

CROSS-BORDER MARKET ENTRY: A TWELVE-STEP ANALYSES SCHEMA USEFUL IN EDUCATING PRESENT AND FUTURE SME MANAGERS

Ruth Leshar Taylor, Texas State University, San Marcos, San Marcos, TX 78666; (512) 245-3226

ABSTRACT

This paper provides a Twelve-Step Pre-Entry Cross-Border Market Analyses Schema designed to close the gap between traditionally recommended broad-brush foreign market analyses and today's need for microanalyses. Traditionally cross-border market entry was relatively uncomplicated with international firms and SMEs (small- and medium-sized enterprises) facing largely local competitors. Broad-brush cultural analyses were sufficient to reduce market-entry risk. The competitive landscape has dramatically changed in nature and scope. Today it is a competitive mix of large and SME competitors – international, regional and local in origin – fighting over the same consumers in the same markets. Current managers need a set of multi-layered microanalyses, completed with 'due diligence,' to plan for cross-border market entry. Intra-firm and foreign market environmental microanalyses are needed to peel back the layers of competitive, economic, financial and social market entry risk to reduce the number of cross-border market entry failures. Many thousands of SMEs enter cross-border markets; most don't. Of those that do, many fail – largely due to the lack of detailed pre-entry market knowledge and insufficient planning. Because of the world's high rate of failure by SMEs that practice cross-border market-entry, and because of the high importance of SMEs to all nations' economic growth and employment rate, many governments (U.S., Peru, Greece, Turkey, Canada, and others) are offering a helping hand. Nations have stepped up SME market-entry training efforts and information availability.

AACSB International charged business schools to educate for today's globally competitive environment. Most are meeting that charge albeit with traditional broad-brush, analytical training. Because of time and resource restrictions, few educators are training managers to conduct pre-entry, 'due diligent,' multi-layered microanalyses of company, country, competition, market and market plan – prerequisite analyses for successful cross-border market entry. Without 'due diligent' microanalyses, the plethora of prerequisite competitive and market details are lacking and market entry plans suffer or fail accordingly. Furthermore, few schools of business provide sufficient training on accessing and using federally-collected and compiled international market information and trade data published by the

government of most nations and made available for free or low-cost. For instance, few schools teach managers to use the U.S. Federally-collected and disseminated databases of international market information and trade data like STAT-USA/Internet, USA Trade Online, U.S. Economic Census, CIA World Factbook and others.

This paper, in the context of the twelve-step schema, details the microanalyses research constructs that need to be completed with 'due diligence' when considering cross-border market entry and preparing preliminary market plans and assessment procedures. The resulting rich and detailed set of competitive and market data, the intended product of 'due diligent' microanalyses, rewards each manager with prerequisite and holistic cross-border competitive and market understanding – the basis of successful cross-border market entry plans. The schema was piloted June 2006. Fifteen under-graduate students; twenty MBA students; eight marketing and/or economic professors; and twenty-three SME managers and/or export-related association managers participated in a 'reverse mission' type pilot. The pilot was carried out in Peru where English-speaking Peruvian students and business managers pursued U.S. market entry. As widely understood, flip side research many times provides insight otherwise not gained. Findings revealed the schema internationally applicable.

Suggested microanalyses needed at each step of the Twelve-Step Pre-Entry Cross-Border Market Analyses Schema are provided. The schema sets forth procedures to assist SME managers in conducting detailed research related to internal and external environment factors: Company; Cultural; Economic; Market/Target Market; Product; Price; Channel; Promotion; Competitive; Preliminary Market Plan; Financial Achievement (objectives); and Assessment/ Adjustment analyses. Among other unique aspects of this schema, this it provides pre-market entry *pro forma* (i.e., planned) income statement forms and guides to planning acceptable financial ratios. Furthermore, it provides a format for conducting post-market entry performance/*pro forma* income statement assessments or 'gap' analyses to identify needed corrective or adjustment marketing mix actions.