

## **A Non-committed Management Team: A Fatal Mistake of International Business**



# Introduction

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## Should you enter into an off-shore operation without the total commitment of all of the management team?

Setting up and successfully building an international operation is a challenging prospect. Often opportunities arise for international sales within a division of a company, and an international champion may spearhead the project. However, if there is a lack of support and commitment either from, or within, the senior management team at home, it will be significantly more difficult to successfully implement and grow.

It is hard enough to build a successful off-shore operation even when everyone is aligned and working together. A lack of management commitment will be quickly identified by those working in the company and will dilute the effectiveness of the whole project. Sometimes this may be in the form of an underfunded budget or lack of cross-departmental support allocated to the operation.

Once the Board or CEO determines that an off-shore strategy is required, it is essential for the *Vision* and the *Strategy* to be clearly defined and communicated to all of the managers and stakeholders. If there is little or no opportunity for round table discussions, at best a lack of clarity will prevail and at worse, the project will fail.

## Do any of these scenarios resonate with you?



*Your Vice President of Sales wants to move into an international market with aggressively growing demand for your product; yet, two other senior executives are intimidated with that country's politics, culture, reputation for lack of trustworthiness, and difficulty with travel. Dissenting opinions are demeaned.*

*An exceptionally promising global strategy is developed, ROI is verified, and program assets are committed to make it work. However, members of*

*your executive team consistently raise spurious objections, delay the delivery of department filings, and are regularly unavailable for critical meetings.*

*Miss-information and unsubstantiated concerns about country risk rise to the Board Level. The noise suppresses the data regarding the market potential. Fear dominates conversations regarding the subject.*

*One by one, international opportunities evaporate or are awarded elsewhere due to delays. International champions begin to abandon the fight.*

*After years of effort and expense, an off-shore program is shut down by the Board as being non-viable. Meanwhile the company's major competitor entered the market and cleanly implemented essentially the same strategy. The competitor is now Number One in sales in country.*

Each of these scenarios demonstrates an effect of a lack of management commitment to international endeavors. It can be discouraging and eventually deter your team from bringing new ideas and opportunities to the table. In addition, this lack of commitment may materialize into:

- START, STOP, now START again guidance or direction that wastes time, demoralizes the team and impedes success.
- One Team being given one set of directions and the other Team being given different or conflicting direction.
  - The Management team undecided and delaying or just not making decisions or allocating resources.
- The team coordinated but seriously under staffed or funded.

It is highly likely, and should be anticipated, that there will be different levels of commitment and enthusiasm for a new off-shore venture. Before the company launches the initiative, the senior team must openly discuss their concerns, work to resolve the differences, and be aligned and totally committed to making the new venture successful. If this is not accomplished the venture should be changed or put on hold. Alternatively, the senior management team should be reconstituted to ensure the required level of commitment. This level of major change will need to be made, because the likelihood of success is significantly diminished without the wholehearted support of the management team.

# Examples

An example of what can go wrong was recently demonstrated by a Company who wanted to set up an off-shore manufacturing operation to both serve an existing US based customer in the local market and to export to other world-wide locations. There were a significant number of internal meetings not just on whether following a customer was the right thing to do but also if the local market was really a long-term strategic opportunity for them. Because of delays in a decision, their customer told them they were looking for an alternate partner. Only then did the Company commit to off-shoring. Despite the “commitment”, interdepartmental disagreements were never resolved, which resulted in a lack of support to the team and underfunding of the project. Even after the team were in-country, they were treated like a problem and received very little support. After 3 years and significant manpower turnover, the project was abandoned and the investment written off.

An alternate example was a company that decided to enter into an off-shore JV, but it was principally the production department decision. When it came time to support the JV with engineering and to focus on sales activities, there was little to no support from the US parent company. Engineering was limited to short phone calls and, “You should do this,” advice. Sales only assigned work they did not want in the US facility into the JV, where it lost money and consumed valuable manufacturing capacity. After three years the JV partners wanted the company to increase the investment to cover the lack of growth and performance. At this point it was still clear that there was not likely to be any increased management support, and the on-site manager recommended closing down the JV. The parent company decided to pull out of the operation.





# How should Management Support an Off-Shore Operation?

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So far, we've illustrated examples of what can go wrong without proper management commitment. So how do you provide adequate support to set your off-shore operation up for success? The steps outlined below are a guide to help your team ensure you are committing the necessary support to help your global projects deliver desired results.

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**Steps:** Start by management agreeing on the vision of the off-shore project and the strategy to be employed to achieve that vision. If management cannot completely agree do not start the project until there is at least an agreement to dedicate the time and resources to make the project successful. Now document that agreement.

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Next assign an eager and willing Project Sponsor (Champion). Then assign in each department that will need to support the Off-Shore, a senior manager who can deliver management and technical support to the in-country team.

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Now agree on the Capex and annual budget and commit the necessary funds, plus a reserve, for the unforeseen issues and challenges that will occur. Dedicate a financial manager who can support the project.

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Set up regular internal and project meetings, with the objectives of the Off-Shore project as the Main agenda items. Support and test the progress, the issues, the solutions, and the expected timing of the ROI, to stay ahead of the project.

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Finally, schedule visits to the Off-Shore site and stay engaged with the project and the staff in country.

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