

Why Foreign Corporations Struggle In America

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A recent LinkedIn post asked for experiences from foreign national corporations who have had trouble introducing their products and services to the North American market.

From our experience in this area, foreign national corporations typically encounter the following issues:

1. Send a foreign national to open the operation just because someone believes there is a large untapped market in North America, but no research is done and no plan is formulated before coming.
2. They attempt to apply their current sales policies and distribution channels they utilize in their home country in North America, which typically is unsuccessful.
3. They send people to manage the North American operations who have little to no understanding of the culture, and given limited time and resources to learn it.
4. If they hire a Canadian or United States national to manage their operation, there is a communication issue between the North American operation and the home country. Typically, the reason is the North American operation does not have a seat at the executive table when decisions are made, and little training or effort was given to introduce this person to their new employer.

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5. Very limited financial and human resources are allocated for operations, sales and marketing — especially sales and marketing.
6. No or limited inventory of product is on hand in Canada or the United States and long lead times to get product sold to North America.
7. Cut and run. For as much as foreign corporations talk about managing for the long term, they tend to apply short term thinking when entering the North American market, which leads to huge turnover of employees and management teams which ultimately results in cutting their losses and closing shop after three-to-five years.

If a foreign national wants to be successful in North America, they must:

Understand The Market Before You Come Here

To accomplish this you will need to assign a staff member to conduct market research or hire a firm in North America to help you with the process. By doing so, it will help you:

- Determine the market potential, the pricing structures, the sales cycle, etc.
- Learn who your target audience is, where they get their information from, and who your competitors are.
- Uncover how products/services are bought and sold.
- Discover what the points of resistance will be.
- Find out the work and visa rules for foreigners, and if there are government regulations involved in the sale of your products or services (e.g., UL, CSA, CE).
- Ascertain what your strengths and weaknesses are at the HQ and your facilities (Do you have the personnel in place to support a North American operation? Do you have the manufacturing facilities to produce product for North America? etc.).
- Become versed in the culture.

Based on our experience, here are few key points to begin your understanding process and develop a plan for success.

i. Developing a North American operation will be a 10-year process to really gain a foothold in North America because introducing a new company and product/service takes a lot of pioneering. Pioneering takes time.

It could take less time depending on how the company is structured, and the human and financial resources that are allocated.

ii. Having only one person covering Canada and the United States—and possibly Mexico—and expecting exponential growth is unrealistic. There are only approximately 200 business days in a year. Finding distribution channels and making sales presentations to prospective clients and managing projects at accounts you pick up along the way will require that person to be living on a plane and hotel every day of the year.

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Some of that time and those expenses can be eliminated by fully utilizing the communications tools that are available today, but even then, there is the risk of falling into the out-of-site-out-of-mind trap, which can stunt growth.

iii. Hiring a master distributor and expecting them to do all sales and marketing with their own money and at the same time expecting exponential growth is unrealistic.

iv. Having no inventory in North America and expecting repeat sales and exponential growth is unrealistic.

Have A Plan

Coming to North America without a plan and flying by the seat of your pants is a recipe for disaster. It's one reason why foreign nationals continuously turn over management teams when the headquarters feels success hasn't been obtained because there are unrealistic and immeasurable goals.

Hire The Right People

Your North American staff and management team are crucial to your success. The only way to hire the right people is to take your time and make sure you have a job description prepared with the traits you are seeking. For the President/Managing Director, there are three methods to finding or developing the right person.

1. Find someone from North America who has experience dealing with foreign nationals and has expertise in the specific products you make or industry you're in.
2. Send a person from the corporate headquarters that has been to North America for an extended period of time and is comfortable with the culture. It can be quite the shock to the person's system to send someone who is unfamiliar with the culture, has to find someplace to live and setup operations while at the same time attempting to learn English and grow business.
3. Hire a Canadian or United States national, bring them to your facility for a minimum of one year so they can learn the home country culture and operating methods, then return them to run the North American operation. And, make sure they have a seat at the executive table.

Hire A Marketing Communications Firm

Getting the word out about your company and products/services is very important to your success. A marketing communications firm can help you craft the messages needed to gain attention in the press and influence decision makers. Also, they will help you make sure the English in your literature is localized.

Be willing and able to invest a minimum of \$50,000 to \$100,000/year, if possible, for at least the first five years to get your message out, and for it to gain traction.

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This investment will go towards the development of case studies, translation of literature, public relations, advertising, trade shows and other channels of communication. As sales increase, so will your marketing investment.

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