

Chapter 7 - The Maintenance and Expansion Phase

Enlarging the Local Platform

Once a company has consolidated its operations in an emerging market, it enters the final phase of market penetration, the maintenance and expansion phase. In this phase, which usually begins after five years in the country, the company follows these process steps:

- Expand the organization
- Upgrade support infrastructure
- Adjust policies and procedures
- Regionalize
- Provide job enrichment
- Reintegrate

Expanding the Organization. In the early years, the interest level for entering an emerging market was rather low. We had to work hard to get buy-in from our businesses. Once we overcame the initial hurdles, the local organizations were able to master the preliminary exploration and startup phases. Then the potential of these countries surfaced, businesses developed, and they were pressed to provide the infrastructure for their local presence. This quantitative influx was accompanied by a qualitative increase of local functions such as R&D, joint ventures, assembly and service and support centers.

These expansive activities required a great amount of discipline at all managerial levels in order to not lose the momentum built up in the initial phase and miss out on the benefits of the channeled and structured start-up activities.

Upgrade Support Infrastructure. This runs alongside the above expansion measures. In some regions, the growth and complexity of the operation may, therefore, warrant localizing some corporate functions to support regional efficiency and autonomy. Of course, it is important not to lose

sight of their affordability and economies of scale to avoid becoming bloated, inefficient organizations.

Adjust Policies and Procedures. Even though it is sometimes difficult to change a policy because people have become comfortable with it, we must regularly review our policies and procedures. Now that we are more knowledgeable about a country or region, are the policies and procedures suitable? Are they still meeting the requirements in a fast-changing environment? This, of course, does not include our principal policies, such as the code of conduct and the standards of internal control. Yet there are piles of standard operating procedures (SOPs) that have become obsolete or need to be revised. Some of them are even superfluous, such as an anti-alcohol policy in the Middle East where alcohol is forbidden by religion.

Regionalize. Regionalization is a helpful management tool to deal with large territories and to maximize efforts. This principle has already been discussed under the heading “The Beachhead Concept”, see Chapter 4.

Provide Job Enrichment. The more a country develops and the greater the organizational efficiency becomes, the more likely the capabilities of the Country Manager or Business Development Manager will outgrow their initial responsibilities. The next step would then logically be to appoint someone to take over operational responsibility for a major business or key account. This can only be a win-win situation: The business or key account will benefit from the incumbent’s in depth knowledge about the country. He or she, in turn, will benefit from the opportunity to climb the career ladder. As a positive side effect continuity of business will also be retained for the country. For this position Motorola created the job title of “Business Leader.”

Re-integrate. This is the current strategy applied by Motorola in some countries. Once a corporation is settled in the emerging markets, which have by their own efforts now reached a stable, mature position, its organizational concept should be reviewed. It might be appropriate to dissolve the start-up organization and re-integrate it into the corporations’ larger structure. Reasons for such an action may be economies of scale, organizational streamlining, or simply a return to the business day to day routine. It is important in a re-integration process to make sure that individual and collective know-how acquired in the start-up process does not get lost. Properly recording all experiences and results is essential to ensure this. If these invaluable experiences are adequately preserved and documented,