going international:
What South African companies should know

Congratulations, you have taken the first step of going international by doing your homework. You have distinguished yourself from those who will only look for a map once they are lost, rather than studying the map before they start their journey.

You have studied the map beforehand, deciding whether to set out on the journey, but before you go, here are a few pointers. The first thing that anyone planning to go international must know, is that by going into a different country you agree to play by a different set of rules than that which pertains at home.

You cannot go to another country and play by South African rules or ways of doing things; not even in a neighbouring southern African country. There are numerous stories in the South African business community of the disasters that have resulted because some businesses violated these rules. South African businesses that tend to be inflexible and unwilling to play by the rules, usually fail in their international forays. Unfortunately, these businesses put the blame for their failure on their foreign counterparts.
As you go international your business will be affected by the trade and business structure, practices, laws and restrictions of the particular country you enter. You have to play by their set of rules and it is your responsibility to know what these rules are. Most importantly, you have to familiarise yourself with which departments, organisations or individuals in the country have authority over the rules pertaining to your industry or type of business. It is your responsibility to be proactive. As such the importance of your initial research cannot be emphasised enough.

The right image

Start your foray into a foreign country by cultivating the right image. Do not forget that first impressions last. This could not only affect the future of your business in the respective country, but also other South African businesses trying to enter the same market.

Cultivating the right image is important because, in many countries, the evaluation of your business is usually determined by the evaluation of the individual or group of individuals involved.

To know what kind of image to present in a particular country, you must know what enhances that image. These image enhancers range from academic or intellectual accomplishments to understanding the culture, speaking the language or titles and recognition from world-class institutions.

For example, in Latin America and in some European countries, you or the academic accomplishments of your team can make a favourable impression on your joint-venture partners, or the owners of the business you are going to invest in. In France the ability to speak French well as a foreigner or to have a good knowledge of French history and culture would put you in a good standing. In Germany, the knowledge of German literature, music and culture creates a favourable impression. This does not mean that it will clinch the deal, but it can make the wheels turn faster and favourably in your direction. Whatever these image enhancers are in the particular country, you must make an effort to acquire them.

Get connected

No matter what image you present, you will still need to make the right connections in the right quarters to help your business when you go international. In China, these kinds of connections are called Guanxi, and without them your business is not going anywhere.

South African businesses know this in the local parlance as škhošho. Thus in some cases you need a škhošho when you go international. For example, as a foreigner in India without an introduction by a well-connected Indian, you are not likely to get far because nobody knows you. Similarly, in Latin America and in Arab countries, without the right access to the right people or decision makers your business will not move ahead. Even in Japan your business would move more smoothly if someone introduces you and your business and sheds more light on your credibility. The more credible you are, the more successful your opportunities will be in the land of the Rising Sun.

This does not mean that your connections alone will enable you to go international. It only points to the fact that things move more smoothly and swiftly than if you did not have these connections. Despite the connections, you still need to have the requisite expertise and experience in the specific industry or business you are in to succeed internationally.

You cannot pretend to have the expertise, as lack of performance will bring shame not only to your organisation but to South African businesses in general. Remember that your connections can help open doors but you must be able to enter and perform well on the project your organisation is engaged in.

Communicating across cultures

Cross-cultural communication is another important factor to consider. What is acceptable in South Africa could be taboo in other cultures. It is your responsibility to be abreast of these cross-cultural nuances, to avoid embarrassment to yourself, your company and your country. For example, in the Arab world, and indeed in most parts of Asia and Latin America, most people will take a great deal of time before they establish a business relationship with you. They like to get to know you first.

This kind of cultural nuance is different when doing business in the West. Europeans and Americans do not have time to establish relationships. To them, business is business and they tend to keep their business and private lives separate.

A common example is the manner in which you shake hands, which speaks volumes about you in some cultures. With Americans and Europeans, the grip should be firm, while most Asians greet with a limp grip, more like that of ‘a dead fish’. This is because a firm grip in Asia is regarded as rude.
When it comes to choosing colours, remember that the colours you choose could have different meanings in different cultures. For example, the colour red suggests good fortune in China and amongst Chinese, but it is associated with death in Turkey. For example, if you were a Chinese business person entering the Turkish market, this observation will be of extreme importance to you. Break it and it could put a damper on your business.

In America, the colour green is associated with freshness; in some parts of Indonesia it is forbidden. Business people who think that the colour black is universal for mourning should think again. In many Asian countries, white is the colour for mourning. In Ghana, among the Ashanti ethnic group, it is dark red, and in Mexico it is yellow, whereas in Brazil purple is the right colour for mourning. And if that’s not enough in India, a person will agree with you by shaking their head, moving it from left to right.

Financial implications

Beyond the cultural nuances you must find out about financial implications. As you enter, or set up shop in a particular country you need to know whether you can repatriate your money when you need to. Most countries have restrictive capital controls and profit repatriation laws. Don’t assume anything; make sure that you are not left holding the bag when your high-risk investments start making profits and then all of a sudden, the goal post is shifted and the rules are re-written.

If you are an individual business person, a consultant or contractor, make sure that you will get paid for your work. Make sure that you ask the tough questions before you start the work or commence business. Find out who really is going to pay you, when they are going to and how.

Some American business people and consultants have complained about how difficult it was to get their fees or monies paid by some Arab companies they worked for in the Middle East. When these fees were paid, they were paid late or not in full. Of course, this does not mean that all Arab companies are guilty of this practice. Similarly some South African business people and businesses are guilty of this practice.

Go international for the right reasons

Finally, do not go international for the wrong reasons. For example, many South African business people or companies want to venture into the Chinese market because “everyone is venturing into the China market”. This ‘me too’ mindset could destroy your business as it is not a logical decision but a knee-jerking one.

If you go international for the wrong reasons you might find that your investments may not be profitable for a very long time. You might also need to build the requisite infrastructure or undertake training of the requisite labour just to get your business off the ground. Worse, you might lose your money, for as the saying goes, “the fool is soon parted with his or her money”. Going international is important for South African businesses, but it must be undertaken based on informed and rational thinking.

Winston Churchill, the late British Prime Minister once remarked that, “a pessimist sees difficulty in every opportunity; an optimist sees opportunity in every difficulty”. Going international to some is an opportunity despite the numerous hurdles and headaches. Those businesses in South Africa who refuse to leave the shores will never discover new oceans. They complain that going international is risky but there is nothing in this world that is not risky. The goal is to find ways to minimise these risks.

In conclusion

This article has offered some general suggestions as to how to mitigate these risks as South African companies go international. With increased globalisation and the dynamic transformations brought about by advances in technology, South Africa’s economy will come under increasing competition and pressure. Many of the opportunities that were available to businesses in the country will dwindle and in some cases disappear for good. Those organisations who have not made the effort to go international, at that time will have their backs against the wall. However, making a rush or reactionary decision to go international without any adequate preparation will be a disaster. The time to go international is now, because it is better to make your hay while the sun is shining.