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How This Guide is Structured

This guide follows the international expansion process from the initial strategic rationale through market and entry decisions, investment commitment, implementation, ongoing management, and subsequent evolution of the international operation.

The nine chapters are organized into three phases:

PHASE I: STRATEGIC CHOICE & POSITIONING

Why, Where, How to Enter, and How to Acquire the Required Capabilities

Chapter 1: Why Go Abroad? Establish the Strategic Rationale for International Expansion.

Chapter 2: Where to Expand? Identify and select the Priority Market.

Chapter 3: How to Enter? Determine the appropriate Entry Model and level of local presence.

Chapter 4: Build, Partner, or Buy? Determine how the capabilities required for expansion should be acquired.

OUTPUT: DEFINED EXPANSION ALTERNATIVE

PHASE II: STRUCTURE & COMMITMENT

Structure the Expansion and Determine Whether It Justifies Commitment

Chapter 5: How Should the Expansion Be Structured? Determine the Operating & Legal Structure required to implement the selected expansion alternative.

Chapter 6: Does the Expansion Create Value? Build the integrated Business Case and determine whether the proposed expansion justifies commitment.

COMMITMENT DECISION: PROCEED / MODIFY / DEFER / REJECT

PHASE III: EXECUTION & EVOLUTION

Set Up, Manage, and Evolve the International Operation

Chapter 7: How Do We Set It Up? Translate the Commitment Decision into implementation, establish the operating platform, validate readiness, and make the Go-Live Decision.

Chapter 8: How Do We Manage It? Establish how the international operation should be governed, managed, monitored, and coordinated within the wider group.

Chapter 9: What Comes Next? Use operating evidence to determine how the international operation should evolve and whether to Scale, Maintain, Adapt, Reduce, or Exit.

The logic of the guide is progressive: **the output of one decision becomes the input to the next**.

WHY → WHERE → HOW TO ENTER → BUILD, PARTNER, OR BUY →
HOW TO STRUCTURE → DOES IT CREATE VALUE → HOW TO SET IT UP →
HOW TO MANAGE IT → WHAT COMES NEXT

At a higher level, the process moves through:

Strategic Choice & Positioning → Structure & Commitment → Execution & Evolution

This progression reflects a central principle of the guide: international expansion should not be treated as a single decision to enter a foreign market, but as a sequence of connected decisions in which commitment increases as strategic understanding, evidence, and operating experience develop.

PHASE I: STRATEGIC CHOICE & POSITIONING

International expansion involves a sequence of interconnected strategic choices. A company needs to determine not only whether expanding beyond its existing geographic footprint makes strategic sense, but also where it should focus, what form of market presence it requires, and how the capabilities needed to support that presence should be obtained.

These choices are closely connected but should be addressed progressively. A compelling reason to expand does not make every foreign market attractive. An attractive market does not determine the appropriate form of presence. And selecting an Entry Model does not establish how the company should obtain the people, relationships, assets, infrastructure, and other capabilities required to make that model work.

Phase I therefore addresses four fundamental questions.

1. **WHY should the company consider international expansion?**

   The first decision is whether international expansion represents a credible strategic alternative for achieving an important corporate objective or addressing a material strategic challenge. This establishes the Strategic Rationale for considering a change in the company's geographic footprint.

2. **WHERE should the company focus?**

   A credible rationale needs to be translated into Market Requirements. Potential markets can then be screened, assessed, and prioritized according to their ability to support what the company is trying to achieve.

3. **HOW should the company be present in the selected market?**

   Selecting a market does not determine the appropriate form of entry. The company needs to establish which activities should be performed locally, what degree of direct presence and control is required, and what level of commitment is appropriate given the remaining uncertainty.

4. **HOW should the company obtain the capabilities required for that presence?**

   The Selected Entry Model creates specific capability requirements. Some may already exist within the company, some may be extended from existing operations, while others must be obtained locally. The company must then determine which capabilities should be Built internally, accessed through Partners, or Bought through acquisition.

These four decisions form a connected sequence:

Strategic Rationale → Priority Market → Selected Entry Model →
Selected Capability Acquisition Strategy

Each decision narrows the range of alternatives and provides the foundation for the next. The purpose is not to develop a complete international strategy at the outset, but to progressively convert an initial strategic idea into a sufficiently defined and credible expansion alternative.

The objective of Phase I is therefore to arrive at a **Defined Expansion Alternative** that explains what the company intends to achieve, where it intends to pursue the opportunity, how it intends to operate in the selected market, and how the capabilities required to support that presence will be obtained.

This does not constitute an investment approval. The Defined Expansion Alternative must still be translated into an appropriate operating and legal structure and evaluated as an integrated investment proposition. Those decisions form the focus of Phase II.

1.8 Geographic Diversification and Strategic Resilience

Geographic Diversification and Strategic Resilience occurs when international expansion can reduce excessive dependence on a company's existing geographic footprint and strengthen its ability to withstand disruptions affecting particular markets, operations, supply chains, or sources of revenue. The rationale may involve diversifying commercial exposure, distributing critical operations across locations, or creating alternative capacity that can continue functioning when another part of the business is disrupted.

Key Question:

Could a more diversified geographic footprint materially reduce concentration risks and strengthen the company's ability to withstand disruptions affecting its existing operations or markets?

Geographic Diversification may be **opportunity-driven** when the company seeks a more balanced geographic portfolio and lower exposure to individual markets or locations. It may become increasingly **necessity-driven** when geographic concentration exposes the business to material political, regulatory, economic, infrastructure, supply-chain, or security risks. At the extreme, international expansion may become necessary to protect business continuity.

Critical Strategic Considerations

Geographic diversification changes risk; it does not eliminate it. Expanding into additional countries introduces new exposures and may simply replace one concentration risk with a different set of operational, regulatory, political, or financial risks.

More importantly, geographic separation does not necessarily create resilience. If operations in different countries depend on the same critical suppliers, infrastructure, logistics routes, technologies, or other points of failure, they may remain vulnerable to the same disruption.

The relevant comparison is therefore:

Existing Geographic Concentration → Critical Risk Exposures →
Alternative Geographic Configuration →
Degree of Genuine Risk Diversification and Operational Independence

International expansion should also be compared with other ways of strengthening resilience, including alternative suppliers, additional inventory, backup capacity, insurance, or diversified logistics arrangements. The objective is not geographic diversification for its own sake, but a configuration that materially reduces critical concentration exposures and improves the company's ability to continue operating under adverse conditions.

Illustrative Example: TSMC's Geographic Expansion of Semiconductor Manufacturing

TSMC's expansion of semiconductor manufacturing beyond Taiwan provides an illustration of Geographic Diversification and Strategic Resilience. The company has been developing major manufacturing capacity in the United States, Japan, and Europe, creating a more geographically distributed production footprint alongside its core operations in Taiwan.

The expansion reflects multiple strategic considerations, including proximity to customers and regional semiconductor ecosystems. At the same time, distributing advanced manufacturing capacity across several regions reduces reliance on a single geographic production base and can strengthen the resilience of the company's global manufacturing network.

Primary Catalyst: Geographic Diversification and Strategic Resilience

Supporting Catalysts: Client Proximity, Market Positioning, and Access to Regional Ecosystems

Strategic Logic: Concentrated critical production → geographic concentration exposure → development of additional regional manufacturing platforms → more diversified production footprint and greater strategic resilience

Case Study – Production Expansion Outside Ukraine During the Full-Scale War

Russia's full-scale invasion of Ukraine provides a clear example of how international expansion can shift from a strategic opportunity to a matter of resilience and, in extreme cases, business continuity.

For companies with production concentrated in Ukraine, the war materially changed the risk associated with their geographic footprint. The exposure extended beyond the possibility of direct damage to production facilities. Disruptions to electricity and other infrastructure, logistics and export routes, workforce availability, access to critical inputs, insurance, and transportation could affect the ability to maintain production and reliably fulfill customer commitments even when individual facilities remained operational.

Companies can mitigate some of these risks without relocating production. Alternative logistics routes, backup power, additional inventories, diversified suppliers, insurance, and contingency arrangements can all strengthen resilience. However, such measures may not be sufficient when the underlying risk affects the broader geographic environment in which critical production capacity is concentrated. Moreover, mitigation measures may themselves remain exposed to the same underlying disruption. Alternative infrastructure, inventories, logistics arrangements, or other assets created to protect existing operations may become inaccessible, damaged, or unusable, potentially resulting in the partial or complete loss of the investment made in those measures. This limits the extent to which additional investment within the same geographic risk environment can provide genuine resilience.

Under these circumstances, establishing production capacity outside Ukraine can provide something fundamentally different: **operationally independent capacity** capable of maintaining production and customer supply if domestic operations are materially disrupted.

The strategic logic becomes:

Concentrated Production in Ukraine → Severe External Disruption Risk →
Threat to Production and Customer Supply →
Existing Mitigation Measures May Be Insufficient →
Need for Operationally Independent Capacity →
Production Expansion Abroad

This changes the economics of the expansion decision. Under normal conditions, producing abroad may be more expensive than expanding existing capacity in Ukraine. The foreign operation may require additional investment, duplicate certain functions, operate initially below optimal utilization, or introduce additional organizational complexity. Evaluated solely on conventional cost or return criteria, it might therefore appear less attractive.

For a necessity-driven expansion, however, the relevant comparison is not simply between the cost of domestic and foreign production. It should also consider the effectiveness and vulnerability of mitigation measures within the existing geographic footprint and the consequences of a severe disruption. The strategic comparison therefore becomes:

Domestic Expansion + Mitigation Measures vs. Geographically Independent Foreign Capacity

If geographic concentration creates a material risk of prolonged production interruption, loss of customers, inability to fulfill contracts, or damage to the company's long-term competitive position, the value of independent foreign capacity extends beyond the earnings it generates under normal operating conditions.

Key Lesson:

A resilience-driven international expansion does not necessarily need to outperform the existing operation under normal conditions. Its strategic value may lie in preserving production, customer supply, and business continuity under adverse conditions.

4. Build, Partner, or Buy?

Chapter 3 established the **Selected Entry Model** and therefore defined how the company intends to be present in the Priority Market. That decision creates a set of capabilities that the company must have access to if the Entry Model is to work in practice.

Some of these capabilities may already exist within the organization and can be extended into the new market. Others may need to be developed locally, accessed through external partners, or obtained through acquisition. The appropriate approach may differ significantly across the capabilities required by the same expansion.

The challenge is therefore not simply to choose between organic expansion, partnership, and acquisition as competing market-entry strategies. It is to determine **how the company should obtain each capability required to execute the Selected Entry Model**.

The central question is:

Should the capabilities required for the expansion be Built internally, accessed through Partners, or Bought through acquisition?

This chapter develops the **Capability Acquisition Strategy** required to make the Selected Entry Model executable and complete the definition of the expansion alternative.

4.1 Define the Required Capabilities

The Selected Entry Model defines how the company intends to be present in the market. The next step is to determine **what capabilities are required to make that model work in practice**.

Capabilities should be interpreted broadly. They include not only physical assets or technical expertise, but also the people, relationships, infrastructure, licenses, systems, and organizational resources required to establish and operate the selected market presence.

Depending on the expansion, these may include:

- **Commercial Capabilities**: local sales, key account management, pricing, distribution, marketing, and customer relationships.
- **Operational Capabilities**: production, assembly, logistics, warehousing, installation, maintenance, and customer service.
- **Technical Capabilities**: engineering, product adaptation, implementation, technical support, R&D, and specialized know-how.
- **Market Access Capabilities**: distribution networks, supplier relationships, local partnerships, access to strategic customers, and market knowledge.
- **Regulatory & Compliance Capabilities**: licenses, certifications, regulatory expertise, product approvals, reporting, and other requirements necessary to operate.
- **Organizational Capabilities**: local management, recruitment, finance, legal support, IT systems, HR, and other functions required to support the local operation.

The specific capability set should follow directly from the **Selected Entry Model and Required Local Activity Footprint**, rather than from a standard checklist. A limited commercial presence may require only a small number of local capabilities, while broader operating activities may require an extensive combination of people, assets, systems, relationships, and technical expertise.

The company should then assess how each required capability relates to what it already possesses.

- **Already Available** means the capability exists within the company and can support the international expansion without substantial additional development.
- **Can Be Extended from HQ** means the capability exists internally but needs to be adapted, expanded, or made accessible to the new market. Examples might include centralized technical expertise, IT systems, treasury, procurement, or product development.

- **Must Be Obtained Locally** means the required capability is not currently available in a form that can support the Selected Entry Model and therefore needs to be developed or accessed in the selected market. Examples might include customer relationships, local distribution, regulatory expertise, specialized workforce, production capacity, or local service infrastructure.

This assessment prevents management from treating the international expansion as if every capability must be recreated locally. It also prevents the opposite mistake of assuming that capabilities that work effectively in the home market can automatically be transferred abroad.

The practical focus should be on the gaps:

Selected Entry Model → Required Capabilities → Existing & Extendable Capabilities → Capability Gaps

Illustrative Example: Industrial Software Expansion

Suppose the enterprise software provider from Chapter 3 has selected a Hybrid Entry Model, combining its own local sales and key-account team with external support for selected implementation activities.

The company already possesses the core software platform, product development capabilities, advanced technical expertise, and centralized infrastructure. These capabilities can continue to support the market from headquarters.

However, the Selected Entry Model also requires local enterprise sales relationships, native-language customer support, implementation capacity, and knowledge of local regulatory and industrial requirements. Some of these capabilities may be developed internally, while others may already exist more effectively within local organizations.

The analysis therefore does not conclude that the company needs to recreate its entire business in the new market. It identifies the **specific capability gaps that must be closed** for the Selected Entry Model to work.

The output of this stage is a **defined set of Capability Gaps**, providing the basis for the next decision: whether each required capability should be **Built internally, accessed through a Partner, or Bought through acquisition**.

4.2 Understand the Build, Partner, or Buy Alternatives

Once the Capability Gaps have been identified, the company needs to determine **how each required capability can be obtained**. At the highest level, there are three alternatives: Build, Partner, or Buy.

BUILD: Develop the capability internally

The company creates the required capability using its own resources. This may involve recruiting a local team, developing customer relationships, establishing distribution or service capabilities, building production capacity, adapting internal systems, or transferring expertise from existing operations.

Building allows the company to develop the capability around its own requirements and retain direct control over how it operates. However, capabilities that depend on local relationships, specialized expertise, infrastructure, or organizational learning may take considerable time to develop.

Build does not necessarily mean constructing physical assets. Hiring a local sales team, developing an internal regulatory function, or establishing proprietary technical support are all examples of building capabilities internally.

PARTNER: Access the capability through another organization

The company obtains access to a required capability without developing or acquiring it directly. Depending on the capability, this may involve distributors, suppliers, contract manufacturers, logistics providers, implementation partners, technology partners, service providers, strategic alliances, or other contractual arrangements.

Partnering can provide immediate access to capabilities that would be difficult or time-consuming to develop internally, particularly local relationships, infrastructure, specialized expertise, and market knowledge.

The company does not, however, fully own the capability. Its ability to use it depends on the partner relationship, contractual arrangements, alignment of incentives, and the partner's continuing performance.

BUY: Acquire an existing capability

The company obtains the required capability through acquisition. This may involve acquiring an entire company, a business unit, selected assets, technology, intellectual property, customer relationships, production capacity, or another established platform.

Buying can provide rapid access to a combination of capabilities that would otherwise take considerable time to build. An acquisition may bring customers, employees, licenses, infrastructure, technology, supplier relationships, and local management together in an already operating platform.

The acquired capability, however, still needs to be integrated into the company's Entry Model. Ownership does not automatically ensure that the capability will transfer successfully or perform as expected after the acquisition.

The Alternatives Apply Capability by Capability

Build, Partner, and Buy should not normally be treated as three mutually exclusive strategies for the entire international expansion. The relevant question is:

What is the most appropriate way to obtain each Capability Gap?

A company may already possess some capabilities, build others internally, access others through partners, and acquire a specific capability that would be particularly difficult to recreate.

For example, an industrial company establishing local operations might:

- **BUILD** its local sales and management team,
- **PARTNER** with an established logistics provider and specialized maintenance contractors,
- and **BUY** an existing production facility with the required licenses and technical workforce.

Together, these choices form the company's **Capability Acquisition Strategy**.

Hybrid Approaches

The boundaries between Build, Partner, and Buy are not always rigid. A company may initially access a capability through a partner and later internalize it. It may acquire a business but continue relying on external partners for selected activities. It may also build internal capabilities around an acquired platform.

The alternatives can therefore be combined both **across different capabilities and over time**.

This distinction is particularly important in international expansion. The objective is not to decide whether the company is pursuing a “Build strategy”, a “Partner strategy”, or a “Buy strategy”. It is to assemble the combination of capabilities required to make the Selected Entry Model work.

The output of this stage is a **set of credible Build, Partner, and Buy alternatives for the identified Capability Gaps**. The next step is to determine the criteria against which those alternatives should be evaluated.

4.3 Establish the Capability Acquisition Criteria

Build, Partner, and Buy provide different ways of closing the Capability Gaps identified in Section 4.1. The appropriate route depends not only on the characteristics of the selected market, but also on **how strategically**