Exploring new growth paths for technology SMEs

UN APCTT-ESCAP regional workshop on new paradigm in technology transfer and commercialization

Ghaziabad, India, July 8-10, 2019
Key messages

National industrial policy is important, but can have unforeseen consequences – lessons from South Korea

Vietnam has chosen a more open approach – but is facing challenges of building competitiveness for its domestic companies

Manufacturing led growth and employment is coming to an end – and automation will hit the workforce of developing countries also in services

SMEs need to define their own growth strategy – driving own R&D, combining global network with local insights, and leveraging digital channels can be powerful
Among similar nations, Korea’s growth rate has been stunning and is only surpassed by China

Countries with highest GDP growth (excluding China)

Real GDP

Source: Prof. Jaehoon Hahn, Yonsei University, Introduction to the Korean economy and society (lecture).
Korea used interventionist/protectionist strategy to drive manufactured goods exports by subsidizing target industries and related chaebols

Korean growth and industrial policy

Guided capitalism model

<table>
<thead>
<tr>
<th>Period</th>
<th>Main policy direction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950s</td>
<td>• Import substitution&lt;br&gt;• Price stability</td>
</tr>
<tr>
<td>1962-1971</td>
<td>• Policy shift to export promotion (EP)&lt;br&gt;• Expanding SOC&lt;sup&gt;3&lt;/sup&gt;</td>
</tr>
<tr>
<td>1972-1981</td>
<td>• Heavy and Chemical Industrialization under EP&lt;br&gt;• Administered credit allocation&lt;br&gt;• Import substitution of parts and components</td>
</tr>
<tr>
<td>1982-1991</td>
<td>• Industrial rationalization&lt;br&gt;• Initial liberalization and opening&lt;br&gt;• Shift to private sector initiatives</td>
</tr>
<tr>
<td>1993-1998</td>
<td>• Deregulation&lt;br&gt;• Globalization (capital and foreign exchange liberalization)&lt;br&gt;• Fairness and transparency in industrial and trade policy&lt;br&gt;• Technology based industrial policy</td>
</tr>
</tbody>
</table>

Chaebols’ assets as a share of top 200 corporate assets (1987-2012)

1 Includes LG, GS, LS and their affiliates; 2 includes Samsung, Shinsegae, CJ and Hansol; 3 Social overhead capital such as roads, schools and hospitals. Source: ERRI, 재벌 및 대기업으로의 경제력집중과 동태적 변화분석; Ahn, The outward-looking trade policy and the industrial development of South Korea.

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Korea pursued substitution, while Malaysia, Taiwan and Vietnam pursued complementary strategy – the choice had effects on SMEs

Comparison on national growth models

Korea
(substitution strategy)

State

Industrial policy

Banks

Promotion

Chaebols

Loan guarantees, mutual assistance

Marginalisation

SMEs

MNCs

Singapore and Malaysia
(compl. strat. – int’l model)

Government

Local banks

Foreign banks

GLCs

SWF

MNCs

SMEs

Taiwan and Vietnam
(compl. strat. – semi-int’l model)

Government

Banks

JVs

MNCs

Public enterprises

Guangxiqiye

Support

SMEs

Vietnam pursues a semi-international complementary strategy similar to Taiwan, yet with emergence of local conglomerates and weaker links to SMEs.

Unlike Japan, Taiwan and Singapore, Korean model required large outside financing (debt and other funding).

Note: MNC = multinational company, SME = small and medium sized enterprise, GLC = government linked company, SWF = sovereign wealth fund, SOE = 100% state owned enterprise, Guangxiqiye = local business groups; China applies a modified substitution strategy, leveraging JVs to expedite tech transfer process.

Source: Shin, Chang, Restructuring Korea Inc., pp. 11-22; Ha Thanh, Nguyen & Klaus Meyer (2004); Van Chung, Vu (2015); Reddal analysis.
Yet a burning issue of Korean economy is that the SME sector is extremely inefficient and employs a large share of the population.

SMEs contribution to overall economy by country

SMEs share of total employment in 2012

GDP per hour worked in 2015

*Used 2013 number of labor forces and 2016 GDP for Iran and 2014 data for Korea and the U.S.; **Used 2013 data for Korea.

Even in global terms, Korean SMEs poor productivity and role in employment stands out

SMEs contribution to overall economy by country (full list of countries)

SMEs share of total employment in 2012**

GDP per hour worked in 2015* (PPP)

*Used 2013 number of labor forces and 2016 GDP for Iran and 2014 data for Korea and the U.S.; **Used 2013 data for Korea.

Source: ¹OECD, Compendium of Productivity Indicators (2016); ²OECD, Entrepreneurship at a Glance (2015); ³Ministry of economic affairs of the R.O.C and The conference board total economy database; ⁴General Statistics Office of Vietnam; ⁵Statistical Center of Iran (www.amar.org.ir).

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Productivity gap between Korean SME and conglomerates continues to be a major issue

Productivity index\(^2\): SME vs. large corporations

SME productivity has been lower than large enterprises consistently and has been growing at lower rate.

Note: \(^1\)SME includes companies with 10 – 300 employees; \(^2\) Total productivity index, including labor and capital; \(^3\)Compounded annual growth rate.

Korean SMEs are often locked in vicious cycle, as SMEs are complacent with their role as supplier – transition to virtuous cycles requires internationalization

**SME vicious vs. virtuous cycle**

**Vicious cycle of OEM trap**
(focus on serving local conglomerates)
- Bargaining power falls
- Price squeeze
- Operations centered around conglomerates
- Inability to invest in development and attract new talent, morale falls
- Loss of competitiveness
- profit falls

**SME’s dependence on (Korean) conglomerates**

**Virtuous cycle**
(focus on internationally competitive technology and products, and expansion abroad)
- Better competitive advantage, market position, ability to invest and attract talent
- Ability to command price premium and maintain profit
- Bargaining power increases
- Increased product/service differentiation
- Optimized resource allocation
- Operations based on market/competition
- Acquire new customers, expand further
- Loss of competitiveness
- Profit falls

Moving to virtuous cycle can be realized by providing SMEs with global-minded management capability, competitive talents pool, and network and insights in international market.

"Price squeeze is inevitable and comes by direct price-cut request”
- Head of gov. agency

"Working with chaebols often provides SMEs with solid skills”
- Manager of consulting firm

“As local market is limited, diversifying the customer base globally is key for growth”
- CEO of local IT SME

Source: Interviews.

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SMEs need to define their own growth strategy – driving own R&D, combining global network with local insights, and leveraging digital channels can be powerful
Vietnamese growth model does not emphasize building strong local companies to substitute MNCs nor strong SMEs to complement

Comparison on national growth models

**Vietnam (compl. strat. – semi-int’l model)**

- **Government**
- **Banks**
- **SOEs**
- **GLCs**
- **MNCs**
- **SMEs**
- **Emerging local conglomerates**
- **JVs**
- **Overseas remittances**
- **(Returning) Vietnamese expatriates**
- **Foreign banks**
- **Foreign donors**
- **ODA**

**Comments**

- The Vietnam model is closer to Taiwan, with JV between SOEs and MNCs a common practice because of government equity/license requirements in sensitive sectors and unique access to local knowledge and natural resources
- Vietnamese SOEs are not only owned but also managed by respective line industries/local governments with strong political patronage
- Recent privatization and restructuring efforts of SOEs are slowly turning them to GLCs, which are closer to the Singapore model
- Recent reforms since 1986 “Doi moi” and influx of overseas remittances from Vietnamese expatriates have also encouraged the emergence of a few local conglomerates

Both SOEs and MNCs play a significant role in the Vietnamese economy, typical of a semi-international model. Linkages with SMEs are weak as their capabilities are not strong enough to participate in the value chains.

Note: MNC = multinational company, SME = small and medium sized enterprise, SOE = 100% state owned enterprise managed by respective line ministries or local governments, GLC = government linked company as result of SOE privatization.

Source: Shin, Chang, *Restructuring Korea Inc.*, pp. 11-22; Ha Thanh, Nguyen & Klaus Meyer (2004); Van Chung, Vu (2015); Reddal analysis.
Growing ties with returning “Viet Kieu” and Vietnamese diaspora networks overseas foster valuable “soft factor” spillovers in terms of knowledge, skill and human capital

Leveraging international connections for acceleration – Vietnamese diaspora networks

Valuable stakeholders in host countries

- Venture capitalists
- Service providers
- Consultants
- Suppliers

Diaspora network
- Business contact networks
- Professional associations
- Independent research institutes

Financial funding

Emerging conglomerates
- Case example: Vingroup
- Case example: Masan

Technical and managerial support

Family-run businesses
- Case example: My Lan Group
- Case example: Highland Coffee

Access to exclusive “highly-skilled” pool

Entrepreneurial start-ups
- Case example: Misfit

Vietnamese companies with international connections

Major host countries are US, Russia and Eastern Europe, France, Australia, Canada.

Case example: Association of Overseas Vietnamese Business Owners
- Vietabroader (US-focused)
- Vietnam2020 (Singapore-based)

First wave of returnees after Doi Moi mainly focused on leveraging local connections to capture local opportunities while current waves act more as a bridge between Vietnam and regional/global markets.

Source: Pham (2010), Reddal interviews (2017), Reddal analysis.
Government policy aims to help local SMEs to become supplier to MNCs

FDI spillover framework and policy implications

Mechanism to boost FDI spillover to domestic firms

Market activities

- Foreign firms (FDI firms)

Government policy support

- Increase spillover potential
  - Labor market regulations
  - Investment policy and promotion
  - IP rights

- Develop absorptive capacities
  - Education and training
  - Access to finance
  - SME development
  - Trade policy


FDI contribution to Vietnamese economy (based on 2015 data)

- FDI companies contribution to GDP: 18%
- FDI companies contribution to export: 70.5%
- FDI companies contribution to state budget revenues**: 14.1%
- FDI companies contribution to overall employment: 4.2%
Foreign conglomerates led FDI has been a major contributor to Vietnam’s national level indicators, but its spill over effect is limited

FDI investments and spillover effects in Vietnam

Investments by types of ownership (total in trillion VND)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Non-state</th>
<th>State</th>
<th>FDI</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>830</td>
<td>924</td>
<td>1,367</td>
</tr>
<tr>
<td>2011</td>
<td>36%</td>
<td>39%</td>
<td>39%</td>
</tr>
<tr>
<td>2012</td>
<td>38%</td>
<td>38%</td>
<td>38%</td>
</tr>
<tr>
<td>2013</td>
<td>38%</td>
<td>38%</td>
<td>38%</td>
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<td>39%</td>
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</tr>
</tbody>
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Reflections

- FDI has been focused on industrial manufacturing sector
- It has contributed significant amount to GDP development
- However, its contribution to employment has been very limited
- IMF assumes that most employments have been made through subcontractors and suppliers to the FDI companies; however, the competitiveness of these companies have much room for improvement

*As of 12/31/2015; **As of 2014.
Localization rate and local (Vietnamese) supplier quality assessments highlight the competitiveness issue of Vietnamese players

**Competitiveness of Vietnamese suppliers**

- Out of 32% Japanese local sourcing in Vietnam, 45% was sourced from Japanese companies operating in Vietnam and 14% from Taiwanese companies operating in Vietnam.
- Low localization rate has directly affected Japanese invested companies’ profitability in Vietnam.
- Vietnam has been cooperating with Japan since 2000s to build supporting industries but have failed to realize two planned supporting industrial parks after 14 years.

**Localization rate** of Japanese-invested manufacturers by country, 2015:

- China: 65%
- Thailand: 56%
- Indonesia: 41%
- Malaysia: 36%
- Vietnam: 32%

*Localization rate is defined as % of raw material and intermediary goods sourced locally, **Based on OECD ranking of 140 countries.*

**Local supplier quantity and quality**, 2015:

- Low local supplier quantity and quality: Lao PDR, Cambodia
- High local supplier quality: Malaysia, Korea, Thailand, China, Indonesia, Philippines

There is still a big gap in Vietnamese local companies’ ability to participate as suppliers to MNCs.

Source: JETRO annual survey, OECD, press articles.
Key messages

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SMEs need to define their own growth strategy – driving own R&D, combining global network with local insights, and leveraging digital channels can be powerful
Avoiding OEM trap is even more critical for SMEs in developing nations – advantage in manufacturing, arising out of cheap labor will diminish.

Peak manufacturing employment share and GDP per capita when it peaked

Observations

- Trade has induced productivity gaps to close faster than gap in income as manufacturers must follow similar international standards.
- Manufacturing is becoming less labor-intensive also in developing economies; thus peaked share of manufacturing employment has declined.
- Automation coupled with additive manufacturing making OEMs from developing economies risk becoming redundant.

Source: GGDC-10 Sector database, World Bank Development Indicators, Citi Research in “Technology at work v2.0: The future is not what it used to be.”
Manufacturing share of GDP is declining worldwide – manufacturing export led growth will not be the panacea it used to be

### Manufacturing share of GDP

#### Percent

<table>
<thead>
<tr>
<th>Regions</th>
<th>2000</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia and Pacific</td>
<td>19</td>
<td>15</td>
</tr>
<tr>
<td>Europe and Central Asia</td>
<td>25</td>
<td>23</td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>17</td>
<td>14</td>
</tr>
<tr>
<td>North America</td>
<td>16</td>
<td>12</td>
</tr>
<tr>
<td>South Asia</td>
<td>15</td>
<td>16</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Tanzania</td>
<td>9</td>
<td>6</td>
</tr>
<tr>
<td>World</td>
<td>19</td>
<td>15</td>
</tr>
<tr>
<td>Low income</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>Lower middle income</td>
<td>17</td>
<td>16</td>
</tr>
<tr>
<td>Upper middle income</td>
<td>24</td>
<td>21</td>
</tr>
<tr>
<td>High income</td>
<td>18</td>
<td>15</td>
</tr>
</tbody>
</table>

### Implications

- Share of manufacturing in GDP is declining everywhere in the world
- Stiglitz argues that this is the result of manufacturing productivity exceeding the rate of increase in demand
- 20th century national growth model characterized by export-led growth will not work in the future to the extent it did for East Asian countries
- Developing nations today need to define new national growth strategy that balances industry, services and other parts of the economy

Reaching prosperity is getting harder for developing countries – their workforce is more susceptible to automation overall

Impact of automation on workforce

The workforce in these "high risk" economies risk become redundant in the global value chain without local companies with internationally competitive products/services.


Source: World Bank Development Report 2016; World Bank national accounts data. Note: For Angola and Malta 2013 GDP per capita figures were used, Citi Research

Source: World Bank Development Indicators, Citi Research in “Technology at work v2.0: The future is not what it used to be.”
Services can be more easily inserted into global economy, bypassing steps manufacturing went through in sequential internationalization

### Internationalization model: manufacturing vs. service

<table>
<thead>
<tr>
<th>Manufacturing SME</th>
<th>Product based division of labor</th>
<th>Value chain based division of labor</th>
<th>Market based division of labor</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Company establishes manufacturing subsidiary in low wage country</td>
<td>• Home country loses competitiveness in manufacturing even in the high-value-added products</td>
<td>• Low wage country market grows to have large enough in terms of purchasing power for product sales</td>
</tr>
<tr>
<td></td>
<td>• Only low-value-added product manufacturing is relocated to the foreign subsidiary</td>
<td>• Subsidiary undertakes the production of entire product line</td>
<td>• Subsidiary now handles not only the production but also conducts domestic marketing activities</td>
</tr>
<tr>
<td></td>
<td>• Low wage country is not yet the market for the product</td>
<td>• The low wage country is not yet the market for locally produced products</td>
<td>• R&amp;D for improving low-value-added or local-market-oriented products are conducted by the subsidiary</td>
</tr>
<tr>
<td></td>
<td>• High-value-added product and R&amp;D still remains in the home country headquarter</td>
<td>• Parent firm mainly handles R&amp;D and marketing</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Service SME</th>
<th>Market based division of labor</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• When entering the new market, service firms usually focus on attractiveness of the target country in terms of purchasing power for sales</td>
</tr>
<tr>
<td></td>
<td>• While some localization effort for sourcing may be needed, usual focus is on localizing the marketing</td>
</tr>
</tbody>
</table>

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SMEs need to define their own growth strategy – driving own R&D, combining global network with local insights, and leveraging digital channels can be powerful
SMEs in developing nations require a unique path creation strategy, where internationalization is an integral part of success.

Path creation strategy for SMEs: from OEM to OBM*

- **SME supplier to conglomerate**
  - Condition: late entry and resource poor
  - Learning and building technology via external sources and in-house R&D
  - Needs local conglomerates to supply to

- **Developing own design/brand**
  - Early strength in production skills acquired in supplier position
  - Upgrade into higher-value-added products in the same industry
  - Key challenges in weak brands, lack of marketing experience and incumbent litigations

- **Success as global company**
  - Consolidate global system that allows flexibility in cost management and customized marketing
  - Risk of new entrants with lower cost advantage persists
  - To sustain position, firm-specific and proprietary knowledge in narrow field must be developed

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<table>
<thead>
<tr>
<th>Entry</th>
<th>Gradual catch-up</th>
<th>Path creating/ crisis</th>
<th>Rapid catch-up</th>
<th>Post catch-up</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*OEM = original equipment manufacturer, OBM = original brand manufacturer; concepts can be also extended to services

Source: Lee, *Economic catchup and technological leapfrogging*.

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Past Korean cases show that while OEM experience can expedite the tech transfer, investment in in-house R&D is even more critical

In-house R&D essential for hi-tech SMEs in internationalization – Korean cases

<table>
<thead>
<tr>
<th>Firm</th>
<th>Products</th>
<th>Incumbent competitors</th>
<th>Tech acquisition sources</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>SunStar</td>
<td>Embroidery machinery</td>
<td>• Tajima (Japan)</td>
<td>• In-house R&amp;D</td>
<td>Largest market share in the world market</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Licensing from Belgian firms</td>
<td></td>
</tr>
<tr>
<td>HJC</td>
<td>Helmets</td>
<td>• Shoei (Japan) • Bieffe (Italy)</td>
<td>• OEM • In-house R&amp;D</td>
<td>20% of world market share</td>
</tr>
<tr>
<td>Jusung</td>
<td>Production equipment for semiconductor and flat panels</td>
<td>• AKT (U.S.)</td>
<td>• In-house R&amp;D • Collaboration with universities</td>
<td>33% world market share</td>
</tr>
</tbody>
</table>

Observations
• HJC leveraged the learnings from their previous position as OEM parts supplier to further develop their own product and brand
• SunStar and Jusung leveraged other channels to expedite the technology acquisition process: licensing and collaboration with academia
• These cases suggest that tech transfer alone is not enough and in-house R&D must integral part to develop competitiveness

Source: Lee, Economic catchup and technological leapfrogging.
Misfit combined local capabilities across multiple countries in a unique way to fuel its growth

Leveraging international connections for acceleration: Misfit Wearables

**About Misfit (now part of Fossil Group)**

- Founded in 2011 by Sony Vu (CEO and President), Sridhar Lyengar and former Apple CEO John Sculley
- Offering: health tracker wearables
- Available in 20 countries (US, Canada Mexico, Brazil, UK, Germany, Italy, France, Switzerland, Spain, Sweden, Russia, Australia, China, Hong Kong, Japan, Singapore, Taiwan, South Korea and India)
- Acquired by Fossil Group at 260MUSD in November 2015

**On organizing international operations in Vietnam**

Q: What prompted the decision to have so many employees here [in Vietnam], aside from your background?

Vu: “So we have to get the best talent at the best price. So what we’ve done is optimized our hiring to be in places where we have an unfair competitive advantage”.

Vu: “If you just come here with a mentality, I’m going to get cheap outsourced labor, then that’s exactly what you’re going to get…So we really give them [the Vietnamese staff] a lot of authority…And people rise up to the challenge”.

Leverage the best of each world to gain competitive advantages and scale internal capabilities development fast.

- Product design
- Funding
- Marketing and sales
- Manufacturing
- Logistics and supply chain, operations, finance
- Customer service
- Data science and algorithm development
- Firmware engineering
- Graphic design
- Commercial product development

*Interview with Sonny Vu conducted by CNET in 2015.
Source: Company website, press articles.

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Uber’s struggles to scale in China, Russia and SEA illustrate that global success of digital services still require local know-how

Lessons learnt from some of Uber internationalization journey

**Uber expansion timeline in selected markets**

- Feb 2013 – Uber launched in Singapore, starting its expansion in South East Asia (SEA).
- Jul 2014 – Uber officially launched in China. Also in Russia.
- August 2016 – Uber China merged into Didi Chuxing. Uber China would own 20% of the new entity. Didi to own $1bn share in Uber global.
- July 2017 – Uber merged its operations in Russia, Azerbaijan, Belarus and Kazakhstan with Yandex. Uber would own 36.6% of the new entity.
- March 2018 – Uber sold its operations in SEA for 27.5% stakes in Grab – a Singapore based competitor.

*Source: Press clippings.*
Grab focused on building "segmented, localized and tailored service" to foster customer experience and loyalty

Grab localization strategy to succeed in regional expansion

<table>
<thead>
<tr>
<th>South East Asia special characteristics</th>
<th>How Grab cater to local needs and tastes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traffic congestion make motorbike a more convenient and faster choice</td>
<td>GrabBike was launched in 2014, two years ahead of Uber Motor</td>
</tr>
<tr>
<td>Cash payments are still prevalent in many South East Asian cities</td>
<td>Grab has traditionally accepted cash payments, long before Uber began to pilot it, first in India in 2015</td>
</tr>
<tr>
<td>SEA is a fragmented region with different languages; many still do not speak English</td>
<td>Grab launched GrabChat in 2016 with template messages and auto translation for quick communication between drivers and riders</td>
</tr>
<tr>
<td>Durian is a special and popular local fruit in many parts of SEA</td>
<td>Grab organized special campaigns/redeem offer for special treats of high-quality durian</td>
</tr>
</tbody>
</table>

Source: Press clippings.
Without a dedicated entry strategy, many young companies fell to the pitfalls of relying on the “sales” approach only for short-term gain.

### Entry strategy approach versus “sales” approach to international markets

<table>
<thead>
<tr>
<th></th>
<th>&quot;Sales&quot; approach</th>
<th>Entry strategy approach (go-to-market system)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Time horizons</strong></td>
<td>Short-run.</td>
<td>Long-run (say, 3 to 5 years).</td>
</tr>
<tr>
<td><strong>Target markets</strong></td>
<td>No systematic selection.</td>
<td>Selection based on analysis of markets/sales potential.</td>
</tr>
<tr>
<td><strong>Dominant objectives</strong></td>
<td>Immediate sales.</td>
<td>Build permanent market position.</td>
</tr>
<tr>
<td><strong>Resource commitment</strong></td>
<td>Only enough to get immediate sales.</td>
<td>What is necessary to gain permanent market position.</td>
</tr>
<tr>
<td><strong>Entry mode</strong></td>
<td>No systematic choice.</td>
<td>Systematic choice of most appropriate mode.</td>
</tr>
<tr>
<td><strong>New product development</strong></td>
<td>Exclusively for home market.</td>
<td>For both home and foreign markets.</td>
</tr>
<tr>
<td><strong>Product adoption</strong></td>
<td>Only mandatory adaptations (to meet legal/technical requirements) of domestic products.</td>
<td>Adaption of domestic products to foreign buyers’ preferences, incomes, and use conditions.</td>
</tr>
<tr>
<td><strong>Channels</strong></td>
<td>No effort to control.</td>
<td>Effort to control to drive market objectives/goals.</td>
</tr>
<tr>
<td><strong>Price</strong></td>
<td>Determined by domestic full cost with some ad hoc adjustments to specific sales situations.</td>
<td>Determined by demand, competition, objectives, and other marketing policies, as well as cost.</td>
</tr>
<tr>
<td><strong>Promotion</strong></td>
<td>Mainly confined to personal selling or left to middlemen.</td>
<td>Advertising, sales promotion, and personal selling mix to achieve market objectives/goals.</td>
</tr>
</tbody>
</table>

Without a go-to-market system with entry strategy for a product/target market, a company only has a “sales” approach.

Young technology companies need to build internal R&D capabilities and leverage digital technologies and service platforms to drive growth

Tips on internationalization for technology SMEs

- Avoid the OEM trap – being complacent in playing the role of part manufacturers in the global value chain.
- Over-rely on low-cost advantages without realizing other value-adding advantages from local resources.
- Overly ambitious expansion plan, risk stretching themselves too thin over mass expansion without a clear go-to-market strategy/strategies.

✔ Invest in internal R&D to develop internationally competitive technology and products, and expansion abroad.
✔ Digital technologies make cross-border collaboration more easily, which young companies can leverage to build optimal teams.
✔ Digital and service platforms make scaled internationalization more feasible for young companies with local resources – but local know-how essential for success.
Working together for successful growth!