Managing Global Expansion

By Peter Purton

A very successful female executive from North America was hired by a car company to work at its headquarters in Asia. When she arrived at her new home, she found she had forgotten important medications but when her father mailed them to her, she was arrested. Not only did she have to spend time in jail, she lost her job. She did not realise that she needed special permission to bring the drugs into her adopted country.

James S. O'Rourke
Professor of Management at the University of Notre Dame

A senior businessman lost what could have been a game-changing deal for his company, by not understanding the significance of the business card in Japan. He did not give the card he received the required respect. In the eyes of his hosts he had critically undermined the status of the person who had presented it to him.

A US vice president on arriving for a visit to Brazil greeted the assembled press corps by taking his thumb and forefinger to form a circle, a gesture which in North America would have been understood as A-OK, everything's fine. Unfortunately, in Brazil it had a very derogatory meaning and what was meant to be a friendly gesture ended up causing great offence.

James S. O'Rourke, professor of management at the University of Notre Dame, uses these anecdotes as reminders of the importance of understanding local values when venturing to do business abroad. "The number one reason for failure of overseas investments and operations is a failure to understand the local culture," says Prof. O'Rourke, who teaches management and communications at Notre Dame's Mendoza College of Business.

Culture and values are not the only challenges global companies face, however. They also have to navigate what can be considerable differences in geopolitical and monetary environments, tax and regulatory regimes, import and export rules and, critically, local and global compliance and governance.

Global business is not for the faint-hearted. Still, a sizeable number of companies have little alternative but to look abroad for expansion. For some, especially those with smaller domestic markets, it's about finding growth after having been successful in their home markets. For others it may be to discourage new rivals from overseas. For many it is to increase the return on their investments.

And it is not just a case of capturing new markets. The supply side is also increasingly global, says Richard Wilding, professor at Cranfield University School of Management. Companies are highly motivated to source abroad because that's the way they gain access to innovation, talent, technology and better prices that they cannot find at home, he explains.

Richard Wilding
Professor at Cranfield University School of Management

As well as benefits, the globalisation of the supply chain also has risks. "Each handover in the chain of supply produces a new potential source of unreliability," says Prof. Wilding. It's not just the factory where a product may be made or its path to the customer, but the factories where the product's components are made, the materials they are made of and the transport between all the stages of the chain, he adds.

As the world of business is becoming more global managing everything that is required is becoming more complex, says Len Padilla, vice president of product strategy for NTT Europe.

"International companies often have finance in one place, marketing in another and manufacturing in yet another," says Mr. Padilla. This is where the strengths of a global IT services and communications provider like NTT Communications—also known as NTT Com—can prove key.

Len Padilla
Vice President of Product Strategy for NTT Europe

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NTT Com provides truly global coverage with network access in 196 countries, and operates the world's second-largest IP transit network. Its Enterprise Cloud has local installations in 14 countries around the world. And its cloud-based Unified Communications allows companies to have access to all of the services they are used to anywhere else within their organisations without having to buy, set up and manage significant quantities of new equipment.

NTT Com's Global Management One seamless ICT management system also offers organisations the ability to quickly roll out new services to any of their operations worldwide whether managed services for cloud infrastructure, databases, middleware and core-business applications or end-user compute services. And it can do this no matter whether the systems and services involved are in NTT Com's Cloud environment or data centers, on a customers' own premises or in any third party data centers the customer chooses to be use.

NTT Com can also help tackle thorny challenges such as data sovereignty. "This is becoming a big issue for international companies," says Mr. Padilla. "Most of our customers would like to have everything in one place," he says, "but the reality of data protection regulation around the world is that this is not possible."

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"Our local knowledge has allowed us to help a number of European luxury and fashion brands expand into China and Southeast Asia," says Mr. Padilla. "We have also done quite a lot of work with companies in the financial sector, especially in London. And with airlines who need to sell their tickets globally, nowadays," he adds.

In one case, NTT Com helped a European reinsurance company expand into Asia without having to make any capital investments in IT. "It was all able to be done from our data centers," says Mr. Padilla.

Peter Purton is a freelance writer, based in the UK.

The Wall Street Journal news organization was not involved in the creation of this content.

NTT Communications

NTT Communications Group has offices in 123 cities in 43 countries/regions and operates 140+ data centers and global network covering 196 countries/regions.

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