ [Kompass](#) (publisher of foreign trade directories)
- ☐ [International Business Resources on the World Wide Web](#) (an Internet database sponsored by Michigan State University Center for International Business Research)

***A note on Foreign Direct Investment**

Frost & Sullivan defines FDI as the acquisition or construction of physical capital by a firm from one country in another.

Phase 3: Entry Assessment – Activity 1: Country-Specific Analysis

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STEP TWO: ECONOMIC ASSESSMENT (CONTINUED)**Tool #6: Primary Foreign Investors Presentation Template****Overview****What is it?**

A tool to help you share due diligence on primary foreign investors with your colleagues.

Why should you use it?

In addition to understanding investment rules for your chosen country, you also need to understand who the key investors are in the market (both within and outside of your home industry). Identifying these leaders can help you (1) anticipate and prepare for any competitive conflict, (2) seek out potential best practices to inform your entry strategy, and (3) establish networking relationships with well-established investors (barring any conflict of interest).

Primary Foreign Investor Presentation Template

Country: (Sample: Poland)

<i>Major FDI realized in [Country] in [Year]</i>					
Investor	Country	Sector	Location	Offering	Value (\$M USD)
LG Philips LCD	Republic of Korea	Electronics	Kobierzyce	LCD	672.5
Michelin	France	Automotive	Olstyn	Tires	396.5
Heesung	Republic of Korea	Electronics	Kobierzyce	LCD	181.1
AAM	Germany	Automotive	Olawa	Components	167.1
Cadbury Schweppes	UK	F&B	Skarbimierz	Chewing Gum	158.6

Phase 3: Entry Assessment – Activity 1: Country-Specific Analysis

Step	Political Assessment	Economic Assessment	Social Assessment	Infrastructure Assessment	Legal Assessment
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STEP THREE: SOCIAL ASSESSMENT**Tool #1: Demographic Analysis Guidelines****Overview****What is it?**

A list of considerations to guide your demographic research, organized by the following categories: language; population; age; employment; mobility; and education.

Why should you use it?

While we recognize you may undertake more detailed demographic analysis than we outline here, a high-level overview will nonetheless prove valuable to your evaluation of the customer base, employee talent pool, etc.

Page 1 is featured below and page 2 on the following page.

Demographic Analysis Guidelines

Country: _____

A. Language

- ☐ Total number of languages spoken
 - ☐ If more than one: primary language for business and/or marketing communications
- ☐ Literacy rate

B. Population

- ☐ Population five years ago
- ☐ Population today
- ☐ Projected population five years from now
- ☐ Most populous cities and/or regions
- ☐ Trend: projected to continue increasing/decreasing

C. Age

- ☐ Average age
- ☐ Average age by region
- ☐ Comparison of the following five years ago to today:
 - ☐ Over 80 years old
 - ☐ 65 to 79
 - ☐ 50 to 64
 - ☐ 25 to 49
 - ☐ 15 to 24
 - ☐ 0 to 14

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Phase 3: Entry Assessment – Activity 1: Country-Specific Analysis

Step	Political Assessment	Economic Assessment	Social Assessment	Infrastructure Assessment	Legal Assessment
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STEP THREE: SOCIAL ASSESSMENT (CONTINUED)**Demographic Analysis Guidelines****D. Education**

- ☐ Percentage of population with:
 - Higher education degree
 - Secondary or post-secondary degree
 - Basic vocational degree
 - Lower secondary
 - Primary
- ☐ Top institutions for higher learning:
 - Name
 - Location
 - Number of graduates annually

E. Employment

- ☐ Average unemployment rate
- ☐ Employment distribution by region and/or city
- ☐ Employment distribution by age group
- ☐ Trend: increasing or decreasing

F. Mobility

- ☐ Quality of roads
- ☐ Existence or quality of public transportation
- ☐ Ease of commuting
- ☐ Typical commuting mode in target cities

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Phase 3: Entry Assessment – Activity 1: Country-Specific Analysis

Step	Political Assessment	Economic Assessment	Social Assessment	Infrastructure Assessment	Legal Assessment
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STEP FOUR: INFRASTRUCTURE ASSESSMENT**Tool #1: Infrastructural Comparison Table**

Overview
<p>What is it? A tool that allows you to compare infrastructural conditions in the country you are entering with your company's readiness to meet those conditions. It will help you identify gaps in your entry strategy and address any areas of unpreparedness.</p> <p>Why should you use it? You need to know how well aligned your company's needs are with the infrastructural conditions in your country of interest. It will help you determine how long it will take to become fully operational, and how costly it might be to handle the local infrastructure, and the ease or difficulty of relocating non-local employees to the country.</p>

Infrastructural Comparison Table**Country: South Africa^{17,18} (Sample)**

Category	Country Detail	Implications for [Company]
Accessibility:		
Public Transport	Trains: Spoornet, Blue Train, Rovos Rail Buses: Intercape, Greyhound, Translux, SA Roadlink, Baz Bus	Local talent can commute to work with ease
Air	Airports include Wonderboom (CTMM), military air bases (Zwartkops and Waterkloof), and Haakdoornboom and Freeway (privately owned)	Entry and departure from South Africa are not expected to pose any problems
Water	Total of 12 ports and harbors in South Africa	May be high-cost to access
Roads	Roads are the main mode of transportation and are well-served by national, provincial, and district administrations. Road quality deteriorates in high density areas and there is often a lack of street signs. Surface, gravel, and un-surfaced roads cover 752,000 square kilometers out 1.2 million square kilometers of country's total surface area.	Local drivers are likely familiar with road conditions but roads still might pose occasional (minor) distribution delays or problems
Rail	Good rail network but currently underutilized because of station locations. Hammanskraal not connected, but there are plans to connect in the future. Guartrain will add to this network.	We can count on railways to move products around the country (i.e., station location shouldn't be a difficulty)

(Continued on next page)

Phase 3: Entry Assessment – Activity 1: Country-Specific Analysis

Step	Political Assessment	Economic Assessment	Social Assessment	Infrastructure Assessment	Legal Assessment
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STEP FOUR: INFRASTRUCTURE ASSESSMENT (CONTINUED)**Tool #1: Infrastructural Comparison Table (Continued)**

Category	Country Detail	Implications for [Company]
Technology:		
Telecom Quality	Telkom and cellular operators provide reliable telecommunications service	No anticipated problems here
Internet Availability	More than 5 million users (more than 10% of total population)	Accessibility is not expected to be a problem
Electricity	Capacity limited in East and Centurion; primary sub-stations have no standby transformers; areas with backlogs include: Memelodi, Atteridgeville, Soshanguve, Mabopane, informal settlements; average downtime when grid goes offline is under two hours	We should avoid backlog areas and focus office location scouting on major metropolises
Water Supply	Bulk water from Rand Water and Temba; some areas below basic water supply	Water supply seems safe
Sanitation	Majority of areas have basic sanitation; some informal settlements are below basic	Sanitation should not pose a problem
Public Health	8% or more of the GNP is spent annually on the national health system, including public and private health sectors. 80% of the population relies on public healthcare.	We plan to provide private health benefits to all employees through our company insurance provider; sufficient capacity in private system
Housing	Available and affordable housing	May want to contact South Africa's Department of Housing
Emergency Services	Adequate coverage for police and hospitals; some regional shortages in ambulances	Qualifies for company standards
Lighting & Security	Security concerns in some populated areas (even in the capital)	We may want to hire private security for all company-owned locations

Phase 3: Entry Assessment – Activity 1: Country-Specific Analysis

Step	Political Assessment	Economic Assessment	Social Assessment	Infrastructure Assessment	Legal Assessment
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STEP FIVE: LEGAL ASSESSMENT**Tool #1: Regulatory Analysis Worksheet and Presentation Template**

Overview
<p>What is it? A tool to help you organize regulatory requirements (e.g., security clearances, tax stipulations) for the country you are entering.</p> <p>Why should you use it? Regulatory compliance can be an exceedingly complex task – and the consequences for compliance failure can be severe and far-reaching. By placing all country and industry information in a standardized template, you will ease information-collection and sharing with others on the executive team and help avoid costly mistakes.</p>

Regulatory Conditions: Worksheet and Presentation Template

Sector/ Region	Regulation	Compliance Requirement	Compliance Costs	Compliance Difficulty	Frequency of Changes
Your Company	Which regulations are you currently managing?	Insert details regarding the regulations with which your organization currently complies.			
[Country]	Which regulations govern business operations in [Country] (e.g., employment, insurance, environmental)?	What would we have to do to comply with these regulations that we're not currently doing?	<u>Short-Term:</u> <u>Long-Term:</u>	1) How long would it take to comply? 2) How complex would the process be (H/M/L)?	To what degree is this sector susceptible to frequent changes in regulatory standards?
[Industry]	Which regulations govern [industry] in [Country]?	What would we have to do to comply with these regulations that we're not currently doing?	<u>Short-Term:</u> <u>Long-Term:</u>	1) How long would it take to comply? 2) How complex would the process be (H/M/L)?	To what degree is this sector susceptible to frequent changes in regulatory standards?

Reminder! You can find this information by contacting local trade associations, reviewing regulation-focused periodicals or by visiting the regulatory site for any country you are considering entering as part of your geographic expansion strategy.

Phase 3: Entry Assessment – Activity 1: Country-Specific Analysis

Step	Political Assessment	Economic Assessment	Social Assessment	Infrastructure Assessment	Legal Assessment
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STEP FIVE: LEGAL ASSESSMENT (CONTINUED)**Tool #2: Foreign Exchange Laws and Regulations Worksheet****Overview****What is it?**

A tool to help you plan for your company's compliance with foreign currency exchange rates and dividend, royalty, and interest regulations.

Why should you use it?

It will help you plan for any permits you may need to acquire prior to conducting business in the country you are planning to enter. It will also help you avoid overlooking any critical treaties or restrictions that could alter the profitability of conducting business in your chosen country.

Foreign Exchange Laws and Regulations Due Diligence Checklist

Country: _____

Do you know:

- 1) What the Foreign Exchange Act stipulates about the country you are seeking to enter?
- 2) What, if any, Foreign Exchange and Foreign Trade Laws [Country] has authored?
- 3) Of any relevant tax treaties that might influence dividend payouts to foreign investors?
- 4) If dividend payouts are subject to a withholding tax, and at what amount?
- 5) If interest and royalty payments are subject to standard tax rates?
- 6) If payments of interest and royalties to foreign companies are subject to a withholding tax?
- 7) Of any restrictions on the amount of foreign currency that can be brought into or taken out of [Country]?
- 8) The criteria for foreign exchange intervention and how such intervention might affect our company's profitability or financial stability?
- 9) Of any restrictions concerning foreign exchange transactions concluded with non-residents from third countries?
- 10) The rules governing individual foreign exchange permits:
 - a) Under what circumstances do you need one?
 - b) Who issues them?
 - c) How do you get one?
 - d) What do they cover (e.g., a given volume of transactions versus a given period of time)?
 - e) How long do they take to get?

Phase 3: Entry Assessment – Activity 2: Industry-Specific Analysis

Step	Growth Potential Assessment	Competitor Evaluation	Customer Due Diligence	Communications Planning	Pricing Strategy Evaluation
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STEP ONE: GROWTH POTENTIAL ASSESSMENT**Tool #1: Sector Scorecard**

Overview
<p>What is it? This scorecard will help you evaluate the overall health of your industry within the country you are entering, which in turn will help you gain a relative sense for how your company may perform within a given sector or sectors.</p> <p>Why should you use it? You need an unbiased way to evaluate industry potential within a chosen country. This scorecard will standardize information collection and help prevent you and your team from setting growth expectations with incomplete information.</p>

Sector* Scorecard**Country:** Brazil (Sample)**Industry:** Fuel Production (*dummy data inserted for illustrative purposes only)**Year:** 2007

[Industry]	2007 Market Size (\$ Mil)	Historical 2002-2007 CAGR (%)	Estimated 2007-2012 CAGR (%)	Average Company Size (\$ Mil)
Sector A: Biofuels	8,930.0	9.5	10.5	113.1
Sector B: Biodiesel	1,050	28.8	29.3	7.9
[Industry]	Top 10 Companies Aggregated Market Share	Percent Foreign Ownership of Firms in [Sector]	Percent Exported	Sector Consolidation Prospects
Sector A: Biofuels	54.5	15%	30%	Medium-High
Sector B: Biodiesel	40.5	20%	25%	Very High

* Sector is defined as a distinct sub-set of a market or industry.

Phase 3: Entry Assessment – Activity 2: Industry-Specific Analysis

Step	Growth Potential Assessment	Competitor Evaluation	Customer Due Diligence	Communications Planning	Pricing Strategy Evaluation
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STEP ONE: GROWTH POTENTIAL ASSESSMENT (CONTINUED)

Tool #2: Growth Monitor

Overview

What is it?

A table that presents the future growth prospects of key industry players in a tabular format. The Growth Monitor considers the following measures: (1) the growth rate of the different segments within which a company operates, and (2) the revenue generated by those segments as a percent of the company's aggregate revenue.

Why should you use it?

You can use this information to evaluate major participants in your industry by surveying their growth potential based off their current areas of focus. In turn, this knowledge can direct your own market entry decisions by focusing you on high-growth segments at the outset.

Growth Monitor (Sample)

Country: **Great Britain** (*dummy data inserted for illustrative purposes only)

Industry: **Medical Devices**

Year: **2007**

Company	% Annual Growth Rate	Rev as % of Total Rev	Rev (Million \$)	Cardiology	Orthopedics	Endoscopy	Neurology Devices
CAGR				7.6%	11.6%	0.4%	18.8%
ACL	7.3	59.0	1,453.3	0.0	0.0	0.0	0.0
ATEC	11.6	100.0	60.6	0.0	100.0	0.0	0.0
BMET	11.5	83.6	1,108.3	0.0	99.0	0.0	0.0

List all key industry sectors.

Insert top companies within your industry in [Country].

Score each company's performance within each listed sector. *

* A Note on Scoring

The higher the score, the higher the percent of sales a company generates from segments showing a high growth potential. A near-zero (negative) score would indicate that a company is depending on a technology that has near-zero (or negative) growth potential, or is in a greater percent of segments that have matured or do not for some reason provide the growth opportunities of other segments. It may indicate that the company has not kept pace with the latest developments in the marketplace. The reverse is true of companies that have high scores.

This comparative look at industry key players in a given country will help you identify high-growth areas that may not be the focus of some of your competitors in this space – areas that you could make the focus of your market entry.

Phase 3: Entry Assessment – Activity 2: Industry-Specific Analysis

Step	Growth Potential Assessment	Competitor Evaluation	Customer Due Diligence	Communications Planning	Pricing Strategy Evaluation
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STEP ONE: GROWTH POTENTIAL ASSESSMENT (CONTINUED)**Tool #3: Market Drivers and Restraints Worksheet**

Overview
<p>What is it? A list of questions to help you consider all factors affecting growth in your industry (both positively and negatively) within your chosen country.</p> <p>Why should you use it? You need to know whether your industry is capable of sustaining long-term growth within your country of focus. By identifying all drivers and restraints, you can make an informed decision about the long-term potential of your expansion effort. Standardizing your information collection will also help you to compare all industries against consistent criteria over time.</p>

Step One: Fill out the worksheet below for the [Industry] within [Country].

ANALYSIS OF SECTOR-SPECIFIC DRIVERS AND RESTRAINTS

1. Drivers		
Question	Hint	Potential Sources
What are the specific drivers affecting the market and causing it to grow?	Regulatory changes; vertical markets; population growth; labor costs; availability of commodities	Frost & Sullivan research; industry-specific periodicals; trade associations
What do you predict will drive sales in two years?	New markets opening; new technologies	
What changes are you witnessing in customers' demands?	Changes to purchasing cycle; price sensitivity	
How has distribution changed over the past two or three years?	Emergence of new distribution networks	
2. Restraints		
Question	Hint	Potential Sources
What is holding back sales or preventing the sector from growing?	Economic uncertainty; saturated market	Frost & Sullivan research; industry-specific periodicals; trade associations
What industry changes have prevented customers from purchasing key products or services?	Price sensitivity; changing consumer behavior	
What industry-wide factors are limiting growth potential?	Poor distribution network; high manufacturing costs	
Are there any company-specific inhibitors that cannot be explained by sector-wide circumstances?	Organizational barriers; talent turnover	

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Phase 3: Entry Assessment – Activity 2: Industry-Specific Analysis

Step	Growth Potential Assessment	Competitor Evaluation	Customer Due Diligence	Communications Planning	Pricing Strategy Evaluation
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STEP ONE: GROWTH POTENTIAL ASSESSMENT (CONTINUED)**Tool #3: Market Drivers and Restraints Worksheet (Continued)**

Step Two: List each driver and restraint you have identified through your completion of the worksheet on the previous page. Next, estimate the potential impact that each driver and restraint might have on your industry's potential for growth within [Country] over a period of time that you can forecast with reasonable accuracy (for the purposes of the sample below, we have extended the forecast over a seven-year period, but this number will vary depending on forecasting accuracy and standard projections within your own industry).

ANALYSIS OF SECTOR-SPECIFIC DRIVERS AND RESTRAINTS

Sample: [Russian] Airline Sector (Ranked in Order of Impact)

Rank	Driver	1-2 years	3-4 years	5-7 years
1	Emerging low-cost carriers in the Asia-Pacific region	High	High	High
2	Easing of regulations such as open-sky policies	High	Medium	Medium
3	Improvements in the Russian aviation industry	High	Medium	Medium/Low
Rank	Restraint	1-2 years	3-4 years	5-7 years
1	Rising fuel prices	High	High	High
2	Shortage of pilots	High	High	High
3	Shortage of skilled labor	High	High	Medium

A Note on High/Medium/Low Scoring

Frost & Sullivan rates drivers and restraints on a 10-point scale, with 10 representing a perfect correlation between a driver/restraint and revenue growth/loss in a given sector. The score then translates into a "high", "medium", or "low" classification, as outlined below. Group discussion will help you assign the appropriate scores to each driver or restraint.

- 8-10: High
- 4-7: Medium
- 1-3: Low

Reminder! You should make this exercise highly interactive and invite your peers in Sales, Marketing, R&D and Corporate Development to contribute unique insights and perspectives.

Phase 3: Entry Assessment – Activity 2: Industry-Specific Analysis

Step	Growth Potential Assessment	Competitor Evaluation	Customer Due Diligence	Communications Planning	Pricing Strategy Evaluation
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STEP TWO: COMPETITOR EVALUATION

Tool #1: Competitor Concentration Matrix

Overview

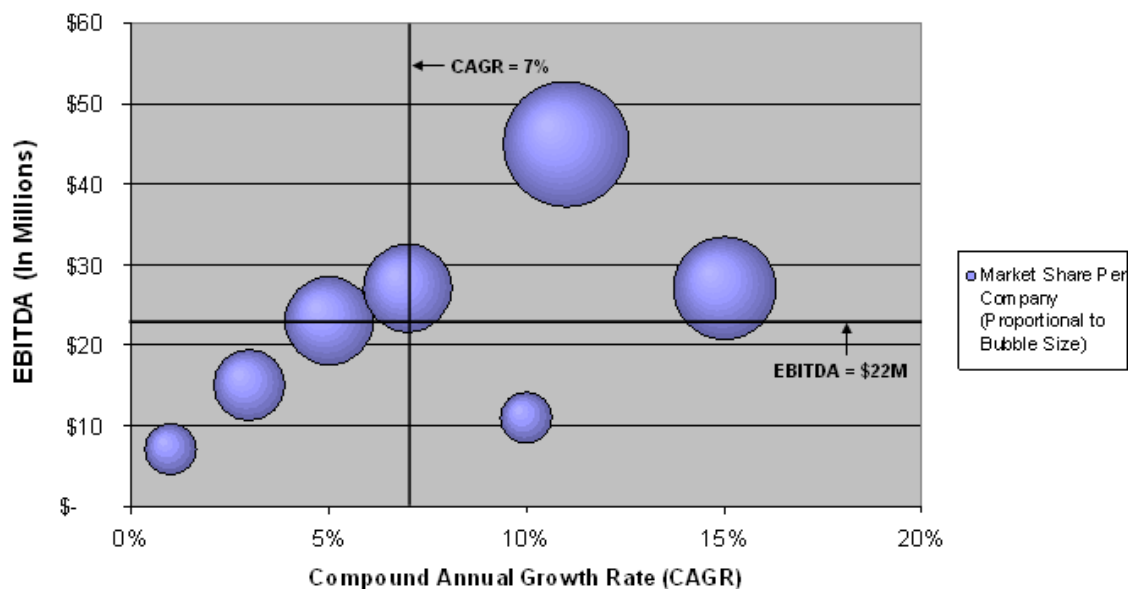
What is it?

A visual aid to help you (within a given country) consider all competitors relative to your organization and to one another. It specifically illustrates how competitors compare to your organization in terms of CAGR, net margin, and market share. The size of the bubble represents the market share of the competitor.

Why should you use it?

You need an intuitive frame of reference for the competitive landscape of any country you are considering entering. Whether you are assessing market saturation or considering potential acquisition targets within a given country, this tool will guide your strategic thinking and make the information accessible to your peers.

Competitive Analysis (Sample)



User Guide

1. Identify top competitors within each sector you are evaluating (you will complete this chart for each sector separately).
2. Collect data for each competitor: CAGR; earnings before interest, taxes, depreciation, amortization (EBITDA); and market share.
3. Input that data into the template and the bubbles will automatically populate. The average lines will also automatically populate and will help you evaluate each competitor's performance.

Phase 3: Entry Assessment – Activity 2: Industry-Specific Analysis

Step	Growth Potential Assessment	Competitor Evaluation	Customer Due Diligence	Communications Planning	Pricing Strategy Evaluation
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STEP TWO: COMPETITOR EVALUATION (CONTINUED)**Tool #2: Competitive Landscape, Factors, and Market Share Worksheet**

Overview
<p>What is it? An information-collection tool that consolidates all of your competitive intelligence in a single place. Completing this exercise each time you conduct a competitive evaluation will help you standardize data collection and will also help you share your findings easily with your colleagues.</p> <p>Why should you use it? A structured competitive intelligence assessment will ensure you have improved situational awareness with respect to competitors. This worksheet, combined with the Competitive Concentration Matrix, should drive your understanding of competitive dynamics within each country you enter.</p>

Competitive Landscape, Factors, and Market Share Worksheet (Sample)**Region:** Asia Pacific**Industry:** Security Software

Category	Status
Revenues (2007)	\$384.6 million
Projected Revenues (2014)	\$1172.5 million
CAGR (2007-2014)	17.3%
Price Range	\$15,000 to \$200,000
Number of Competitors in the Market	More than 12
Types of Competitors	Network infrastructure vendors Pure play load balancing server vendors Local Asian vendors
Distribution Structure	Distributors, Resellers, System Integrators, and Service Providers
Tiers of Competition	Tier 1: F5 is the market leader, but Cisco, Nortel, Foundry, and Fujitsu also have a strong presence Tier 2: Juniper Networks, Array Networks, Crescendo Networks, and Coyote Point Systems are coming on strong too. Tier 3: Others holding 5% of the market
Key End User Groups	Large-scale network operations Large education, government, financial, and healthcare organizations Medium-sized enterprises
Competitive Factors	Breadth of portfolio Branding Product performance Price

Phase 3: Entry Assessment – Activity 2: Industry-Specific Analysis

Step	Growth Potential Assessment	Competitor Evaluation	Customer Due Diligence	Communications Planning	Pricing Strategy Evaluation
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STEP TWO: COMPETITOR EVALUATION (CONTINUED)**Tool #3: Competitive Intelligence Presentation Template****Overview****What is it?**

A framework for you to share competitor information with your colleagues. We encourage you to incorporate this template into your own presentations.

Why should you use it?

In addition to saving you time, this template also ensures that you're capturing the right pieces of information about your competitors within a particular country. Also, standardizing information collection (since you'll fill out this template for each competitor of interest) will help facilitate an apples-to-apples comparison of all companies.

Page 1 is featured below and pages 2, 3, and 4 on the pages that follow.

Competitive Intelligence Presentation Template	
Country:	
Competitor:	
<i>(Include headquarters location)</i>	
Country Financials & Shareholders Group Revenue 2007: [In your country's currency and in local currency] Profit: Gross operating margin: Net profit: Shareholders: [If relevant: top companies and percent share of votes]	Country Business Strategy Examples: <ul style="list-style-type: none"> ▪ To become the leading operator in [Country] ▪ To fully develop company potential to the benefit of all stakeholders ▪ To maintain strong financial standing ▪ To optimize cash flow allocation
Country Key Performance Indicators <ul style="list-style-type: none"> ▪ Subs (Quarter/Year): ▪ Total # Employees located in (Country): ▪ Market share (for each sector in which [Company] Operates): 	Company Contact Details <ul style="list-style-type: none"> ▪ Website: <ul style="list-style-type: none"> ▪ Corporate info: ▪ Other (if relevant): ▪ Telephone: ▪ Press Office: <ul style="list-style-type: none"> ▪ telephone: ▪ fax: ▪ e-mail:
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Phase 3: Entry Assessment – Activity 2: Industry-Specific Analysis

Step	Growth Potential Assessment	Competitor Evaluation	Customer Due Diligence	Communications Planning	Pricing Strategy Evaluation
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STEP TWO: COMPETITOR EVALUATION (CONTINUED)**Tool #3: Competitive Intelligence Presentation Template (Continued)**

Competitive Intelligence Presentation Template	
Country: Competitor:	
Country Marketing Strategy	Customer-Facing Strategy
What does the company tend to focus on? <u>Examples:</u> <ul style="list-style-type: none"> Retaining market share Innovation products 	<ul style="list-style-type: none"> What is the public's perception of the company? <u>Examples:</u> <ul style="list-style-type: none"> Ethical reputation Socially aware reputation
What brands does the company have? [Insert names or logos here]	How does the company manage customer retention? <u>Examples:</u> <ul style="list-style-type: none"> Definitive period of agreement Competitive prices for services Special offers for bundled services
What marketing channels does it commonly use? <u>Examples:</u> <ul style="list-style-type: none"> Direct (phone) Print Events 	How does the company handle call centers? [Specify the following: total number of centers, where any centers operate offshore, whether any centers are outsourced]
What PR techniques does the company use? <u>Examples:</u> <ul style="list-style-type: none"> Press releases Corporate Social Responsibility programs 	Number of call center employees: [Total number in the CRM system]
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Phase 3: Entry Assessment – Activity 2: Industry-Specific Analysis

Step	Growth Potential Assessment	Competitor Evaluation	Customer Due Diligence	Communications Planning	Pricing Strategy Evaluation
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STEP TWO: COMPETITOR EVALUATION (CONTINUED)**Tool #3: Competitive Intelligence Presentation Template (Continued)**

Competitive Intelligence Presentation Template

Country:
Competitor:

<div style="background-color: #000080; color: white; padding: 2px; text-align: center;">Labor Relations</div> <p><u>Examples:</u></p> <ul style="list-style-type: none"> ▪ Proportion of local versus expatriate employees in (Company) within (Country) ▪ Health of relationships with relevant unions ▪ Quality, size, and reach of sales force ▪ Average employee turnover 	<div style="background-color: #000080; color: white; padding: 2px; text-align: center;">Government Relations</div> <p><u>Examples:</u></p> <ul style="list-style-type: none"> ▪ Friendliness of government to (Company) ▪ (Company) relationship with (Country) regional development authority ▪ Negotiated tax breaks or incentives (and terms if possible)
<div style="background-color: #000080; color: white; padding: 2px; text-align: center;">Ethical/Legal Practices</div> <p><u>Examples:</u></p> <ul style="list-style-type: none"> ▪ History of bribing officials ▪ Compliance with all relevant regulatory laws ▪ Recent indictments, fines, etc. 	<div style="background-color: #000080; color: white; padding: 2px; text-align: center;">Finance Sources</div> <p><u>Examples:</u></p> <ul style="list-style-type: none"> ▪ Government financing ▪ Capital markets ▪ Private equity firms ▪ Venture capital firms

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Phase 3: Entry Assessment – Activity 2: Industry-Specific Analysis

Step	Growth Potential Assessment	Competitor Evaluation	Customer Due Diligence	Communications Planning	Pricing Strategy Evaluation
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STEP TWO: COMPETITOR EVALUATION (CONTINUED)**Tool #3: Competitive Intelligence Presentation Template (Continued)**

Competitive Intelligence Presentation Template

Country:
Competitor:

Go-to-Market Strategy

Where:

Pricing:
[Note any recurring special offers, price promotions]

Subsidies:

Number of retail outlets (if relevant):

Other

[Insert anything else you find newsworthy about this competitor: recent strategic moves, acquisitions, etc.]

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Phase 3: Entry Assessment – Activity 2: Industry-Specific Analysis

Step	Growth Potential Assessment	Competitor Evaluation	Customer Due Diligence	Communications Planning	Pricing Strategy Evaluation
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STEP THREE: CUSTOMER DUE DILIGENCE**Tool #1: Customer Opportunity/Fit Matrix****Overview****What is it?**

A map of a country's customer base – by segment – on a scale of opportunity and fit. This tool will help you identify which segments present the greatest opportunities for growth within the country you have chosen.

Why should you use it?

To help you assess your company's ability to serve desirable segments within the country's customer base. This activity will help you identify high-growth, strong-fit segments with high potential for future profitability. Ideally, you can build your entry strategy around "upper-right" segment understanding, better targeting those customers through your marketing communications, pricing, and positioning.

CUSTOMER OPPORTUNITY/FIT MATRIX

Fit*	High	At Risk Action here will depend on the reason for the low opportunity: is it a saturated market? An insignificantly small, albeit high quality, percentage of the total customer base? Invest here if the opportunity may improve over time.	Star Good-fit, high-opportunity customers are the core of your entry strategy. They are your safety net of already-established demand. You should design communications, pricing, and positioning with this segment in mind.
	Low	Low Priority An investment in this low-growth, poor-fit segment will likely not contribute to your revenue or growth goals.	Build Up Serving this segment would require an expansion of capabilities: new product development or M&A might help you improve the "fit" between this high-value segment and your product or service offerings.
		Low	High
		OPPORTUNITY*	

***A Note on Opportunity and Fit**

Frost & Sullivan defines "opportunity" as a segment's growth potential and "fit" as alignment between a segment's demands and your company's current capabilities.

(Directions listed on the next page)

Phase 3: Entry Assessment – Activity 2: Industry-Specific Analysis

Step	Growth Potential Assessment	Competitor Evaluation	Customer Due Diligence	Communications Planning	Pricing Strategy Evaluation
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STEP THREE: CUSTOMER RESEARCH (CONTINUED)**Tool #1: Customer Opportunity/Fit Matrix (Continued)****Directions**

1. Plot each segment within your customer base according to responses to the questions listed below.
2. Rank each response those questions based on a High, Medium, Low scale. Take the average for each and plot on the grid accordingly.

Questions**A. Opportunity**

1. What level of purchasing power does this segment wield?
2. To what extent is this segment positioned for long-term growth?
3. To what degree can your company differentiate itself with this segment ("high" equals lack of competition)?
4. If multiple companies already compete to serve in this segment: how easy would it be for customers to switch (and how willingly would they do it)?
 - a. How likely is it that factors other than price could influence a switching decision?
5. How high would the average margin on a sale be within this segment? Consider the following:
 - a. What is the average cost of acquiring a new customer within this segment?
 - b. What is the average cost of losing a customer within this segment?
 - c. How time-intensive is it for sales reps to cultivate and successfully close a sale?
 - d. To what degree does price sensitivity govern purchase decisions in this segment?
 - e. How high is the cost-to-serve within this segment?

B. Fit

1. To what extent can we price our product or service competitively (but still profitably) for this segment?
2. To what degree does this segment already recognize a need for our product or service?
3. To what degree is our company (or our brand) viewed as offering a high-value product or service to meet demand?
4. What degree of success could we expect if we sell our existing product/service portfolio to this segment without investing in significant or costly adjustments?
5. What success would we have profitably building a value proposition that we could use to cultivate customer loyalty over time?
6. To what extent to our internal competencies align with this segment's demands and buying behavior?

Phase 3: Entry Assessment – Activity 2: Industry-Specific Analysis

Step	Growth Potential Assessment	Competitor Evaluation	Customer Due Diligence	Communications Planning	Pricing Strategy Evaluation
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STEP FOUR: COMMUNICATIONS PLANNING**Tool #1: Expansion Announcement Press Release Template****Overview****What is it?**

A template to help you write a press release announcing your company's entry into a new country.

Why should you use it?

Following a template for all press releases will (1) make it easy for you to issue the announcement and (2) standardize announcements across all geographies you enter, creating message consistency for your company and your brand.

Press Release Template (Sample)

● **Frost & Sullivan Opens a New Office in Cape Town, South Africa**

Cape Town, South Africa - February XX, 200X - Frost & Sullivan, a global growth consulting company, today announced it has opened a new office in Cape Town, South Africa. The office is located at Birkdale II, Riverpark, Liesbeek Parkway, Mowbray 7700.

The opening of the South Africa office will further enable Frost & Sullivan to support clients' growth objectives and to broaden its global perspective of the markets in which they compete. The new office also reflects Frost & Sullivan's commitment to extending its global network and its intent to capitalize on business opportunities in the African region.

● "Our new office in South Africa is further indication of the investment we are making on a global basis for our clients," said Frost & Sullivan's Director of Operations, Africa. "In addition to supporting our continued globalization effort, the office will provide additional support resources for our clients in the region."

Building the Frost & Sullivan brand presence in this market confirms its continued dedication to developing a team of consultants and research analysts who are global experts and can adapt easily to all clients' needs.

Frost & Sullivan's experts not only provide global coverage of the marketplace, but also deliver a global perspective on markets. "Without this well-informed, global viewpoint, companies are at great risk of missing growth opportunities and at greater risk of losing out to competitors," says a Frost & Sullivan research analyst.

Frost & Sullivan serves an extensive clientele that includes Global 1000 companies, emerging companies, and the investment community by providing comprehensive industry coverage that reflects a unique global perspective and combines ongoing analysis of markets, technologies, econometrics, and demographics. For more information, visit <http://www.frost.com>.

Headline stating company name and news

Insertion of quotations supporting the decision

Why are you expanding into this region?

Insertion of standard "about our company" here

Phase 3: Entry Assessment – Activity 2: Industry-Specific Analysis

Step	Growth Potential Assessment	Competitor Evaluation	Customer Due Diligence	Communications Planning	Pricing Strategy Evaluation
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STEP FOUR: COMMUNICATIONS PLANNING**Tool #2: Communications Strategy Discussion Template****Overview****What is it?**

A presentation tool to help you and your colleagues discuss the purpose and role of marketing communications in your entry strategy.

Why should you use it?

It will help accelerate your planning and inform decisions regarding media mix and budget allocation. This exercise will force discussion and consensus around these and other critical decisions you will need to make.

Page 1 is featured below and page 2 on the following page.

Communication Strategy Discussion Template (Sample)

Country: **Australia**

Industry: **Automotive**

Communication Objectives**Brand Communication:**

- To establish our company as an international automotive leader entering the Australian market
- To communicate core brand values

Product Communication:

- To communicate the value proposition of each product in our portfolio
- To communicate features and other details such as price, network, etc.

Media and Rationale

- **Media Mix Should Focus On:**

- Internet
- Word of mouth
- Niche magazines
- Event sponsorship

- **Because:**

- Our high-value segments receive information primarily through the above channels
- These media would be more cost effective than conventional media such as TV, print, etc.

What do we want to accomplish with our marketing communications?

What channels do we want to use, and why?

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Phase 3: Entry Assessment – Activity 2: Industry-Specific Analysis

Step	Growth Potential Assessment	Competitor Evaluation	Customer Due Diligence	Communications Planning	Pricing Strategy Evaluation
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STEP FOUR: COMMUNICATIONS PLANNING (CONTINUED)**Tool #2: Communications Objectives Template (Continued)****Communication Objectives Discussion Template (Sample)**Country: **Australia**Industry: **Automotive****Execution Guidelines:***How will we leverage these primary channels?*

Channel	Approach	Percent of Budget (Disguised)
Internet	<ul style="list-style-type: none"> • Interactive Web site designed specifically for Australian market • Ads on car information Web sites 	15%
Word of Mouth	<ul style="list-style-type: none"> • Publication of reviews and test drives • Road shows and test-drive campaigns • Customer clubs and activities • Public relations campaign (e.g., contests, gifting cars) 	20%
Niche Magazines	<ul style="list-style-type: none"> • Targeted advertisements • Contributing news articles for publication 	20%
Event Sponsorship	<ul style="list-style-type: none"> • Mileage challenge contests • Retiree celebrations 	25%

What are next steps?

How much do you want to allocate to each channel?

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Reminder! Visibility, consistency, and consensus are the cornerstones of successful communication execution. Completing this exercise will help you and your colleagues get on the same page about your company's communication plan, and how it fits within your entry strategy.

Phase 3: Entry Assessment – Activity 2: Industry-Specific Analysis

Step	Growth Potential Assessment	Competitor Evaluation	Customer Due Diligence	Communications Planning	Pricing Strategy Evaluation
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STEP FOUR: COMMUNICATIONS PLANNING (CONTINUED)**Tool #3: Agency Compatibility Scorecard****Overview****What is it?**

A weighted scorecard that helps you: (1) articulate and prioritize compatibility requirements for any agency partnership, and (2) evaluate each agency option according to those parameters.

Why should you use it?

You need to evaluate the qualitative elements of any potential agency and consider how those elements might affect your ability to succeed long-term in the newly-selected geography. The upfront effort will enable you to focus on best-fit options early – and minimize the cost and difficulty of firing and rehiring another agency down the road.

Note: These scores are for demonstration purposes only.

AGENCY COMPATIBILITY: WEIGHTED SCORECARD (SAMPLE)

Ideal Attributes	Weight	Yes	No	Unknown	Score
Account team has on-the-ground presence	10			X	0
Account team is comprised of local talent	10	X			10
Deep industry expertise	10	X			10
Willingness/ability to partner with other agencies (e.g., boutique digital firm)	8		X		0
Familiarity with local culture	8			X	0
Willingness to collaborate with client on creative development	8	X			8
Affordability	10			X	0
Recognized leader in the field	4	X			4
Track record of strong customer service	6		X		0
Understanding of our brand values	10		X		0
Has managed award-winning campaigns	2			X	0
Demonstrated country expertise	10	X			10
Low account team turnover	4			X	0
Total	100	# YES RESPONSES: 5 #NO RESPONSES: 3 # UNKNOWN RESPONSES: 5 COMPETITOR COMPATIBILITY SCORE: 42% (42 out of 100 possible points)			

(Directions listed on next page)

Phase 3: Entry Assessment – Activity 2: Industry-Specific Analysis

Step	Growth Potential Assessment	Competitor Evaluation	Customer Due Diligence	Communications Planning	Pricing Strategy Evaluation
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STEP FOUR: COMMUNICATIONS PLANNING (CONTINUED)**Tool #3: Agency Compatibility Scorecard (Continued)****Directions**

1. List out all agency criteria that your organization deems as crucial to the success of a marketing communications strategic execution
2. Weight these criteria on a scale of 1 to 10, assigning points values that total 100. The higher the score, the greater the weighting.
3. Check “yes”, “no”, or “unknown” for each attribute.
4. In the scoring column, assign the number of weighted points for a “yes” response and 0 points for a “no” or “unknown” response (e.g., if a criterion is worth 5 points and the country meets the criterion, you would check the “yes” box and then place a 5 in the “score” column).
5. Final score equals the total value of “yes” responses.
6. Anything you score as “unknown” should be revisited – by the time you are finished filling out this scorecard for each country under consideration, you should have no “unknowns” left.
7. You will need to determine a minimum percentage of compatibility for an agency to still meet your criteria (e.g., anything scoring less than 75% - 75 out of 100 total possible points – does not qualify for further exploration). For any score that comes in under this amount, you will need to either remove that vendor from consideration or conduct additional due diligence to fill in unknown area (since an “unknown” can become a “yes”, thereby improving a total score).

Reminder! This scorecard serves dual purposes. First, listing out ideal agency attributes (without considering any single agency specifically) helps you determine at the outset what sort of agency relationship will benefit your organization the most. Second, filling in the scorecard for each potential agency will help you evaluate all agencies fairly, collect the most relevant information about each candidate, and make the most informed hiring decisions possible.

On a final note, this scorecard is highly subjective – and for a good reason. Identifying your top attributes for an ideal agency partner – and weighting them according to importance – will force alignment between all members of the executive team, and a shared commitment to the objectives outlined in the goal statement.

Phase 3: Entry Assessment – Activity 2: Industry-Specific Analysis

Step	Growth Potential Assessment	Competitor Evaluation	Customer Due Diligence	Communications Planning	Pricing Strategy Evaluation
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STEP FIVE: PRICING STRATEGY EVALUATION**Tool #1: Pricing Strategy Guide****Overview****What is it?**

A series of questions to help you think through an appropriate pricing strategy for the country you are entering.

Why should you use it?

You need to take a comprehensive look at the product or service you're offering and the environment in which your competitors have similar offerings to understand the full scope of your pricing decisions.

Pricing Strategy Guide**A. Entry Goals**

1. What are your company's goals for introducing this product or service into [Country]?
(Hint: Consider market share, brand awareness, realization of a specific ROI or profit margin, etc.)
2. How does price play into your company's short-term entry strategy?
3. How does price determine your company's long-term sustainability strategy?
4. What are your revenue targets in the entry year and up to five years from now?

B. Cost Structure

1. What are your costs?
(Hint: Consider costs associated with manufacturing, labor, distribution, marketing, etc.)
2. What hidden operating costs do you need to pass on to your customers through your pricing?
(Hint: Consider government regulations, tariffs, taxes, etc.)
3. How might foreign exchange rates affect your cost structure within [Country]?

E. Customer

1. What are customers willing to pay for your product or service?
2. What cultural sensibilities might affect your pricing approach (e.g., negotiation, discounting)?
3. How frequently do you expect your customers will purchase from you?

C. Profitability

1. Are you able to introduce at a lower price and then migrate to a more profitable price point over time?
2. What other products in your portfolio (if any) could compensate for a profit loss on another product you're introducing (i.e., could you make up a loss elsewhere if it meant a successful launch)?
3. What role will pricing promotions, discounting, or loyalty programs play in your company's pricing strategy?
4. What are your projected sales at various price points and what is the probability if you meet sales targets at those price points (e.g., sell 8000 units at \$2000 USD price point with 80% probability)?
5. Does your company's brand in this country allow you to command a premium price point (or are you operating in a commodity pricing structure)?

D. Competition

1. On average, what are your competitors charging for similar products or services?
2. Do you intend to "price" your competitors out of the market?

PHASE 4: LOCAL OFFICE AND STAFF PLANNING

Growth Process Toolkit
Geographic Expansion



PHASE 4: LOCAL OFFICE AND STAFF PLANNING**Where Are We Now?**

The tools featured in Phases 1, 2, and 3 help you set your long-term vision for geographic expansion, identify best-fit countries, and build an entry strategy based off in-depth country and market research. Among other activities, you have:

- Written a goal statement
- Assessed political, economic, social, infrastructural, and legal conditions
- Conducted due diligence activities including analyses of currency exchange rates, customer behavior, competitor activity, and marketing strategies

Most importantly, you have learned that the most successful entry strategies are those built upon repeatable processes. Each time you follow this toolkit for geographic expansion, your team will become faster and more proficient at preparing your company to move into new geographies.

What Do I Do Next?

Outlined below is the step-by-step process for Phase 4. The pages that follow feature the resources that you need to complete each one of these steps.

Local Office and Staff Planning: Key Steps and Tools

Step	Purpose	Tool
Revisit the Goal Statement	Consider what sort of local presence fits best with your growth strategy	Goal Statement Template
Location Evaluation	Evaluate the cost and attractiveness of potential office and/or plant locations within your chosen country	Site Selection Worksheet Real Estate Selection Guidelines
Employee Recruitment	Target recruiting efforts to reach the right candidates for your business	Recruitment Planning Worksheet
Employee Management	Offer appropriate compensation and benefits and cooperate with relevant labor and union laws	Employee Practices Due Diligence Checklist Employee Salary Considerations

Phase 4: Local Office and Staff Planning

Step	Revisit the Goal Statement	Location Evaluation	Employee Recruitment	Employee Management
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STEP ONE: REVISIT THE GOAL STATEMENT

As noted previously, your [goal statement](#) is a living document – something that you should revisit and reconsider throughout the development of your entry strategy. To that end, we strongly advise you and your team to review your goal statement at the outset of Phase 4. This exercise will allow you to:

- **Make Any Necessary Adjustments to Entry Strategy** – By stopping to consider any implications or unexpected circumstances surfaced through the due diligence conducted in Phase 3, you can ensure your local office and staff investments are commensurate with what you can realistically expect to achieve, revenue-wise, in the country under consideration.
- **Achieve Consensus on Next Steps** – By reminding yourself what goals your organization aims to achieve through geographic expansion, you can approach staff and office planning with shared purpose and a minimum of confusion.

GOAL STATEMENT: TEMPLATE (CONTINUED)**COMPANY NAME****Strategy Assessment: What did we learn in Phase 3 that might alter our entry strategy?**

(a) Based off our findings, would it be financially responsible to open an office and/or plant in [Country]?

(b) Do we need an on-the-ground presence in [Country] to achieve our growth objectives? Can we achieve our goals without investing in local real estate and talent?

(c) Whether we open an office or establish an alliance, do we agree on what the budget allocation should be for [Country] based on what we learned in our country and market due diligence?

Next Steps: Do we know agree on how to proceed with our move into [Country]?

(a) If we elect not to open an office, do we have viable options available to us through strategic alliances or distributor partnerships? How do those costs and benefits compare to those associated with more direct local presence?

(b) If we elect to open an office, should we hire local talent or send current employees into the region? Have we identified anything through our research to date that would suggest one approach might be more beneficial than another?

(c) What should be the balance between central authority and local autonomy? To what extent do we want to allow the local teams to control marketing messages, hiring decisions, finance, sales and forecasting?

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Note: Pages 1 and 2 are featured on pages 10 and 11.

Reminder! Depending on how your answer these questions, the tools that follow may or may not be relevant for each entry strategy you execute – and that's okay. These tools are meant to fit into your workflow whenever they can – and if you ever do need them, they're here for you.

Phase 4: Local Office and Staff Planning

Step	Revisit the Goal Statement	Location Evaluation	Employee Recruitment	Employee Management
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STEP TWO: LOCATION EVALUATION**Tool #1: Site Selection Worksheet****Overview****What is it?**

An assessment tool that aggregates all main location criteria in a single place. Completing this exercise for each location (city or otherwise) will help you standardize evaluations between location options.

Why should you use it?

Structuring all location evaluations according to the same criteria will help you streamline site selection decisions, thereby saving time, capital, and valuable resources. It might also help you surface potential cost savings associated with different location options.

Site Selection Worksheet (Sample)**Country:** India**Location/Industry:** New Delhi/High Tech Industry

Criterion	Information
Operating Costs	
Wages	Skilled labor wages rising 7% annually; unskilled labor wages rising at 7.9% annually; to hire an engineer in India costs 70% of what it costs to hire one in Silicon Valley, USA.
Utility Costs	On average, \$1.51 per square foot is spent on energy in office buildings
Labor Availability & Quality	
Overall Size of the Labor Market	India produces 500,000 engineers each year - but only a handful are qualified to work in multinationals
Tightness & Competition for Labor	Top firms compete for talent from best Indian universities
Experienced Industry-Specific Staff	Availability of engineers suggests good match with any high-tech firm (also possibility for transfer of talent from other high tech firms with India presence)
Non-Experienced Staff	Highly populous region; wide availability of unskilled labor
Skills, Attitudes, and Productivity	Culturally, Indian employees are predisposed to risk aversion, which can stifle innovation and creativity.
Flexibility of Labor Relations	To date, labor relations do not seem to have hindered economic performance or growth
Living Environment	
Attractiveness for International Staff	To make a lucrative offer, we'd have to offer a driver, domestic staff, and top-level security, in addition to US-comparable wages
Safety/Security	Personal or staff security will be required
Healthcare	Private healthcare is preferable for all employees

Phase 4: Local Office and Staff Planning

Step	Revisit the Goal Statement	Location Evaluation	Employee Recruitment	Employee Management
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STEP TWO: LOCATION EVALUATION (CONTINUED)**Tool #2: Real Estate Selection Guidelines****Overview****What is it?**

A table to help you organize all real estate cost information in one place. It can also double as a presentation template for sharing this information with colleagues.

Why should you use it?

It will allow you to evaluate site options against shared criteria and identify the most financially advantageous locations possible.

Real Estate Selection Guidelines

Country: Poland (Sample)

Step One: Standard Rental or Lease Guidelines

Category	Comments
Lease Length (minimum/maximum)	<ul style="list-style-type: none"> 3 - 5 years is the norm; 10 years is the maximum
Payments/Terms	<ul style="list-style-type: none"> Rental payments may be made monthly in advance 22% VAT charged on rent
Repairs	<ul style="list-style-type: none"> Tenant responsible for internal maintenance External and common areas borne by landlord
Insurance	<ul style="list-style-type: none"> Landlord covers cost of Building Insurance Tenant covers own cost and premise insurance
Agency Fee	<ul style="list-style-type: none"> 1 - 3 months rent plus VAT
Developer Incentives	<ul style="list-style-type: none"> Free rent period to attract tenants 1 month rent-free for each year of a lease

Step Two: Site-Specific Rental or Lease Cost Structure

Business Area	Purchase Cost (USD* / square meter in 2008)	Average Rental (USD / square meter/ month in 2008)	Service Charges (USD / square meter/ month)	Add-On Factor Paid for Exploitation of Common Areas
Warsaw Centre	5,000 - 6,000	47.1-51.8	1.4-2.7	3-10%
Outside Warsaw Centre	4,140	24.5 -28.2	1.4-2.7	3-10%
Kraków	5,520	15.0 - 19.0	1.4-2.7	3-10%

* USD is used here for demonstration purposes only. You should insert whatever currency makes the most sense for you.

Phase 4: Local Office and Staff Planning

Step	Revisit the Goal Statement	Location Evaluation	Employee Recruitment	Employee Management
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STEP THREE: EMPLOYEE RECRUITMENT**Tool #1: Recruitment Planning Worksheet****Overview****What is it?**

A list of categories to consider prior to beginning an employee search in a new country. It will help you manage your recruiting efforts right from the start.

Why should you use it?

Methods for searching or advertising for jobs will vary greatly by country depending on the culture, job market, and perceived trustworthiness of various information channels. Considering these factors will help you build credibility with potential employees (by reaching them through reputable sources) and reach a talent pool well-aligned with your needs.

Recruitment Planning Worksheet**Country: Poland (Sample)**

Category	Data
Best Local Universities	<u>Name:</u> University of Warsaw (Uniwersytet Warszawski) <u>Location:</u> Warsaw <u>Number of Graduates 1998-2008:</u> 75,853 <u>Description:</u> Country's largest university in terms of students and graduates per year
	<u>Name:</u> Jagiellonian University (Uniwersytet Jagielloński) <u>Location:</u> Kraków <u>Number of Graduates 1998-2008:</u> 49,393 <u>Description:</u> The oldest university in Poland; famous for social sciences
Top Recruiting Firms for Executive-Level Talent	<u>Name:</u> Reed Poland <u>Address:</u> Millennium Plaza, Al. Jerozolimskie 123A 02-017 Warszawa; +4822 397 31 00 <u>Profile:</u> Reed Poland provides recruitment services in IT & Telecoms
Top Recruiting Firms for Entry-Level Talent	<u>Name:</u> Spencer Stuart <u>Address:</u> Ul. Mysia 5, 00-496 Warsaw; +48 22.321.02.00 <u>Web Site:</u> http://www.spencerstuart.com/about/offices/warsaw/
Top Job Search Channels	<u>Most Common (e.g., specific newspapers, radio stations):</u> Internet; social network (e.g., friends, family) <u>Less Significant:</u> Work fairs; HR firms
Top Recruitment Web Sites	http://www.jobs.pl ; http://praca.gazeta.pl

Phase 4: Local Office and Staff Planning

Step	Revisit the Goal Statement	Location Evaluation	Employee Recruitment	Employee Management
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STEP FOUR: EMPLOYEE MANAGEMENT**Tool #1: Employee Salary Considerations****Overview****What is it?**

A data-collection tool to help you design competitive but fair salary packages for locally-hired employees.

Why should you use it?

Salary structures may vary widely by country, region, company size, and location. Additionally, salary expectations may vary depending on functional area or skill level. You need to prepare for these variations and factor them into your salary offers if you want to strike the right balance between cost effectiveness and fairness.

Employee Salary Considerations

Country:

Industry:

Step One: Calculate Average Salary by Employee Level

	10% Earns Below	25% Earns Below	Median	25% Earns Above	10% Earns Above	Average
Entry-Level Employee	Data	Data	Data	Data	Data	Data
Specialist in General	Data	Data	Data	Data	Data	Data
Junior Specialist	Data	Data	Data	Data	Data	Data
Senior Specialist	Data	Data	Data	Data	Data	Data
Manager in General	Data	Data	Data	Data	Data	Data
Leader of 2-10 people	Data	Data	Data	Data	Data	Data
Leader of 11+ people	Data	Data	Data	Data	Data	Data
Directors, Members of the Board	Data	Data	Data	Data	Data	Data

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Phase 4: Local Office and Staff Planning

Step	Revisit the Goal Statement	Location Evaluation	Employee Recruitment	Employee Management
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STEP FOUR: EMPLOYEE MANAGEMENT (CONTINUED)**Tool #1: Employee Salary Considerations (Continued)****Employee Salary Considerations****Country:****Industry:****Step Two: Calculate Average Salary by Region**

	10% Earns Below	25% Earns Below	Median	25% Earns Above	10% Earns Above	Average
Region 1	Data	Data	Data	Data	Data	Data
Region 2	Data	Data	Data	Data	Data	Data
Region 3	Data	Data	Data	Data	Data	Data
Region 4	Data	Data	Data	Data	Data	Data

Step Three: Calculate Average Salary by Company or Office Size

	10% Earns Below	25% Earns Below	Median	25% Earns Above	10% Earns Above	Average
Micro: 1 to 9 Employees	Data	Data	Data	Data	Data	Data
Small: 10 to 49 Employees	Data	Data	Data	Data	Data	Data
Mid-Sized: 50 to 259 Employees	Data	Data	Data	Data	Data	Data
Large: 250 to 499 Employees	Data	Data	Data	Data	Data	Data
Very Large: 1,000+ Employees	Data	Data	Data	Data	Data	Data

(Continued on next page)

Phase 4: Local Office and Staff Planning

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STEP FOUR: EMPLOYEE MANAGEMENT (CONTINUED)**Tool #1: Employee Salary Considerations (Continued)****Employee Salary Considerations****Country:****Industry:*****Step Four: Calculate Average Salary by Functional Area***

Functional Area	Average Salary
Marketing	Data
Information Technology	Data
Research & Development	Data
Finance & Controlling	Data
Human Resources	Data
Technical/Service	Data
Customer Service	Data
Sales	Data
Administrative	Data

A Note on Salary Benchmarking

Salary data and benchmarking sources will vary widely by country, industry, and company size. That said, the resources listed below may guide your information-collection in various regions worldwide. If they cannot provide you with the quantitative data you seek, they may nonetheless be able to direct you to local authorities who can give you more specific information.

- [World Bank](#)
- [Payscale.com](#)
- [CIA World Fact Book](#)
- [European Bank for Reconstruction and Development](#)
- [International Labour Organization](#)
- [Organization of American States](#)
- [Inter-American Development Bank](#)
- [Asian Development Bank](#)
- [Overseas Private Investment Corporation](#)

Phase 4: Local Office and Staff Planning

Step	Revisit the Goal Statement	Location Evaluation	Employee Recruitment	Employee Management
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STEP FOUR: EMPLOYEE MANAGEMENT (CONTINUED)**Tool #2: Employer Practices Due Diligence Checklist****Overview****What is it?**

A checklist to help organize your compliance with all employee benefits and insurance requirements.

Why should you use it?

Each country will have its own remuneration practices, insurance regulations, and contract standards. You need to track your company's compliance with these rules for each country you enter and ensure that you modify benefits depending on country and employee expectations.

Employer Practices Due Diligence Checklist**Remuneration Practices**

- ☐ Specific dates for payment of salaries
- ☐ Sick leave salary
- ☐ "Paid leave" salary
- ☐ Criteria for overtime pay
- ☐ Frequency of salary increases or dissemination of bonuses
- ☐ Standard business ethics practices

Paid Leave Practices

- ☐ Standard vacation laws
- ☐ Federal holidays
- ☐ Religious festivals
- ☐ Maternity leave (duration and salary expectations)

Employment Contracts

- ☐ Groups legally protected from dismissal
- ☐ Standard number of hours in a work week (and whether it is legally enforced, through unions or other)
- ☐ Standard notice periods for employment termination (voluntary or otherwise)
- ☐ Types of employment contracts
- ☐ Content of employment contracts
- ☐ Frequency of performance reviews
- ☐ Dietary requirements (that companies legally obligated to meet)
- ☐ Expectations regarding non-health related benefits such as drivers, security, etc.

Insurance Expectations

- ☐ Employer and employee contributions to the following funds:
 - Pension
 - Disability
 - Accident
 - Sickness
 - Medical

END NOTES

Growth Process Toolkit *Geographic Expansion*



END NOTES

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