

Going international: A strategic move, not an act of desperation

Spanish exports hit a record 220 billion euros in 2012. Though unprecedented, still only 1 out of 100 companies exports on a regular basis.

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Although Spanish firms have made great strides in venturing abroad in recent decades, internationalization remains a big challenge for many small and medium-sized companies.

According to data from the Spanish Institute for Foreign Trade (ICEX), fewer than 4 percent of Spanish businesses export. What's more, the percentage of those doing it regularly — at least four years in a row — is a meager 1 percent.

These figures are even more alarming if one takes into account the fact that the export sector is practically the only thing driving the Spanish economy these days.

A [study](#) led by IESE professors [J.E. Ricart](#) and [Jaume Llopis](#) aims to help small and medium businesses as they seek to open themselves up to overseas markets. The authors share the lessons learned by other companies that have taken the plunge, using first-person accounts from executives directly involved in the process.

Why go abroad?

The dire state of the domestic market is reason enough for companies to want to seek opportunities beyond Spanish shores. But there are other, more strategic reasons why companies might want to internationalize their operations.

For example, there may be greater growth potential in less mature markets. By moving

activities or processes to more competitive places, companies may be able to leverage economies of scale or scope, and acquire new resources and capabilities.

As such, internationalization ought to be viewed as a value-creating strategy, not as a desperate measure for desperate times. Besides helping to make companies less vulnerable to adverse business cycles, internationalization can help companies to grow, be more productive, and create more and better jobs, as research has shown.

Where to start

Before deciding on international expansion, a company should ask itself three fundamental questions: In which markets do we want to compete? What is our entry strategy? How will it be structured?

One overarching question determines everything: Which competitive advantage do we aim to exploit? How you answer this question provides the focus of your entire internationalization strategy.

Although each of the various companies studied had a different reason for going abroad, they all had some differential value proposition that they sought to exploit on a global scale. This is a key point.

Certainly, these companies are now selling more products and services to customers in other countries. However, this comes as the happy result of a rather different goal, which can be summed up by IESE Prof. [Pankaj Ghemawat](#)'s strategic "Triple A" triangle aimed at adding value:

- *Adapting* products and business models to the peculiarities of each different local market.
- *Aggregating* operations at regional and global levels, so as to take advantage of economies of scale.
- *Arbitraging* differences between markets, so as to optimize resources and benefit from specialization on a global scale.

Custom solutions

When it comes to internationalization, the authors caution against following set patterns. Instead, each business arrangement must be considered on its own terms, based on the unique resources and capabilities of each company. One can learn from experience, either

your own or that of others who have gone through this process before.

When doing business outside your home turf, there will inevitably be barriers that need to be overcome. Besides the typical ones, like language, culture and taxation, there are market barriers related to different consumer habits and foreign competition.

But the bigger barriers may be organizational, owing to your own lack of resources, knowledge or commitment to the whole internationalization process.

Despite the risks, however, it is probably riskier for a company not to expand, given the greater opportunities afforded by internationalization, conclude the authors.

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