

# Using your Intelligence



**Mark Townsend** examines the importance of business intelligence in assessing risk in new markets

**U**K exports to China rose 29% last year, according to the The Office for National Statistics. When these figures are viewed in conjunction with China's formidable 9.1% annual GDP growth rate last year, they will undoubtedly presage greater trade and investment with one of the world's fastest growing economies.

However, this seemingly 'blue sky' scenario masks significant risks for SMEs new to international trade, which many seasoned observers are describing as a modern day gold rush. Similar to the gold rush, corners will be cut in the pursuit of profits, setting the scene for future casualties in many commercial relationships with losses in investment and reputation.

## Small steps

Before entering any new overseas market it is vitally important to carry out an evaluation of the risk using proven business intelligence methods. This includes an analysis often referred to as PEST, which takes note of the political, economic, social, technological and legislative environment.

In countries such as China, CIS, the Middle East, and Russia, standards of corporate governance, transparency and intellectual property protection are evolving but are often lower than in the UK. In key growth areas, such as telecoms and financial services, where the UK has global expertise, it is important to assess what protection will be granted in the local marketplace.

Additionally, local law occasionally makes it difficult to disengage from commercial agreements when formalised.

## Integrity checks

Thereafter it is equally important to carry out an integrity check on the proposed business partner and examine its relationship to the local business environment.

Consider the accuracy of any claims relating to reputation, business performance and influential links, and review the company culture with an analysis of the ethics of key executives. Examine financial statements with an emphasis on the non-disclosure of any pertinent information.

As has been frequently identified in Russia and the CIS, this research could mean, in the extreme,



uncovering links to organised crime, corruption or money laundering.

The necessity to mitigate risk is often overlooked at the early stages of new market development, particularly when competitive pressures dictate the necessity for quick decisions. Instituting a business intelligence strategy and incorporating this into the planning process will ensure authoritative information is obtained about a market and an intended partner.

This will not only prevent expensive commercial errors, but will also eliminate the chances of being associated with an unethical business with all of the public relations consequences that ensue.

**Treasure trail:** as in a gold rush, corners will be cut in the pursuit of profits, setting the scene for future casualties

There is no template that fits all markets and there is heightened risk in all international trade. Different markets will require different judgments and it is important to take into account divergence in culture, both business and social, when planning a market entry strategy. Consider what internal resources are available to fulfil this analysis as there are complex issues to be dealt with.

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## CASE STUDY: When an examination of claims paid off

A UK company wished to increase its presence in the Middle East and focus its regional presence through a key joint venture agreement.

As part of this evaluation, a shortlisted local company indicated it had strong links to the

government, a management structure to adequately implement the company's plans and the financial resources to achieve these objectives.

On closer examination, it was established that these claims were exaggerated and

additionally evidence of previous financial mismanagement indicated inexperience with respect to corporate investment.

These findings were used to assist the UK company in its negotiations in achieving a successful outcome.