

KINGDOM KONSULT: TRANSFORMING INTO AN INTERNATIONAL COMPANY

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Abstract

This is a consultative paper looking at the best process for a UK based company to establish in a new market (Nigeria). This paper is a useful tool for any company contemplating the same as the principles are transferable. It looks at the balance scorecard approach incorporating the differences in cultural approaches as detailed by Hofstede. This helps to compare the culture of the country it is located in and that of where it wants to expand into. This helps to illustrate the best marketing approach in order to ensure business objectives success.

Keywords: Balance scorecard, Cultural differences, Market scope, Market strategy, Market entry

1. COMPANY PROFILE AND TARGET COUNTRY

International business comprises of all commercial activities between two or more countries or nations. (Daniels et al 2007). This has been extended further to encompass all commercial and political activities between individuals, private organisations and governments of two or more countries. (LSC Manual for International Business pp 6).

Kingdom Konsult is a training consultancy based in the UK providing cutting edge training packages tailor made for small to medium sized companies. Primarily based in the South East and dealing with some firms located across the country¹. The company has been running for about two years and exceeding all profitability metrics. There has been an increase in Market share by 0.8% which is quite an achievement considering the size of the training market in the UK. Turnover was in excess of £300,000 which was well above the £100,000 expected in the business plan. These parameters make it an excellent candidate for internalisation. (Nan2007). In order for the company to make this transition, there is the need to assess its competencies, competitive advantage and more importantly the suitability of the suggested country to business and this type of business in particular.

¹ See Entrepreneurship Assignment.

In order to address this task, the writer will be using the balanced scorecard to crystallise the readiness of the company for internalisation. This helps to convert the intangible assets of the company to tangible assets. (Kaplan & Norton, 2004).



(<http://www.vectorstudy.com/management-theories/balanced-scorecard> -Accessed 25/6/14.

It is very important to give an overview of how the company might want to get there before going into the specifics of the balanced scorecard. The commencement of this process has to be engrained in the vision of the company (Deresky 2008). This demonstrates the intent of the company goes in line with its ambitions and places all concerned on the same page. The next phase will be cultural change in the organisation to prepare for internalisation closely followed by the strict auditing of resources and competencies. There is the need to set up a steering group which will help with human capital development. There is the need to increase learning about international market in order to facilitate the market entry choice and finally, implementation. These have been described as a stairway of strategic thrusts (LSC Manual pp244). This gives a road map that can be followed in assessing readiness, choosing the right country and implementing the transition.

Going back to the strategy mapping, Kingdom Konsult has got its mission statement, the ambition to be a leading training company in the emerging market especially Africa². This demonstrates the willingness of the company to internalise at some point and becomes a backdrop to its operations. KK (Kingdom Konsult) has a group of well qualified consultants that are experts in their respective fields, these human capita has been leveraged to garner reputation and the extended good will in the industry bring about the increase in turnover. The management of organisational and information capital has positioned the company to service existing customers whilst gaining new ones especial in the North East of UK. There have been a steady flow of clients from Africa, especially Nigeria where many of the directors have many good contacts. The customers have lauded the customer centric approach to our products as many of the trained sessions have ben tailor made to the needs of the customers, these have been delivered to specification, time and budget which has earned us some wonderful feedback as best trainer pound for pound. Financially, the company has done really well with turnover exceeding target by a £100000 and market penetration increase leading to increased market share of 0.8% which is a phenomenon achievement in a very competitive market. The company has broken even and now into profit, well before the predicted point. The shareholder value of the company has increased markedly and the future is bright. The immediate plan is to move into our building early next year which will signal the beginning of implementation.

The obvious country of choice is Nigeria which primarily is due to the number of contacts known to the directors, many of which have translated to business and has huge potential. Politically, Nigeria is very charged with so many on the opposing sides of the pole but this has never affected the ability of the government to support businesses and making it viable for FDI. There has been a steady increase in foreign direct investment since 1974. (CBN gazette 2013 pp 235). Economically, Nigeria continues to grow in GDP and was not too affected by the recent global recession because it's largely in part a cash based economy. Socially, it's a diverse country with a growing population. Technology is available like access to computers

² See Entrepreneurship Assignment.

and internet. Legally, Nigeria is geared towards making it easy for business set up. KK will be following a strategic map in the process in order to follow time specifications.

2. CULTURAL INFLUENCES

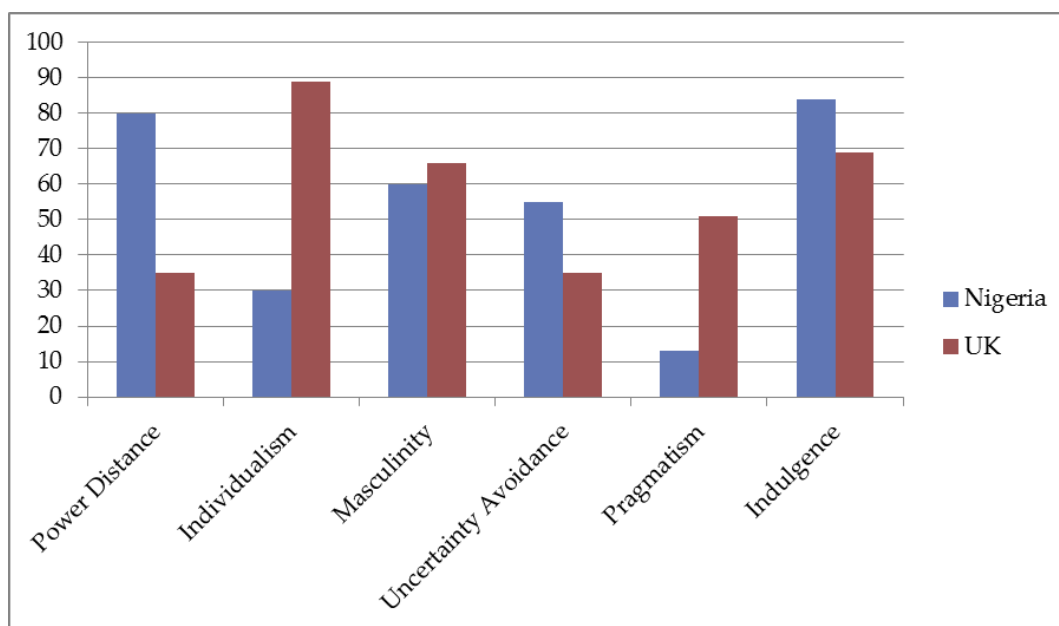
“Culture is the collective programming of the mind distinguishing the members of one group or category of people from others. (Hofstede & Minkov 2010). The world is becoming global by default as we experience the innovation of technology. This means that cultures are thrown together and the above statement becomes even more relevant as groups are formed and differences are amplified. Problems arising from different people and cultures interacting in business have to be managed. (Bendixen & Burger, 1998:109). Acculturation process goes from euphoria into culture shock, acculturation and then end state. The end state may be positive, negative or neutral. (Quelle & Hofstede 2001). So in order for KK to invest and succeed in Nigeria, there is the need to consider the cultural implications in order to formulate a strategy, goals and how the organisation operates.

There are a number of models that look at the influence of culture on how business is run. The writer will only consider three major ones; Hofstede’s Model of Culture (1980), Trompenaars’ Model of Culture (1993), and the Globe Research Program. (Hall et al 2001).

Hofstede had a study in 1980 as a follow up to work done in the 60s and 70s. An in-depth look at the different cultural behaviour in an organisation (IBM) working with 116000 questionnaires from employees in over 40 countries. The controls for the study were same general task, same technology, and job content and formal processes. The only difference was country of origin. The aim was to classify national culture which Hofstede believed to be responsible for organisational culture. This study originally defined culture in four dimensions; individualism versus collectivism (IDV), Large Vs Small Power Distance (PD), Strong Vs Weak Uncertainty Avoidance (UAI), Masculinity Vs Femininity (MAS) of which a fifth dimension was added Confucian Dynamism (Attitude to time). Trompenaars in 1993, extended on Hofstede’s study using slightly different distinctions; Universalism vs Particularism, Individualism vs Collectivism, Neutral vs Emotional, Specific Vs Diffuse, Achievement Vs Ascription, Attitude to time, Attitude to the Environment. The Globe Research Program looked at culture and leadership in 61 nations. National cultures are examined in terms of nine dimensions: performance orientation, future orientation, assertiveness, power distance, humane orientation, institutional collectivism, in-group collectivism, uncertainty avoidance, and gender egalitarianism. In a survey of thousands of middle managers in food processing, finance, and telecommunications industries in these countries, GLOBE compares their cultures and attributes of effective leadership.

Hofstede on Nigeria and the UK

Applying Hofstede to the two countries involved makes it easier to compare the impact of culture on the workforce in both countries.



(<http://geert-hofstede.com/nigeria.html> - Accessed on 25/6/14).

Power distance-This looks at the inequalities in the societies. It tries to measure how the less powerful accept this power distribution. Nigeria scores high on this dimension (score of 80) which means that people accept a hierarchical order in which everybody has a place and which needs no further justification.

Individualism- This addresses interdependence in a society looking at how image is defined as in the individual or as a collective. Nigeria, with a score of 30 is considered a collectivistic society. This is manifest in a close long-term commitment to the member 'group', be that a family, extended family, or extended relationships. Loyalty in a collectivist culture is paramount, and over-rides most other societal rules and regulations. (Hofstede 2014).

Masculinity – the society with a high score is driven mainly by completion in which the winner takes it all. Nigeria scores 60 on this dimension and is thus a masculine society. In masculine countries people “live in order to work”, managers are expected to be decisive and assertive, the emphasis is on equity, competition and performance and conflicts are resolved by fighting them out.

Uncertainty avoidance – Looks at how a society responds to uncertainty. Nigeria receives an intermediate score of 55 on this dimension, which does not show a clear preference.


Pragmatism – Reflects on how a society delves into the past to interact with the present and future. Normative societies on the other hand tries to maintain traditions and don't often react well to change. Nigeria scores very low (13) on this dimension, meaning that its culture is normative instead of pragmatic.

Indulgence- This looks at the control of desires based on disposition. With a very high score of 84, Nigerian culture is said to be one of indulgence. People in societies classified by a high score in indulgence generally exhibit a willingness to realise their impulses and desires with regard to enjoying life and having fun.

Conclusion- it's very important to state that there are many models covering the influence of culture on internalisation. This should not make them prescriptive as there many unknown variables we cannot legislate for. We will still need to visit these countries and interact with individuals in order to reach a viable conclusion.

3. DEVELOPING A STRATEGY FOR KINGDOM KONSULT

4. Financial Perspective →	Productivity, Long term Shareholder value, Revenue growth.
3. Customer Perspective →	Price, Quality, Functionality, relationships, image.
2. Internal Process Perspective →	Manage Operations, Manage Product Innovation, Manage Customer Base, And Manage Relations.
1. Learning and growth Perspective. →	Human Capital, Information Capital, Organisational Capital.



(Balanced Scorecard- Adapted from LSC IB Manual pp241).

Kingdom Konsult will make use of the balanced scorecard and the environmental factors in the country of choice to forge a strategy. It's clearly stated in the vision statement of the company to be a leading training provider in Africa. This is a statement of intent of the ambition of the company. The scorecard will help us translate intangibles to tangibles.

Market Scope

The company is already doing well in its niche market in the UK by an increase in Market share of 0.8%. The company will have to define the scope of the new market and how it wants to be established in Nigeria. it will be horizontal expansion as it moves from an established base in the UK to Nigeria. The size of the market in Nigeria will eventually qualify it as market expansion. In order to know how well the firm is doing, Market size of the training and consultancy industry will have to be ascertained and targets set for the first there to five years of operations.

Market Differentiation

KK will continue to function as a niche service provider. This will involve provision of training and consultancy to SMEs that are three years old. This will crystallise the products we offer and the segment we prioritise. Targeting this section will help address specific needs and command premium prices for our services.

Cost

KK will pursue keeping the cost down in order to optimise profits. Plans are already underway to tap into the massive labour force of Nigeria by recruiting very capable candidates that will be trained by the consultants. These locally recruited trainees will be used for the bulk of the training thereby keeping the cost down. The training materials will also be shared via servers in order to lessen replication of materials. Printed materials will also be locally done under supervision to keep the standard high whilst keeping cost down.

Market Timing

KK believes that the market is in an upward swing for the training industry in Nigeria. Record numbers of companies are starting as the economic indices stay strong and the country is part of the emerging economies in the world. This makes it the perfect time to establish and stabilise in the market.

Market Alliances

KK is in a unique position to liaise with companies like Anderson Consulting because of the history between the directors. This will be a strategic alliance to help with the top end of the Market and more importantly to make use of their brand in our niche market.

Key Performance Indicators

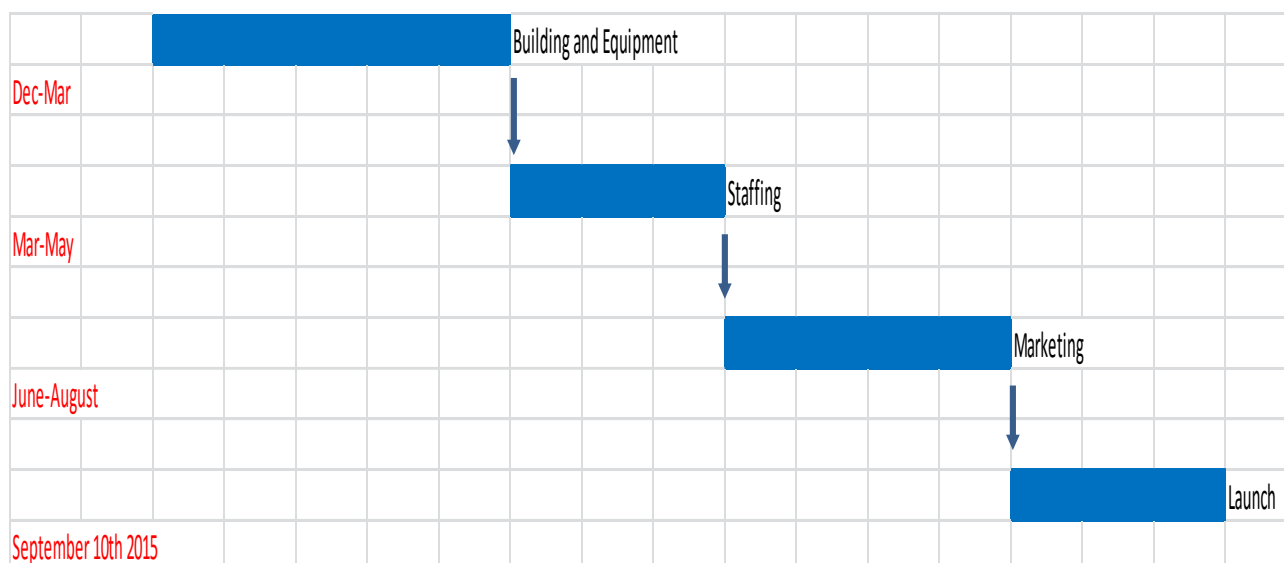
1. The shareholder value- these will include the monitoring of our productivity and revenue growth. Metrics that can be used will include turnover, profitability, and market share. Increase in some and all of these will indicate progress.
2. Customer feedback-There will be regular questionnaire to ascertain the impression of our customers and how they perceive our services, this will be crucial to the growth of the company.
3. SWOT analysis- to help clarify the internal healthcare and external possibilities. This will be carried out periodically in order to fine tune the operations of the company.
4. Value Chain proposition- we will need to look at our value chain from our internal processes to the quality of our delivery as it's supported by HR and technology.
5. Staff well-being- this will be crucial to monitoring our progress. There will be job reviews and training ongoing at all times in order to equip the members of staff and a clearly laid out CPD for their career path in the company.

Conclusion

Kingdom Konsult is ready for internalisation as it takes the first step of commencing operations in Nigeria. It will have to implement this in phases in order to achieve its international business vision and mission. The first step is to start from the culture of the company to change for internalisation. This will be followed by resource audit and realignment. The company has to audit its competencies and gear itself for the new market and then following an implementation.

The next stage will be the rolling out of strategic approaches outlined above. KK will have a fully owned subsidiary that will take opportunities already gained so far. Niche marketing will ensure clear focus and effective pricing strategy and working with a strategic alliance will also help to cement KK as a top quality training provider in Nigeria.

4. IMPLEMENTATION OF INTERNALISATION



The company has performed really well in the UK which has provided it a solid base for internalisation. The choice of Nigeria has been decided due to the factors mentioned in section 1 of this report. This section is looking at timelines in implementing the launch of the Nigerian office. The diagram above gives a Gantt chart of the timescales involved. The implementation of this process is equally as important as any part of the internalisation.

Work has commenced in the construction of the office complex in Lagos with completion on schedule for the end of the year. The members of staff in the UK have been primed and have undergone training to prepare them for the Nigerian Market. A few of them have visited and written a report about the country.

The starting point of this implementation is to build on what has already been done. The completion of the office complex will be followed by acquisition and installation of needed equipment. January will be the beginning of the purchases and installation is expected to be finished by March 2015.

This process is followed closely by the appointment of local staff that started in January. Final interviews will be held with successful candidates appointed. All key members are expected to have been appointed by May of 2015.

The next phase of the process is to start a marketing campaign in Nigeria, which had been designed by the Marketing Consultant in the company. This will include targeted campaign to the top companies in our niche intimating them with our products and services. This will also include a sustained TV and Radio advert which will create a buzz about the company.

The culmination of these processes is to have a formal launch on the 10th of September 2015. This will be a grand affair with invited representatives of target companies in our premises. This will conclude with the introduction of our first free offer.

This gives a top view of the implementation plan for the coming year but will be subject to changes as needed. A lot of redundancies have been built into the timescales to accommodate these changes. There will also be series of critical path tasks that will serve as a measure of the progress of the plan.

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