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June 12, 2006
Emerging Markets Overseas

If you're thinking of getting involved overseas, emerging markets present a great source of opportunity -- as well as incredible challenges. But with a bit of strategic planning, small businesses can succeed in these markets just as well as big ones.

Very little high-quality information exists in emerging markets, so planning for them requires skill and hands-on understanding, rather than capital-intensive and high-tech efforts. Flexibility, adaptability, and thinking small leads to success in these markets.

A market's size and growth rate and the rush of investors into it are signs of attractiveness. However, you can understand results better through what proportion of investors are profitable and what investors' ROIs (returns on investment) have been, preferably in your own industry, relative to those of investors in other markets.

To get these data, cast your information-search net widely. Look into research reports and publications from university-based global-business centers, international chambers of commerce, and research organizations about markets' business environments, cultures, and practices. Look for contrarian reports. Consider potential motives for researchers taking the position they do. The most faddish market often is not the most profitable. Today, in industry after industry, investors in India generate greater ROIs than those in China, yet it is China that has mesmerized the world.

Finally, if you are not making profits in what we in the West would call the medium-term (three to five years) -- quit the market. Our research showed that in the emerging markets of China and India characterized by turbulent and contradictory information, short-term results were the best indicator of long-term success. Sticking it out for the long term just did not seem to pay off for most companies, and small businesses did not have the deep pockets or resources for the ordeal.

George T. Haley
Author, *The Chinese Tao of Business*
Director, Center for International Industry Competitiveness
University of New Haven (Conn.)

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