BEST PRACTICE

Perfect landing

A COMPANY'S FIRST FEW MONTHS IN A DEVELOPING COUNTRY ARE THE MOST IMPORTANT, BECAUSE THIS IS WHEN IT WILL SCOPE OUT THE TERRITORY AND CHOOSE A BUSINESS PARTNER, SAYS **NAVJOT SINGH**

For an executive who has been relocated to an emerging market, the first few months will be a kind of corporate honeymoon that will include becoming familiar with the new surroundings.

Knowing some of the major business principles that can determine the difference between success and failure is crucial before even setting foot into an emerging market.

When choosing strategies, therefore, executives need to work out how the capital, product and labour markets work (or don't work) in the target countries.

Emerging markets provide unique challenges, but they can be addressed, and eventually overcome, by a thorough, well prepared and well researched entry strategy. There is a whole range of advice provided by chambers of commerce, embassies, the home country's trade and industry organisations, expatriate blogs and groups, as well as other corporate professionals who have lived and worked in the host country.

Use every source available to find out about the local market. Check references, particularly those of other foreign firms who have operated there. Hire a local lawyer or investigator to confirm that a potential local partner company is in good standing with all creditors and taxing authorities. If the destination is Pune, India, or Johannesburg, South Africa, hiring a lawyer in New Delhi or Cape Town will probably not be productive. It is best to find someone you can trust with contacts in the location where the potential partner company conducts business.

One of the most central concerns faced by Western businesses making strategic decisions in emerging markets is obtaining accurate market information.

Countries such as India and China are enormous, complex and unique markets. In developed economies, the market information configuration is such that businesses have often been operating in their economies long enough to have built up a strong understanding and acceptance of their markets.

In comparison, the market information structure in emerging economies is moderately frail. In socialist societies such as China, for example, workers cannot form independent trade unions in the labour market like in the West, which affects wage levels. Sound advice like this is priceless before entering markets such as China.

Most Western businesses are unfamiliar with their industry markets in emerging economies. It is vital that newcomers into emerging markets do not just look for advice from their management consultants, as the view from the ivory towers in Mexico City sometimes looks rather different from the reality on the ground in, say, the outfields of Michoacán. Getting it right at the end means getting it right at the start; therefore preparation is crucial to success.

Reliable partners

The quality and reliability of the local partner are two key components of success in an emerging market. Prior to commencing business with anyone, first establish what precisely is needed from them. Foreign companies need a local partner who is reliable, understanding, co-operative and trustworthy. They must also have a global mindset.

The legal systems in emerging markets are often in line with international standards or with Western laws. Local laws are often biased towards their governments and absent from free markets. Court cases can take months, if not years, and often they are corrupt.

Form takes preference over substance in ways completely unfamiliar to those in developed economies. One minor methodological miscue on the foreign company's part might negate its right to sue the local partner later on. In unfortunate circumstances it may even lead to the foreign company being expelled from the country, while its assets remain.

A good partner may not necessarily have political connections. Usually as a business partner it is best practice not to be engaged politically for any non-business related issues, as this can prove to be risky for the executives and their business.

It is important to get to know potential partners because if they are legitimate and want to work with you for the long term, they will expect you to want to get to know them better and think nothing of your wanting multiple meetings before signing any deal. It may also be very useful to have your own people on the ground, leading, training and instructing the local staff on business methods, business ethics, efficiency and quality control, among other things.

Another approach is to have one local manager working alongside an expat manager to make joint decisions and avoid any cultural differences and conflicts in the workplace.

Be careful and know the local rules and regulations prior to entering the country. The easiest way for a local competitor to force a foreign company out is for the company to engage in something illegal, although in some cases that may not be deemed 'illegal' in the company's home country.

Practising patience

Many executives find that if a project or task takes twice as long in the developed world, then most likely it will take at least four times that in emerging markets. The challenge lies in the fact that the emerging market hosts will treat a foreign executive both as a businessperson and a professional coach because they will want to learn about how the company operates in Western economies.

For the foreign executive, patience will be tested to the limit, especially if he or she has been sent to manage a start-up from scratch. But patience will be required in abundance because it could take many months before there is any sign of