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Expression Magazine: “Caslione’s Marketing”

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Going Global: First Think and Behave Globally

In today’s fast-growing world economy, even the most stubborn companies who refuse to accept globalization will eventually have to face competition from abroad. It is inevitable. Global competition is everywhere and will ultimately impact all companies – large and small – and in all countries.

Chinese companies are certainly no exception. In fact, during the past decade it has been Chinese companies who have felt the impact of the opening of the new market economy in China more than any other companies in the world. Countless foreign firms have sought to enter China to take advantage of the tremendous new opportunities that China represents to them. Whether it is to sell their products to business and industry or to consumers, foreign firms perceive business opportunities that are until now unprecedented in the world.

Foreign manufacturers each day attempt to enhance their competitive positions in their industries by sending their manufacturing to China to exploit Chinese manufacturers’ low cost of labor and manufacturing. And despite objections from certain organizations and politicians in the USA and Europe who complain of Chinese manufacturers’ “unfair” competitive advantage, privately many of these same people will admit that the world is a much better (and more affordable) place with the entry of China into the new global economy.

In the December 2003 issue of “Expression” Magazine I was the featured guest to be interviewed in its lead article. It was a great honor for me to be selected by “Expression” and to present to the Chinese business community my thoughts and strategies on marketing, and especially how a company can build value into its products and to compete successfully against discounting and low prices. Having successfully implemented these strategies in more than 80 countries in the world – including China – it was a very important and timely message for Chinese business people who each day are fighting the battle of aggressive price discounting. It was the same message that I presented in my 21-city / 4-continent world tour in 2003 which included four cities in China.

I was again greatly honored by “Expression” Magazine’s esteemed editor when I was then asked to begin to contribute articles each month in my own column in “Expression” Magazine, entitled, “Caslione’s Marketing” beginning with this month’s issue.

It is no secret to any of my readers of my books and articles through the years that I am a very strong proponent of globalization and building a strong global economy. In fact, my latest book, *Global Manifest Destiny*, which has been honored for the third consecutive year by Harvard University’s leading publication, “HBS Working Knowledge,” presents a road map for all companies – and especially small and middle size companies – to become global companies.

Each month in “Expression” magazine I will present to Chinese business people new ideas, strategies and case studies of companies – especially small and middle size enterprises (SMEs) in China and from countries all around the

world who are “going global.” I will also present the leading ideas and strategies from all around the world for Chinese companies to compete more successfully in China, because to “go global” a company doing business in China will need to be successful in China before it ventures abroad. It then becomes merely an issue of *timing*, assuming a company can be successful in its home market.

In the months to follow, I will present many new ideas and leading edge strategies to Chinese business people such as building strong marketing, creating and promoting new brands that may be taken outside of China into other markets in Asia and then be taken to the USA, Europe, and eventually globally.

In fact, of the 191 countries now represented in the United Nations today, there is only one culture and people who populate *all* 191 of these countries. This is the Chinese culture and the Chinese people, i.e., only the Chinese populate *all* 191 of these countries. And while in the past these Chinese business people have been almost exclusively Hong Kong or Taiwan Chinese, it is now the time for *all* Chinese to achieve success in the new global marketplace. It is also for this same reason that I predict that, despite very different culture, history and language, Chinese will find tremendous success by partnering in business with the other people in the world who are well-established as *the* most successful business people in the world – the American businessman from the U.S. This will also be the subject of one of my upcoming articles in “Expression” Magazine.

My articles will also present new and innovative ways to enter into productive and successful “alliances” with foreign firms who have skills and resources that Chinese companies will need to go global. I am currently acting as

a senior advisor of a most prestigious company who assists U.S. and Europe SME manufacturers to bring their manufacturing to China. This company, NaviAsia, has offices in Chicago, Beijing and Shanghai – and soon will be opening an office in Frankfurt, Germany to better assist European SMEs.

While assisting U.S. and European SMEs to come to China is a very worthy endeavor, NaviAsia and I are now assist enlightened Chinese companies to globalize their businesses. This is done through solid and tangible strategies including developing the proper alliances with selected foreign firms to allow Chinese companies to successfully enter and establish their businesses in the USA and in Europe.

And my ongoing articles in “Expression” Magazine will also cover so much more – all with solid, practical and success ideas and strategies for Chinese companies to evolve and integrate into the new global economy, both domestically at home and in markets in the rest of Asia, the USA and Europe.

But the question now is, “Where do we begin?” There is only one place to begin and that is to build and create a global business culture in your company. Simply, the leaders of any successful business who want to successfully “go global” must first *think globally*, then they must begin to *act globally* before it becomes an operating reality. They must do this to *feel the stones as they cross the river*. Building a global business mindset, global business leadership and a global business culture gives the firm the ability to be able to *feel the stones*.

Global Leadership & Culture

Mere reality mandates that companies and the people who lead them must look at their entire organization within a global context – if not today, then tomorrow. Even if a Chinese company chooses *not* to “go global” the never-ending search for continuing lower costs have put pressure on many Chinese companies who have already lost business from foreign firms to other Chinese companies who have lower costs from more low-cost regions in China or to even other low-cost countries like India or Indonesia. The reality is that *no company* can escape the hand of globalization – either directly or indirectly – and *all* serious-minded businesses in China will be impacted.

The rise of the global economy compels business leaders in companies large and small to viscerally recognize the inherent inevitability of global competition and begin to prepare their companies to be successful in such a new environment.

While *all* companies must earn profits today and that short-term results are intricately tied to long-term performance, failures on the part of business leaders to recognize the indispensable nature of the global component are setting themselves up for potentially very troubled and difficult times.

Here are three case study examples of small and medium companies all having less than US\$ 20 million in annual sales domestically who have successfully broken into the global marketplace *and* did it in less than five years:

Pearl River Piano (China)

Despite the pull of the high volume (but oftentimes low margin) domestic market, some Chinese companies have set their sights squarely on the external

global market. These globally-minded companies were probably motivated by the prospect of reaping global economies of scale or the knowledge that competition in their businesses was inherently global. Some of them attacked the overseas market from the start while others, which were subcontract manufacturers to big international companies, had to first think small in the beginning to ensure that they didn't jeopardize or damage their then current supplier relationships.

Some of China's successful global companies also have not confined themselves to purely the traditional high volume sales game. As these firms developed expertise with crucial technologies, they migrated to specialized, high-value and high margin segments. The more enlightened companies have not been unnecessarily shy about developing close alliances and partnerships or even acquiring competitors to successfully move up the value and margin chains.

One of these successful domestically-focused Chinese firms is Guangzhou-based Pearl River Piano. Pearl River began to plan its global business strategy in the early 1990s by first breaking into mass markets where they enjoyed a competitive price advantage due to their low production costs. Pearl River then set up one of the world's largest piano-manufacturing facilities in 1992. With annual revenues of less than US\$ 20 million when it began its globalization strategy, the company began to establish its reputation as a reliable supplier of pianos in the local Chinese market. The company's leadership also began its planning to enter the U.S. market by the year 2000 years before it actually did so by thinking globally first, then by beginning to behave globally.

By 1999, Pearl River's leaders had correctly concluded there was demand in the U.S. for a high-quality, inexpensive, entry-level piano – a gap in the market it could easily fill as one of the world's lowest cost piano manufacturers. The next year, the company sent a four-member team to sign up distributors to help build the brand and launch the product in the United States.

Despite the global recession, Pearl River increased its share of the U.S. market from 5% in 2001 to 10% in 2002 and is now planning to capture more than 25% by 2005. Not only is Pearl River investing more in its brands than their more established global competitors in the U.S. market, it is also building a new state-of-the-art design center in Germany as a prelude to a European launch.

Ranbaxy Pharmaceuticals (India)

For almost 18 years after it began exporting, the Indian pharmaceutical company Ranbaxy was trapped at the bottom of its industry. Even though the company had developed advanced product and had the capabilities to sell in its domestic market, it decided to expand globally by selling bulk substances to relatively unsophisticated markets. Because gross margins were between 5% and 10%, the additional revenue from the non-domestic business did not even offset the cost of the international sales and distribution. Like so many companies all over the world, Ranbaxy's management justified the negative returns by celebrating the status and prestige associated with Ranbaxy being a "multinational" or "global" company.

This all changed in the 1990s with total sales less than US\$ 20 million, when the new CEO, Parvinder Singh, challenged the top management with his dream of turning Ranbaxy into a truly global company. When asked the question of how a small India company could compete with the rich global giants from the USA and Europe, Singh responded by saying the company needed to develop a global culture that transcended India. “Ranbaxy cannot change India. What it can do is to create a pocket of excellence. Ranbaxy must be an island within India.”

Once there was a shift in mindset, lead from the top, the next steps were straightforward. The company moved into higher-margin businesses like selling branded generics in large volume markets like China and Russia. Ranbaxy then entered the U.S. and Western Europe. Each of these steps required new customer relationships, a strong brand image, and specialized distribution channels. But by using its increasing global knowledge and experience, Ranbaxy expanded its capabilities and developed new resources. In just five years, more than half of its US\$ 250 million revenues now come from outside of India.

ResMed (Australia)

ResMed is an Australia-based medical equipment company that specializes in the treatment of a breathing-disorder known as obstructive sleep apnea (OSA). Spun off by the giant global medical products firm, Baxter International, in the mid-1990s, ResMed was a struggling start-up company with revenues of only US\$ 1 million. By 2002, it was the world’s number two

competitor in the fast-growing market for OSA treatment devices, and its products were generating high margin sales of more than US\$ 100 million a year.

The leadership of Dr. Peter Farrell, CEO of ResMed, was fundamental to the tremendous growth of the company. Upon becoming CEO, Farrell encouraged ResMed's research to build new relationships and personal networks with other leaders in the global community. He led a team on a worldwide fact-finding tour of leading researchers and physicians and he put together a global medical advisory board to help ResMed develop its products to the industry standard on a global basis.

More recently, ResMed launched a global campaign to have the global medical profession recognize the strong links between sleep-disordered breathing and the incidence of strokes and congestive failure. The company has also moved the company's center of operations to be closer to the firm's largest and most sophisticated markets in the U.S. and in Europe. In these and other ways, ResMed's entire leadership team has pushed the company to act like a leading global player many years before it became an operating business reality.

You are kindly invited to read Dr John Caslione's insightful and valuable articles that will appear each month in "Expression" Magazine in his column entitled, "Caslione's Marketing." Dr Caslione's new ideas and strategies will assist your company to grow and prosper successfully in the new global economy.