



Desjardins & Co.

## International expansion: an SME's path to sustainable growth

**A company's business development process involves a number of different phases, each one requiring an in-depth look at how it will handle the challenges and issues ahead and—let's not forget—the business opportunities that will arise.**

There are a few tools that growing businesses (or businesses that are planning to grow) can use to reach their objectives. Indeed, the key players are the **home team** and the **connectors**.

The home team is a company's employees and owners (e.g., shareholders). They actively and directly help the company grow. Connectors are a company's many partners, such as suppliers, clients, financial institutions, external advisors and any other company associated with its operations.

### The home team paves the way to growth

The contribution of employees, including their know-how, energy and ideas, combined with the resources provided by the owners, is the fuel needed to grow the business in the long term. But the commitment of all these players must be more than the sum of their parts. Their shared vision and desire are the building blocks that will make the company's growth a reality.

### Connectors enhance growth

Along the same lines, SMEs can also benefit from help from their suppliers, clients and other business partners to reach their growth objectives. For example, major partnerships can

generate opportunities to showcase a business in new markets that would otherwise be hard to penetrate. Sometimes companies are asked to guide their clients and suppliers as they go global. All of these connectors help an SME succeed in its long-term growth plan.

### Going global to help SMEs survive and expand

Beyond the home team and the connectors that contribute to growth, the strategic pathways SMEs choose will greatly influence how quickly they grow. Growth strategies can take a number of different forms, including the introduction of new products into existing markets or the introduction of existing products into new markets, to say nothing of cross-border merger and acquisition strategies. However, the global marketplace provides more growth opportunities, as it offers economies of scale, sector and geographic diversification and increased competitiveness. Indeed, it's been shown time and again that SMEs that have to compete in foreign markets are more competitive than firms that only operate domestically. And a company's international expansion can also be prompted by external situations or factors (e.g., an unsolicited order from a foreign prospect, helping a client that's going global, selling to a middleman who



resells to foreign markets) rather than through a planned out process that's part of a corporate strategy.

For some companies, going global is a last resort, often undertaken in a wave of panic using a strategy prepared on the fly. However, in the global marketplace, hastily planned strategies produce random results. SMEs that want to grow by going global must think things through beforehand and move forward with their eyes open. For example, before spending on

development, firms should do their homework on the potential of the target market and any roadblocks to access.

Finally, as a business grows, its leaders should seize the opportunity to review their tools at hand. A firm cannot reasonably hope to achieve \$50 million in sales with infrastructure designed to handle only \$10 million. For globalization to be lasting and profitable, investments must be in line with the strategic vision of a company's executives.

*Information, advice*

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