

Emerging Markets

Is your company up to the challenge?

by Suresh Sethuraghavan



finding *new answers* in business.



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Is your company up to the challenge?

After years of crawling, emerging markets across the globe are starting to walk – some even breaking into a run. As an increasing number of companies make great strides within these countries, doing business in emerging markets has become integral to growth strategy.

Given their unique characteristics, these markets are booming, inviting and exciting. Many came out of the recession stronger than the well-established economies firms are used to operating in. However, they are also complex, chaotic and challenging. The appeal of their steep growth curve comes coupled with macroeconomic, demographic, social and cultural forces that are rapidly shifting market trends. These factors impact the composition, demographics and consumer needs and attitudes within the markets. Conducting business in global markets is a high-stakes game, but well-prepared companies can reduce risk, make financial gains and establish a strong competitive advantage.

Above All, Preparation

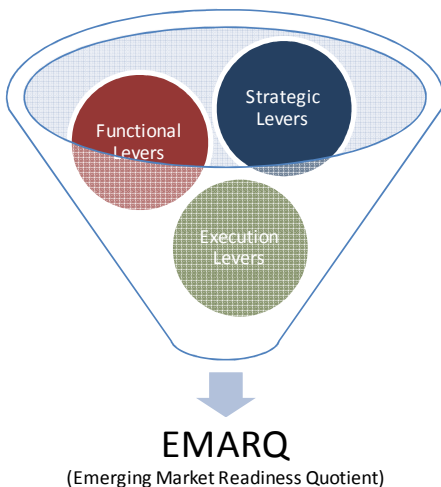
Even sophisticated multinationals, with access to the best knowledge and resources available, experience difficulty getting their footing in new markets. Professors CK Prahalad and Kenneth Lieberthal said in a *Harvard Business Review* article, “The more we think about the nature of these markets, the more we believe the

multinationals have to rethink and reconfigure every aspect of their business models.”

Like any venture into unknown territory, entering emerging markets requires thorough preparation, above all else. Most of us wouldn’t dream of going on a trip to a foreign place without a map, some essential luggage and a fair bit of background research for an idea of what to expect. Whether you’re entering a market for the first time, or expanding in an existing one, you should equip yourself to be well-prepared for whatever comes your way. This executive briefing explores the factors that influence preparedness for market entry and introduces a tool for conducting a holistic assessment of your company’s readiness.

Key Levers of Preparedness

A multitude of factors impact a company’s readiness for market entry, and these fall into three main categories. The categories can be thought of as key “levers” that enable a company to successfully engage business in a desired market (Figure 1). By evaluating your company’s performance in each of three levers, you can assess **what** your offering is (its relevance and your value proposition for the chosen market), **why** you are looking to expand in this market or enter a new one and **how** you can succeed in the chosen market. You’ll also be able to isolate areas where you are well prepared and



- Planning
 - ✓ What is the strategic intent, role & commitment towards the new market in the corporate business plan?
- Capabilities
 - ✓ What are the firm’s current capabilities, knowledge base and products in synergy with new market needs?
- Implementation
 - ✓ What does it take to be successful in the new market?

Figure 1: Emerging Markets Readiness Levers

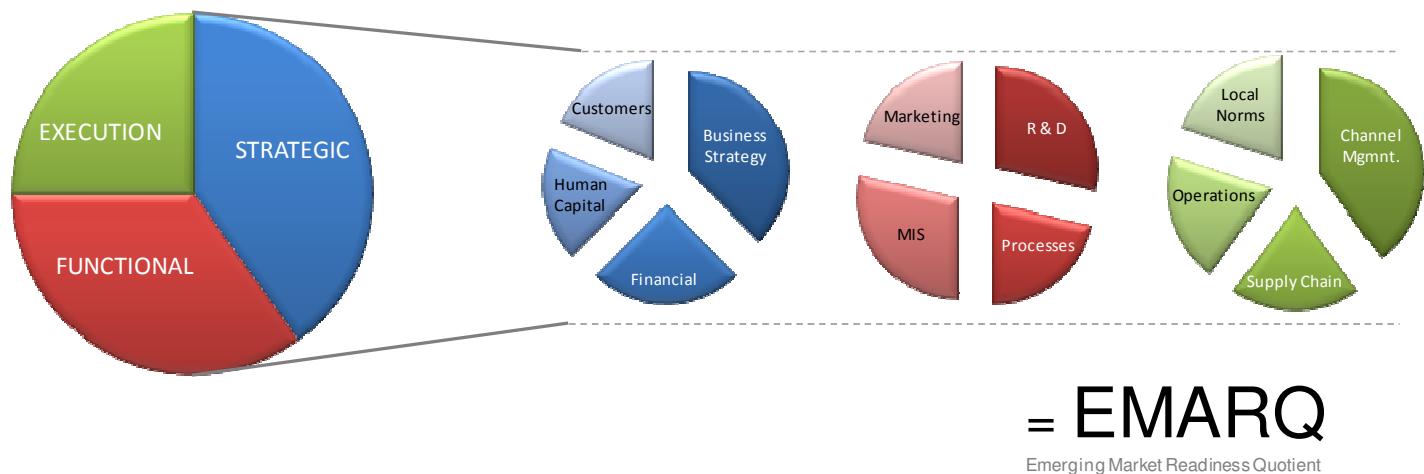


Figure 2: Components of Market Readiness

those areas where you have gaps and room for improvement.

Strategic Lever

The **Strategic Lever** addresses a company's planning and the strategic role and commitment toward the new market in the corporate business plan. Factors that influence strategic preparedness include business strategy, finances, human capital and market intelligence. The consideration of corporate commitment makes this a very important lever. No matter how well one masters operation and execution functions, if you don't have commitment from leadership, your entrance into a new market will be hindered.

Functional Lever

Second is the **Functional Lever**, which includes factors related to a company's capabilities such as research and development, processes, management information systems, infrastructure support, marketing and brand equity. These factors determine what a company's offerings and value proposition are and help in the assessment of how relevant these are to a selected market.

Execution Lever

Finally, the **Execution Lever** includes factors that relate to operational elements on the ground and help answer how the company will succeed in a given market. By evaluating channel management, supply chain and value chain partnerships, this lever helps determine the strategic intent and whether a company has what it takes to be successful when entering a market. The supplier

relationships are extremely important as international business is all about establishing and maintaining long-term, quality relationships.

Additionally, the level of understanding of how business is done locally (the laws, regulations and cultural norms), can help determine a company's success.

Market Entry Readiness Framework

The Emerging Markets Readiness Quotient (EMARQ) is a unique diagnostic tool to help companies evaluate their preparedness to enter emerging markets. This tool lets a company know how attractive a chosen market is from the company's perspective, and it can also lead to discovery and analysis of additional markets. The tool itself is not meant to help determine specific market potential, nor is it a be-all-end-all market selector. This tool is not a substitute for market research. It is a solid starting point for companies to become well-prepared for journeys into markets that are a strong fit for their offerings.

The framework evaluates factors in the three main levers discussed above, all of which impact a company's position going into a new market (Figure 2). Through a short one-to-two-day workshop conducted with a company's leadership, responses are gathered on a multitude of questions spanning the three levers, which are used in our proprietary EMARQ computation, an algorithm which weights each factor and each category for influence in market readiness.

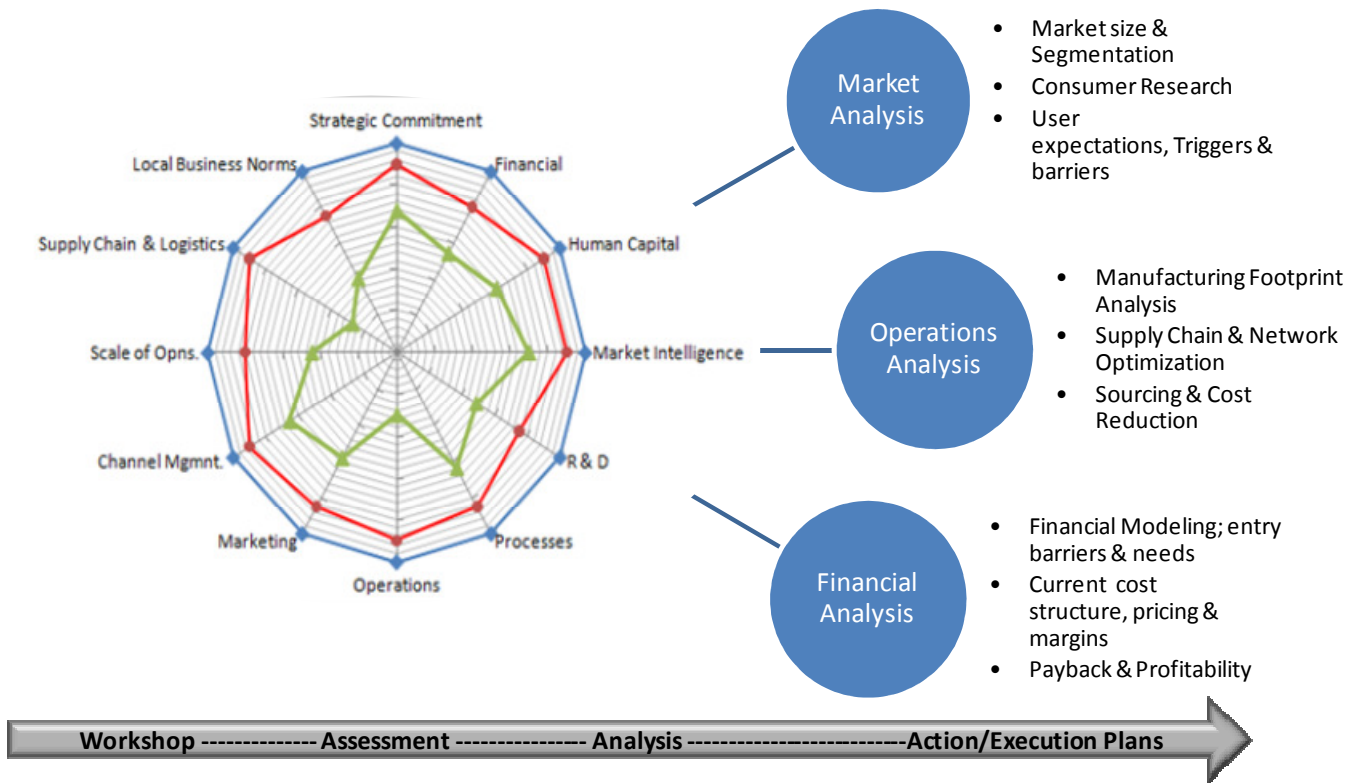


Figure 3: EMARQ Output Spider Chart

One of the key outputs from the computation is a spider chart that shows which areas the company scores high in and which areas have gaps and room for improvement (Figure 3). Interpretation of this chart provides direction to help us guide the company's preparation before they commit more money, time and resources in the chosen market. This holistic framework builds in many key areas that are often overlooked. It not only helps companies make smart decisions about next steps, it also enables them to validate their strengths to ensure higher probability of success in emerging markets.

Conclusion

Without proper preparation, going into a new market can be risky and costly. Focusing on relevant capabilities and conducting a thorough assessment of readiness enables companies to better direct resources in preparation for market entry. Tools such as the EMARQ framework provide a guiding map to help companies successfully navigate their journey. By evaluating preparedness and adapting early on, companies can actively engage

in the exciting, rewarding opportunities presented by emerging markets across the globe.

About Suresh Sethuraghavan

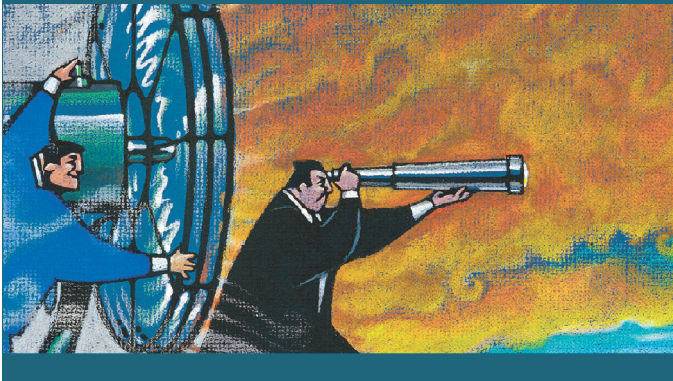
Suresh leads the Emerging Market Strategy practice at CGN & Associates. He is a certified Global Business Professional extensive industry experience in Product Management, Brand Development, Media Planning and Integrated Marketing Communications and has worked on projects across a varied range of Consumer Products, Technology, Education and Financial services.

To exchange ideas and insights on emerging market entry, contact Suresh at ssuresh@cgn.net.

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Our Focus Areas

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CGN takes the guesswork out of new markets, with local teams that know their markets and use that knowledge to create a strategy for your successful growth—and then work with you to execute it quickly and effectively. Our expertise includes new market analysis, market entry strategy, manufacturing footprints, network mapping, supplier development and supply chain management.

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CGN bridges the gap between business and technology—aligning the two to ensure IT facilitates the successful implementation of your business strategy. We provide advisory, implementation and support services, including process and technology definition, governance support, systems integration and business intelligence.

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