

A greater presence abroad for better performance at home

A company thinking of launching operations abroad must be prepared to take on some stiff competition once it gets there. Strong productivity or performance in your local market is a prerequisite to a foray into international waters, which one would think is fairly self-evident. And the reverse is also true. Indeed, experience has shown that the performance of companies with operations in the global marketplace (exporting, importing, investing, licence granting, joint ventures, etc.) also tends to improve at home. Internationalization therefore has a positive impact on domestic performance—one more reason for companies to start thinking about exporting. Some of the factors behind this phenomenon are presented below.

Lessons drawn from international rivalry

A company out to conquer foreign markets must be prepared to compete with world-class firms, not only multinationals but also many SMEs that have adapted their products or concepts to the new markets and implemented the required practices or processes. When companies have no choice but to stack up to their foreign competitors, they learn some lessons (e.g. new marketing and promotional approaches) that are then applied to their activities at home. The lessons learned—sometimes the hard way—is the outcome of ongoing confrontation with high-calibre competition from all corners of the world, a confrontation that forces the company to develop unique competitive advantages and refine its business practices.

Scale effects

In the medium and long term, the increased volume of activities generated by exporting results in a more competitive cost structure, due in part to the economies of scale created by profitable production and better conditions obtained from suppliers. However, the cost of adapting and “tropicalizing” the products for export means it will take many months or even years before you’ll achieve significant economies of scale. When the country of origin remains the main market, as is in most cases, the local clientele is the one that benefits the most from the more competitive cost structure.

Redeploying the supply chain

Some companies active on the international scene do not only export. They may have to import capital goods, raw materials and industrial components/parts in order to build and maintain a solid competitive front vis-à-vis their domestic or foreign counterparts, which are constantly trying to engage them in trench warfare. Despite the sometimes great distances separating the company from its foreign suppliers, it can be extremely worthwhile for the firm to look for and seize interesting procurement opportunities so as to continuously improve not only its product price but also its quality. Redeploying the supply chain as part of an international project gives the company a variety of new ways to enhance both profitability and the added value of its offer to its domestic clientele.

A melting pot of new ideas and promising concepts

Ongoing intelligence on the international scene allows the company to identify and eventually exploit new emerging trends, methods or ideas that are transferable to the domestic market and that will give the firm a solid edge over the national competition. Companies are constantly looking for new concepts, products or approaches that could sharpen and prolong their advantage. The global marketplace provides a huge melting pot of new ideas for companies to test and possibly apply to their domestic market. Transferring these ideas and concepts to North America can take various forms such as signing a licensing agreement, importing innovative products, purchasing distribution rights and transferring technology.

Diversifying to gain stability

In order not to fall into the trap of spreading yourself too thin, careful diversification outside the country will provide the company with greater stability in the long run. Having an international business stream will offset any potential downturn or decline in your domestic market, allowing the company to hold onto its sales force and promotional activities at home and even continue investing locally (facilities, recruitment, training, etc.).

“No man is a prophet in his own country”

A company that is successful in the global marketplace often gains visibility in its own country. In fact, after a positive export experience, sales that were previously flat often take off locally because they have passed the international test. A promising business abroad tends to confirm the company's *raison d'être* and credibility, as well as its relevance and the value of its offer, all of which reassures its customers.

International trade is not the exclusive domain of multinationals; SMEs can also succeed. However, this does not mean that they can forge ahead without preparation; in fact, there are certain rules and conditions that must be met

before launching an export project. That said, companies that venture beyond their borders usually see their performance improve at home as a result of lessons learned from foreign competition, economies of scale created as a result of expanding operations, a broader range of supply sources, the discovery of new ideas, diversification, and lastly, greater credibility.

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