Why Overseas Businesses Don’t Work Out: Blocking and Tackling

Alex Claypool
Lancaster Management Consulting (Shanghai) Co., Ltd
Foster Swift Business and Corporate Newsletter
November 2, 2017

I was sent to Singapore to fix a US Fortune 500’s businesses in Asia. The Chinese business, in particular, was losing money, and had failed to make any significant inroads into the market. When I first visited the China business, it was clear that the primary management emphasis was on local compliance and cultural sensitivity within the organization. It was almost as if nobody cared about sales and profitability, as long as we were culturally sensitive to our employees, and compliant with local legislation. The organization was so focused on “being overseas” it had forgotten about the business fundamentals, the blocking and tackling of the game.

End Users of the Product: The business had never gone out and asked Chinese users why they chose a particular brand over another. We found our product line neither met their application requirements, nor their requirements for ease of purchase. We replaced 80%, or about 1,200 items in our product catalog in that first year.

Use of the Product: We found that Chinese users had additional, and different applications for some of the products we offered. These different applications were causing a major warranty problem. We slightly redesigned a very few products to accommodate this usage, and not only solved the warranty problem, but created one of the best-selling new product offerings.

Branding: We were marketing ourselves as the American brand, when country of origin simply didn’t matter to these consumers. We repositioned ourselves as the service brand, having everything available on time, an attribute that mattered very much to this industrial segment.

Delivery: We had to fix this because it didn’t fit with our brand positioning as a service brand. Among the largest changes we made was moving our domestic warehouse out of a free trade zone, which saved us approximately 3 to 5 days on delivery of each order. Delivery time was key to the customers.

At the end of second year, this business had gone from a loss position and market insignificance, to among the most profitable and fastest growing divisions of the corporation. Not because we were distracted by the cultural differences, but because we were focused on execution of business fundamentals – we started blocking in and tackling.

Lancaster Management Consulting was founded to give on-the-ground support in Asia to small and medium-sized foreign enterprises that are: newly entering the market, in need of more resources and support, or that are in a distressed/turnaround situation. The author of this article, Alex Claypool, is the Managing Director and has started-up, turned around and grown businesses in the

US, China, Indian, Japan, Singapore and Belgium for US Fortune 500 corporations and US private equity firm portfolio companies.