

PLAN TO BECOME



plan to expand overseas - going global on shoestring

By Mike Preston – SmartCompany.com.au

A revolution is sweeping the Australian economy, led by SMEs. For years, massive foreign investment meant Australia was the archetypal branch-office economy – but no more. The trend is being reversed by a new wave of entrepreneurs who, driven by new technology and the limitations of the small Australian economy, are taking their SMEs global.

In the past 10 years, Australia has increased its ownership of overseas assets by \$200 billion to \$286 billion, just short of the \$312 billion foreign entities hold in Australia, according to a recent report by HSBC chief economist John Edwards for the Committee for Economic Development in Australia.

The great bulk of this money has flowed from Australian SMEs opening offices or acquiring overseas businesses to establish a global presence. Their profile? Mid-sized businesses in the technology or services sector that are dominant in their market sector with strong IP, marketing and management skills predominate, the report reveals.

“They’re very good at what they do but they need to go offshore to grow. This is a very typical pattern; they are often SMEs at the very beginning and then they expand by going global,” Edwards says.

But taking an Australian business global isn’t easy. Tight budgets, vast geographical and cultural distances and local prejudices – not to mention succeeding in the world’s most competitive markets – make achieving global success a huge challenge for any entrepreneur.

Adacel’s founder Silvio Salom, RedBubble.com’s founder Martin Hosking, Alien Camel’s founder Sydney Low and Hitwise’s founder Adrian Giles (who recently sold to multinational Experian for \$288 million) are leaders of the new wave of Australian entrepreneurs. They spoke about the many lessons they have learned in building successful global business at The Churchill Club, a technology and innovation forum for entrepreneurs.

Look bigger than you are

It is vital for Australian businesses to project a global image to get the attention of potential investors and clients in large markets, especially the US. RedBubble’s Hosking says: “As an Australian company going global on a shoestring you have to be like a frill-neck lizard, a creature that can look an awful lot bigger and more agile than it actually is.”

Hosking, who is also chairman of fast-growing construction industry software firm Aconex, says Aconex has successfully done this by rapidly opening small, one-person offices in countries where it is looking to expand. “You put one person in to build the office and you manufacture around that person the facade that it is a lot bigger than it really is. You have a great website, all the stationery and branding in place to do that, and then when the orders start coming in you backfill around that.”

It is also a good idea to cast aside the Australian tendency to understatement. Hosking says talk big and impress quickly, especially when operating on a shoestring. “The tendency for Australians going to the US or the UK is they get a great office, do all the branding and make it all look perfect, then go a bit humble and quietly say we’re doing this and assume the Americans will be really impressed. They’re not.”

Start at the small end to get big

Just because a business has dominated its market sector in Australia doesn’t mean it will be able to do the same in larger economies. Even getting in the door to pitch for work can be difficult for a company that has developed in Australia and doesn’t have a local track record.

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One good way to build a profile in a new market is to initially focus on smaller clients says Silvio Salom, founder of defence technology firm Adacel. He says smaller, low-profile clients will often be more willing to take a risk on a new entrant.

Once the first contract has been won, Salom says the next step is to build on those relationships. Early small-business relationships will open further doors into a market if bigger companies can see the advantage in letting you in.

Pick advisers, shareholders and board members with global exposure

“When you start a company, have a global vision from day one,” internet start-up investor Sydney Low says, by picking advisers (such lawyers and marketers), investors and board members with global connections.

Low says one of his ventures, a company that developed software for ISPs and large telcos, went ahead in leaps and bounds following investment by global telecommunication companies AT&T and British Telecom. “You need to know how to leverage that kind of investor. They can help you go global because you can show up in the US and the doors those names can open for you are amazing – a dollar from them is worth two or three from an investor without that exposure.”

The same principle applies when selecting board members and a chairman. Not only can board members with international connections help open doors, Low says, they can also be “advance” advocates in markets a business is hoping to enter.

Build your business as if you are planning to franchise it

Hitwise founder Adrian Giles says his company’s global expansion was made easier by adopting a “business in a box” philosophy.

“We did everything in terms of processes and documented everything. In effect we treated the business as though we were going to franchise it, even though that was never the plan,” Giles says. “It meant when we expanded to a new market we could send them a box of manuals and process documents that made it much easier for that person to establish the business and grow sales quickly.”

Hire local ... but be careful

Depending on the country, hiring a local manager can be central to building market acceptance of a business product or service.

Redbubble’s Martin Hosking says this is absolutely the case in the US. “They really don’t understand or respect anything outside of the US – if you have an MBA from Melbourne Business School it’s like you’re coming out of Podunk University, it just means nothing to them,” he says. “So if you are in the US and you’re not big you have to look very, very US, and that generally means getting US employees on board.”

Australian companies have to be prepared to pay big dollars to hire good US staff. “You can’t just go and hire someone in the US and think they’ll do a great job,” Adacel’s Silvio Salom says. “If you look at someone if the US and pay them \$200,000, that’s equivalent to someone with the capabilities that you would pay \$100,000 for in Australia, so just because you’re paying a lot of money that doesn’t mean you’re getting the skill base you would in Australia.”

Adrian Giles says although Hitwise works hard to transplant its home-grown culture to all of its international offices it has found it necessary to hire local market leaders in Asian markets. “The cultures there are so different and we just found we needed people from the local market to be there, they just couldn’t operate in the same way.”

Going global? Act local

Establishing a global presence really means establishing a local presence in all the places that count, according to Alien Camel founder Sydney Low. He says an easy first step is to set up local contact numbers in your key markets – now a relatively cheap measure thanks to VoIP services such as Skype.

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“When we go overseas, the first thing we do is get numbers for the key parts of the US and UK and put them on our website. It means you are up in the middle of the night but it’s worth it,” Low says.

But if you have numbers all over the world, someone needs to be available to answer the calls. Rather than setting up a 24-hour call centre in Australia, Low advises forming relationships with local partners such as advisers or suppliers. “They can be an ambassador for your outfit and help create the impression you’re open in all these time zones while you’re based in Australia,” he says.

Think carefully about your first move

As tempting as it may be to move straight from Australia into the lucrative US market, Hitwise’s Adrian Giles says it is not always the best strategy because the US is a more demanding market. “We made that mistake and had to withdraw, but going back the second time after we had set up in Asia and the UK we were much more successful,” he says. “Not only were we able to gain much more respect as a successful global company, when we were hiring it was much easier because people were joining a global company, not just an Australian one.” Giles says the UK can be a good first market for Australian companies to expand into. “The similarities in culture really make life easier, the only difference was their business culture was slightly more lethargic so our sales cycles were longer. Having said that, the British pound is the most beautiful currency in the world because when you bring it back it’s worth three times as much.”

The transition from local market player to global powerhouse is difficult. But the experience of these entrepreneurs shows with a good product, the right people and strategic thinking – not to mention plenty of hard work – it is possible to go global on a shoestring.

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