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Key Actions for Tech CEOs to Successfully Execute Their Geographic Expansion

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Initiatives: Corporate Development and Growth Strategy for Tech CEOs

Executional factors routinely frustrate geographic expansion projects from achieving ROI. To avoid wasted investments and delays, tech CEOs need a disciplined framework to address particular pitfalls around planning, cost management, resourcing, and product and marketing localization.

Overview

Key Findings

- Costs for new market entry are underestimated as a result of hasty, unprepared or uncoordinated execution.
- Legacy internal teams involved in supporting the expansion plan can lack or exceed in engagement, focus and accountability, either not sharing enough expertise and bandwidth, or inversely neglecting their home market responsibilities.
- Product and go-to-market processes — including sales and marketing playbooks — are poorly localized, particularly when these are a replica of practices used in legacy home markets.

Recommendations

Tech CEOs who want to reduce risks and optimize the execution of their geographic market expansion venture must do the following:

- Anticipate unpredictable showstoppers and drive tight budgetary discipline by using a comprehensive tool for planning and timelines, mapping out essential actions, milestones, and interdependencies between stakeholders.

- Free up the right level of bandwidth to enable collective participation in the expansion plan by motivating and incentivizing existing teams through communication, change management, and a recalibration of personal and team objectives.
- Align with local practices and buyer preferences by leveraging feedback and insight from early adopters or external advisors, to continuously refine and localize your minimum viable product (MVP) and go-to-market playbook.

At a time of heightened uncertainty, challenge and change, tech CEOs cannot afford to pursue such a significant investment without meticulous preparation and discipline to mitigate risks.

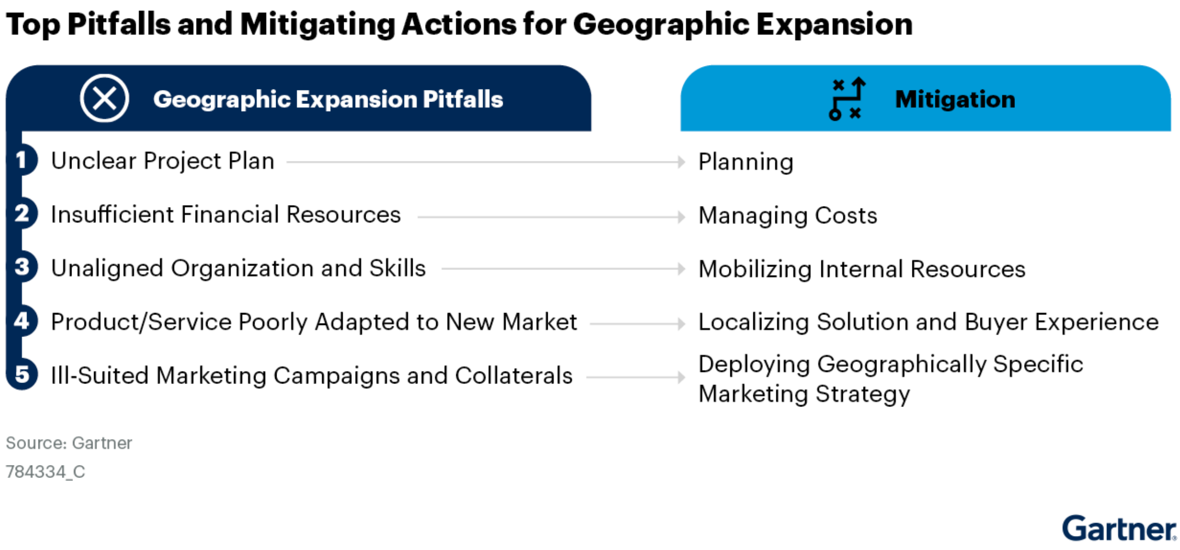
While cloud platforms reduce some barriers to expansion, these are not at the heart of the expansion challenge — see Figure 1 for Gartner's five most common pitfalls in geographic expansion.

This research addresses these top pitfalls and provides guidelines to coordinate and efficiently implement the various jobs to be done.

Expanding into a new geography requires as much preliminary research and due diligence as that of launching a new business. This document assumes that, by the time you get to executing your plan, the right go-to-market foundations have been established. This includes analyzing and sizing up your serviceable target market and segments, defining your ideal client profiles and buyer personas, and documenting a playbook to reach these buyers through relevant routes to market (RTMs).

Once these strategic fundamentals are set, implementation can begin.

Figure 1: Top Pitfalls and Mitigating Actions for Geographic Expansion



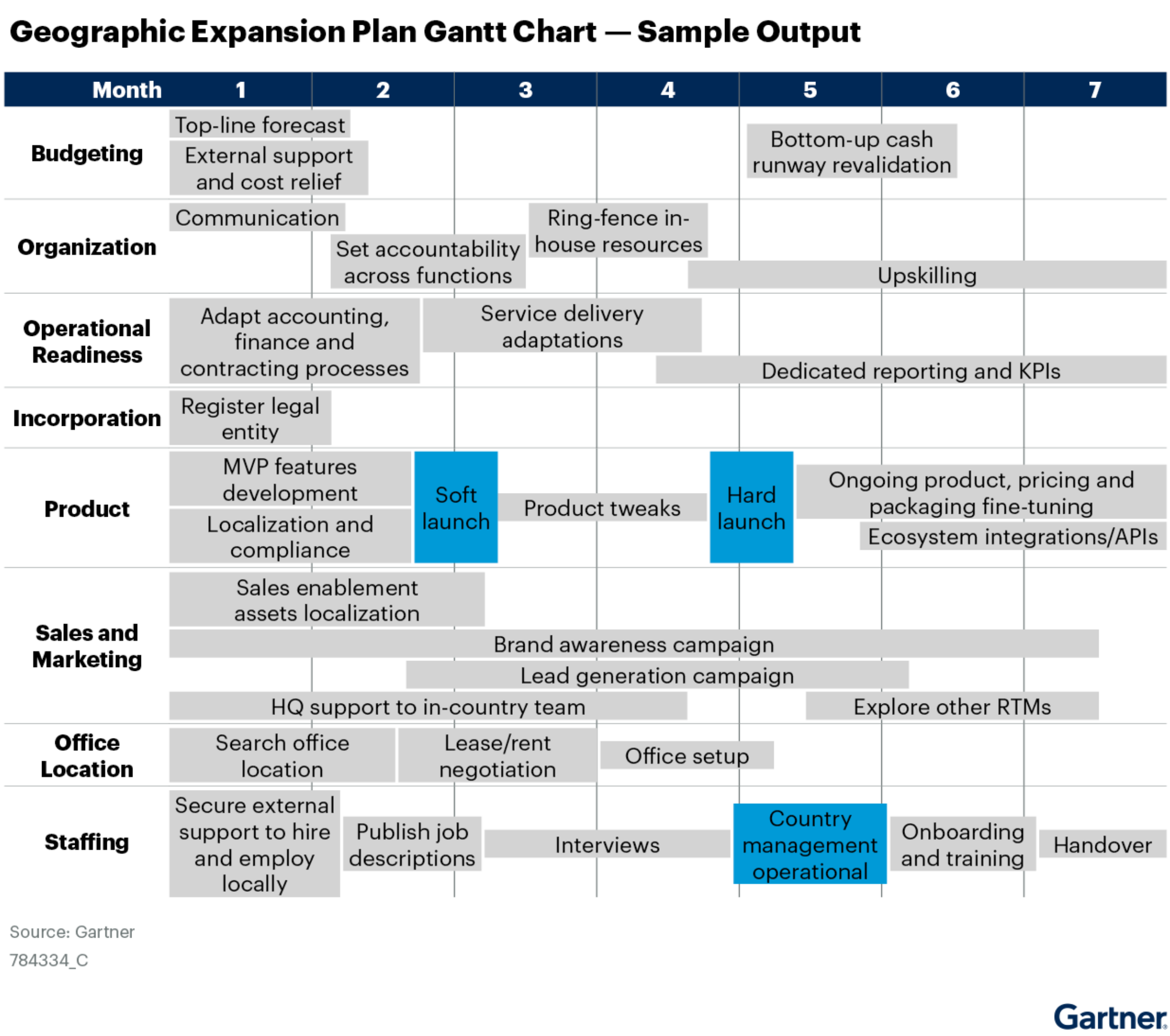
Introduction

Gartner routinely observes geographic expansion projects that deliver insufficient or zero ROI.

Plan Ahead

As you will quickly realize, there are multiple moving parts in executing geographic expansion. It is therefore recommended to use a project management tool, such as Tool: Geographic Market Expansion Project Management for Tech CEOs. To ensure no mission-critical actions are missed, and to coordinate them efficiently, the tool comes with a graphical visualization of your overall expansion project timeline — an illustrative example is shown in Figure 2.

Figure 2: Geographic Expansion Plan Gantt Chart — Sample Output



Manage Costs

As you prepare for execution, now is the right time to revalidate whether the economics initially estimated for your expansion project are still valid. Failure to do so can result in budgets being depleted prematurely, critical actions becoming underfunded, and your entire project potentially stalling before completion.

To help you build a bottom-up budget with the right level of granularity, you can use Tool: Geographic Market Expansion Project Management for Tech CEOs as a cost budgeting template. Building a granular budget gives you and your board of directors the confidence that the execution plan leaves little room for unexpected expenditures. It can also reveal gaps between top-down and bottom-up cost estimates, giving you an early opportunity to pivot, reprioritize, scale down or raise additional funds. While completing this budgeting exercise, the following guidelines are recommended:

Minimal Viable Organization

Geographic expansion is usually loss-making until sufficient commercial traction is achieved locally. To manage your cash burn rate prudently, use a gradual “land and expand” approach. By budgeting for the minimal viable organization that can reasonably support your initial top-line ambitions, you give yourself the time to test and validate market assumptions before investing further. This approach is particularly relevant for staffing, generally the largest cost in an expansion venture. It is therefore crucial to leverage existing resources for as long as possible until you establish autonomous corporate functions locally, starting with the most client-critical ones.

Legal, Fiscal and Regulatory Costs

Anticipate setup costs such as local licenses and permits required to establish an entity and operate in the new market, and factor in any delays local administrative red tape may cause. Where relevant, budget for a local lawyer or expert advisor to help you navigate complexities around:

- Government regulations
- Financing
- Company incorporation
- Ownership structures
- Intellectual property (IP) protection
- Data privacy and sovereignty
- Tax rules
- Bad debt collection and protection
- Consumer laws

External Resources to Reduce Costs

Many countries and regions offer incentives and support, sometimes free of charge, for companies looking to expand into their market, or for local companies looking to expand outward. As a nonexhaustive list of options, tech CEOs may get access to grants, loans, financing, tax relief, insurance, counseling, market intelligence, training, trade events, matchmaking or promotion. Identify government agencies, chambers of commerce, or trade associations for information on these opportunities.

Hidden Costs

Look out for nonobvious costs to account for. As an example, travel and expense costs can rapidly escalate if multiple long-haul trips are required to scout for office premises, meet local partners, vendors and customers, or interview and onboard candidates.

Mobilize Internal Resources

Technology providers that start their geographic expansion journey often will not have a dedicated team to support it, and must capitalize on existing talent who have already demonstrated their skills and effectiveness in home markets. It is actually a common tactic to offset expansion costs by leveraging these existing resources for as long as possible, until sufficient traction is generated to justify hiring dedicated teams.

However, such best effort from your internal teams must be calibrated and phased appropriately.

Redirected too abruptly, your teams may end up neglecting their domestic market, with severe impacts on your core revenue stream. Engaged too timidly, these same teams may prove reluctant and unprepared to participate in the development of your new market, and remain in the comfort zone of their domestic market activities.

Your organization will therefore need to find the right balance and pace of change, to overcome organizational silos and internal competition, avoid conflictual priorities, and ensure that neither legacy nor new markets are neglected.

To succeed in this transformative process, tech CEOs must take deliberate steps as early as possible.

As with most change management initiatives, to induce positive behavioral change across teams requires tech CEOs to lead by example, be passionate about the expansion project and overcommunicate.

Geographic expansion should not remain an insular initiative but rather a cross-functional effort shouldered by all members of the executive team. Sales, marketing, customer success, tech support, product, engineering and finance need tight alignment and coordination for the project to be a collective success.

To help ensure all these company functions do share their know-how, and dedicate the right time and resources, introduce cross-cutting objectives and key results (OKRs), and/or KPIs. In addition, compensation plans can be adapted to forge motivation toward the expansion venture, and encourage solidarity and accountability. In some cases, team reorganizations will also be required.

Localize Solution and Buyer Experience

Localization goes far beyond language translations. Mature and highly internationalized businesses are commonly seen withdrawing from markets where they failed to properly localize their product to meet local buyer preferences. This is due to home-base egocentricity, the assumption that if something works in your home country, it will work anywhere. Even regional differences inside countries can result in differences in buyer behavior. Yet, however well-prepared you can be, the more subtle market needs will only reveal themselves once you are concretely operating in the new geography and can collect feedback from customers and prospects. It is therefore difficult to predict the cost of such market-specific adjustments. But you can give yourself some leeway in budgets and resources to rapidly operate agile adaptations, be it missing product features, pricing model changes or technical jargon translations.

Solution Localization

In your pursuit of local product-market fit, exposing an imperfect product to too many prospective customers can damage your commercial reputation from the outset. To avoid this, and not overload your product development resources, use an iterative “test and learn” methodology as follows:

- Develop a minimum viable product pilot to include the product, pricing and packaging features initially identified as must-haves, based on your best knowledge to date.
- Investigate any compliance challenges around data security, privacy or sovereignty, and develop features needed to meet mandatory legal, fiscal and regulatory requirements. For example, China regulates its internet environment and blocks all Google-based services.
- Professionally translate your user interface (UI) and help menu, and change measurement units where relevant. Ensure your UI design accommodates target market languages, especially non-Latin-based ones. Pop-up texts or error messages can be wordier, therefore overrunning allocated spacing for these fields.

- Launch your MVP pilot with three to five early adopter types of customers, offering them attractive incentives to kick-start your first success stories and validate stickiness in your targeted segments.
- Based on their feedback, engage further rounds of product design adaptations, in a continuous improvement motion prioritized by commercial impact.
- In parallel, make relevant changes to your product's stack and integration capabilities, considering potential ecosystem partnerships. Ensure your integration APIs are relevant to end users, and develop those missing to bridge gaps with local competition.

Sales Process Localization

Based on early client feedback, your legacy sales playbook will need to be aligned with local buyer behaviors. Your established and repeatable sales process, based on practices prevailing in your existing markets, cannot be replicated as is into a new one. You may therefore need to unlearn and tweak how your sales team historically handled customer acquisition. For example, if you sold primarily to CTOs in your home market, but the decision makers are usually CFOs in your target market, your sales collateral and buying journey matrix should reflect that difference in buyer persona.

Delivery Localization

Adapt your fulfillment and customer servicing operations and supporting systems to ensure frictionless user experience. The most commonly encountered requirements for localization are:

- Changes to payments gateways and accounts receivable processes, to support different currencies, applicable taxes, payment terms and methods of payment
- Inclusion of country-specific contract verbiage and other legal requirements, such as General Data Protection Regulation (GDPR)
- Training and tools to enable customer support teams to handle international inquiries, addressing different languages, business hours, preferred communication channels, processes or cultural practices.

Deploy Geographically Specific Marketing Strategy

Expansions are hampered when brand building and messaging are unable to create the right tailwind for a sales force to ride.

Until you can justify the expense for a marketer on the ground, marketing for your new geography will have to be supported by your existing HQ teams. It will be tempting to recycle legacy marketing content, especially if it was successful in your home market. But such a path of least resistance also increases risks of failure. A specialized marketing agency can help you initially navigate local market dynamics, until your own marketing team eventually gains that experience. However, if this is not an option, you can follow a number of best practices:

- Targeting — A common trap of geographic expansion is to assume the segments you targeted in the new geography are identical to your home market, only changing superficial aspects such as language. This can result in scattered and opportunistic client acquisition patterns, and a loss of consistency and focus in your go-to-market strategy. It might also stretch your limited resources by attempting to be relevant for too many segments.Remember you want to rapidly build up a few first use cases with early adopters to validate the market segments to focus on, and turn these use cases into case studies to improve your referenceability with future customers. When it comes to customer fit, quality is more important than quantity, and your marketing targeting should reflect that.

- **Messaging —** To merely translate your marketing resources is insufficient. Even in linguistically or culturally similar markets, your marketing and communication strategy must address the differences — sometimes subtle — in buying, usage and ownership success metrics. Local competitors already embrace these nuances, and you cannot afford to risk losing credibility at such a critical launch phase. Use your early adopters to provide you with the required cultural check.

- **Translating —** Even in countries where English proficiency is high, local business is conducted in the local language, and your solution should strive to appear as local as possible. At a minimum, your translation efforts should include your website, documentation and sales collateral. Automated translation tools are not recommended, as mediocre translations can actually generate instant mistrust. It is well worth investing in a professional translation agency to capture and validate the right colloquial terms and industry-specific jargon. Alternatively, you can seek short-term assistance from any trusted native speaker — this translation effort being a one-off, it can remain disconnected from your hiring plan.

- **Adapting touchpoints and channels —** To generate much-needed brand awareness and create an initial momentum of inbound lead generation, your messaging must resonate with local buyers and influencers, on their preferred channels — not yours. Keep in mind that the channels favored by local buyers and influencers may be very different from those that worked in your home market. For example, it may come as a surprise that Japanese B2B enterprises prefer Facebook over LinkedIn for business networking.

Evidence

The evidence for this document was derived from Gartner analyst insights and client interviews.

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