In conversation with
Emin Birsel

ex-Managing Director Europe

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Learnings and Guidance on Expanding to International Markets: Emin Birsel on Crafting a Winning International Expansion Strategy

By Sabit Tapan, Partner and the Country Manager for Türkiye at Pedersen & Partners: Dear Emin, it's been a while since our last conversation, and it's a pleasure to reconnect and gather insights from you once again. Could you provide an update on your recent experiences and developments?

Emin: Certainly Sabit; indeed, it has been a considerable amount of time since our previous discussion. This year marks the 30th year in my professional career, allowing for a moment of reflection. Throughout this period, I've been engaged in leadership positions within international companies. These roles have encompassed responsibilities in managing and overseeing international operations, participation on local and international boards, and an array of executive duties.

I've been involved with various regions such as Europe, the Middle East, North Africa, Russia, Central Asia, the United States, and the Asia Pacific, particularly Japan, China, and Australia. My primary focus has revolved around consumer goods and the food industry. Consequently, my journey has entailed frequent international travel and an immersive experience in diverse countries.

For the past six years, I've been based in Amsterdam leading a multi-region business. These roles have allowed me to gain profound experience on creating strategies for growth, launching, expanding, and even turning around businesses. Additionally, they've enabled me to establish and foster high-performance organizations on both local and international scales. This firsthand experience has been instrumental in the development and execution of effective strategies for international expansion.

Sabit: Your exposure to international business landscapes is undoubtedly noteworthy. Many companies are hesitant to venture into the international arena due to the perceived risks. Despite this, there's a growing trend of companies looking beyond their domestic markets. What do you think prompts companies to explore international markets and what factors contribute to their success?

Emin: It's true, the decision to pursue international expansion is not to be taken lightly, and I often receive this question. The motivation behind such a move is often rooted in the recognition of saturated domestic markets, or in the desire to diversify the risks and overcome limitations of a single market. At times, they realize that the products or services they offer could fulfil unmet needs in other markets.

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However, taking the step towards international expansion is a strategic one, necessitating an assessment of both risks and benefits. There are significant advantages, as well as potential challenges, to be considered. When discussing the reasons to explore international markets, I often highlight several key points starting with diversification of revenue streams. Operating across multiple countries allows a company to distribute its revenue sources among various markets. This mitigates the risks associated with overreliance on a single economy's performance. A geographic spread of operations also reduces potential impact of political instability, economic downturns, currency fluctuations and even unforeseen disasters in a particular region.

Next to mention is the eventual Access to Larger Customer Bases and Resources. Entering new markets provides access to a broader customer base, revealing potentially untapped demand for existing products or services. This can have significantly positive impact on leveraging the existing physical and intellectual assets of the company. On the flip side different countries offer diverse resources, such as skilled labor, raw materials, and technology, potentially different than the company's domestic market. These can significantly impact a company's operational capabilities and costs.

Another that is important and must be placed in the top reasons among others is the opportunities for the Cross-Fertilization of Ideas and Practices. Operating internationally exposes companies to varying business practices, cultures, and customer preferences. This diversity often leads to enhanced innovation and problem-solving, that can also find uses and synergies in the domestic market.
While these benefits are substantial, it's important to acknowledge the associated risks in a new market. Currency fluctuations, unpredictable political and legal environments, regulatory challenges, and cultural considerations are among the potential pitfalls.

The decision to go international is complex and requires thorough analysis. The occurrence of Brexit stands as an example of an unforeseen event that had substantial consequences. And the magnitude of its influence was not foreseen, even within Western Europe.

Another aspect that has captured my attention in recent years is reputation and brand vulnerability. Negative occurrences in one country have the potential to cast a shadow over the company's image across all markets. Instances have arisen where an advertisement launched in a specific country, subsequently surfacing on the internet, faces opposition in a different country where the product or ad is not even being promoted. It's intriguing to observe how this reputation and brand exposure risk has become a significant facet of the contemporary business landscape.

Sabit: Exactly. When it comes to the risks and rewards, companies are entering this field for two main reasons. Some are confident they can gain financially. Others are going abroad to diversify risks of operating in a single country.
You've probably seen companies doing both for different reasons. Could you talk more about how often companies do this to try new things, and how often they do it because they think they can make more money in bigger markets?

Emin: Let's approach this from a holistic view and discuss "when and how to go international".
First, it's crucial to understand that expanding operations to multiple countries is a strategic step that requires careful planning. It's not a decision made overnight; it involves aligning company leadership and stakeholders with the expansion plans. This alignment is essential as it sets the direction for the company's growth.
However, before venturing into new markets, it's essential to have a well-established presence in the domestic market. This means having a solid customer base, efficient operations, and sustainable profitability generating cash flow. International expansion demands significant financial resources and stability.

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Conducting thorough market research is a recommended next step. This helps identify potential opportunities and assess demand for products and services in different countries. If there's a strong market potential that aligns with the company's strengths, then it might be a good time to consider international expansion.

Furthermore, understanding competitive advantages in target markets is crucial. Finding gaps in the market and offering products, services, or brands that consumers desire greatly enhances the chances of success. Nevertheless, the legal and regulatory frameworks of the target markets must be thoroughly understood and adhered to.

Many companies have faced surprises due to unfamiliar regulations that affect everything from product labelling to ingredients. Compliance can be complex and require adjustments to recipes, processes, and more.

Lastly, unique circumstances can present excellent opportunities for expansion. Competitive landscape, strategic alliances, mergers, or acquisitions opportunities are some of these examples. These allow strong companies to make their mark on the international stage.

Sabit: You've touched upon stakeholder and shareholder commitment, financial health, strong market positioning, unique selling points, and the presence of opportunities.

However, what about the resources required for this international expansion? Specifically, would a company leverage its existing internal talent, which has proven successful in domestic markets, to venture into international markets?

Alternatively, would the company seek external resources and tap into the expertise of individuals experienced in the target or international markets to ensure a successful start on this journey?

Emin: The role of talent is undoubtedly a crucial aspect when embarking on international expansion. A key consideration revolves around the qualities of leadership steering the ship. A company must ensure it possesses strong leadership with an international perspective, capable of navigating the intricate waters and landscapes of the international markets. These leaders should exhibit openness to diverse viewpoints, embrace cultural learning, and have the capacity to make informed decisions amidst the intricacies of diverse business environments.

One must keep in mind that each target market is a domestic market for the majority of the customer and consumer base; and that is where the company must win. Hence local talent in the target market plays a pivotal role in this equation. Hiring and nurturing talent from the targeted new market is a fundamental approach. This approach grants the company a deep understanding of the target markets, leveraging the insights and cultural nuances provided by local employees. This connection bridges gaps, fostering relationships with customers, suppliers, and stakeholders. It's a bridge to understanding the complexities that may not be immediately apparent to those entering from external markets.

However, the journey shouldn't be undertaken alone. Companies should equip themselves with a team that includes senior leaders and consultants, some of whom have gained invaluable experience from past successes and mistakes. Their insights pave a smoother path for the company's expansion. An alternative avenue to explore involves forging strategic alliances and partnerships. These collaborations can take various forms, from local companies to distributors and suppliers, ultimately granting access to networks, distribution channels, and shared resources.

In conclusion, the human factor is indisputably at the core of successful international expansion. It demands thoughtful leadership, a blend of local and international expertise, and a commitment to collaborative partnerships that extend the company's reach and effectiveness.

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Sabit: The people aspect you've highlighted is indeed a critical component. The concept of strategic alliances and partnerships is a sort of middle ground between establishing operations from scratch and acquiring an established business. As you mentioned, companies often choose among these three approaches: starting from scratch, opting for a hybrid strategy through partnerships, or acquiring existing businesses. When you contemplate market entry and explore these various avenues, what factors do you consider and what thoughts guide your decision-making process?

Emin: Your insight resonates strongly with my own experiences spanning over three decades. I've led greenfield ventures, where operations were established from scratch, as well as ventured into licensing arrangements where local partners undertook the greenfield aspects while we provided the technology and know-how. Acquiring full ownership by buying out shares from local partners, thereby transforming the business into an international entity, has been part of my journey. I've also encountered acquisitions and sales that have led to international expansions.

It's fascinating how the various pathways exist and the progression through different stages becomes evident. Allow me to outline these stages briefly, which we can explore in greater detail later. Firstly, conducting an internal readiness assessment is paramount. The company must evaluate factors such as financial stability, operational capabilities, human resources, and leadership commitment. This introspection becomes pivotal when deciding between greenfield initiatives, partnership models, or acquisitions. Collaborating with experts during this assessment can provide a broader perspective.
Subsequently, the focus shifts to market selection. Analysing the market's size, growth potential, and compatibility with the company's ethos becomes a critical entry point.

Once the market is chosen, a clear market entry strategy needs definition. This could range from exporting, licensing, joint ventures, acquisitions, expansion, or establishing a physical presence. The decision hinges on aligning with the company's vision for the market. Afterwards, a multitude of tasks demand attention, some of which may have already been addressed by a seasoned partner. Such a partner's experience can considerably expedite navigating legal and regulatory compliance, providing the company with a substantial advantage. Overall, these considerations form the foundation for selecting the approach to enter a given market.

Sabit: It's enlightening to delve into these critical aspects further. The layers of considerations, from the human factor to strategic models, are indeed extensive. As we wrap up our discussion, could you synthesize the essence of international success into a few core elements? Which ones are pivotal for triumph in international markets?

Emin: Summarizing, I would emphasize two pivotal pillars. Firstly, internal readiness stands as the cornerstone. It's essential to nurture a leadership team with a international mindset and surround the organization with advisors who foster cross-cultural competence. This readiness aligns with a company's ability to navigate the complexities of international expansion successfully.

The second pillar rests on developing and seizing partnership and acquisition opportunities strategically. While this requires its own readiness, it presents a valuable avenue for acquiring knowledge and expanding capabilities. Of course, integrating these operations post-acquisition remains a challenge of its own, one that we can delve into in the future. In the end, it all circles back to fostering a cohesive, winning culture that thrives in both domestic and international markets.

Sabit: I understand that summarizing your extensive 30-year experience in just 30 minutes is a tall order. These topics are complex and involve methods, beliefs, and real-life lessons. Thank you, Emin!