

Director

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How to expand your business overseas



The government is continually urging UK business to focus on international trade, with the aim of kick-starting growth through exporting. The reality, however, can be quite daunting as foreign markets can be very different, from their regulatory systems to the local culture.

This can cause some companies to hesitate in taking their first step to expand their business overseas. Factors you may need to consider in order to build a solid business case for expansion include obtaining capital/funding, international credibility, local market presence, export logistics, legislative compliance, and resilient operational plans, to name but a few. And most importantly, you should look at the issue of how you're going to attract prospective local customers.

Our latest booklet explores some of the ways we have helped our clients achieve international growth. From ensuring you have evaluated your risks and regulatory requirements to demonstrating you are an ethical and credible organisation that people want to do business with, standards can provide you with the frameworks and trust you need to succeed.

If you've missed any of our previous *Business Wisdom* guides or want to benefit from our exclusive IoD member promotions, visit www.bsigroup.com/iod.

Howard Kerr Chief executive, BSI Group



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A passport to export

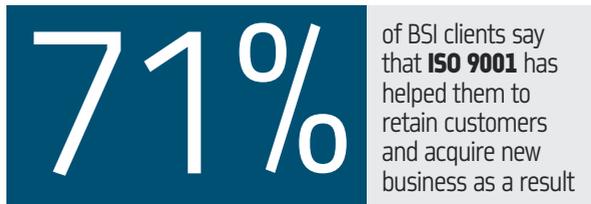
As business conditions at home get tougher, the government is urging UK companies to look for new export markets. BSI shows how management systems can help

Lord Green, minister for trade and investment, has joined a growing chorus of voices calling for SMEs to consider new export markets for their products and services. "The marketplace has gone global and there is no reason why small businesses should not be part of it. More than 99 per cent of the UK's 4.8 million businesses are SMEs, but only 20 per cent are exporters," he says.

With the UK economy growing sluggishly and the pound at relatively competitive levels, there is powerful logic in SMEs acting on the minister's advice and striving to tap into buoyant global markets. But experts counsel caution.

"Don't just do it," says Lesley Batchelor, director general of the Institute of Export, citing a host of issues to consider, from customer credit-checking and currency risks to insurance and intellectual property protection. "Whichever market you're targeting, plan carefully, get training, do research and seek good advice," she says.

Maureen Sumner Smith, global marketing director at BSI, says that internationally recognised standards can strengthen a firm's credentials. She advises: "SMEs in



the UK should be independently assessed to prove internationally they have the right controls and processes in place and when doing so, they should seek certification from an accredited international body."

Sumner Smith highlights the management systems that can help – ISO 9001, ISO 14001 and ISO 27001, as, respectively, they demonstrate a commitment to delivering quality products or

"Using global standards reassures overseas customers if you're an SME exporting for the first time"

services, environmental efficiency, and information security. The new business continuity management standard ISO 22301 is also crucial, "showing your resilience to your customers, particularly if you're a critical part of their global supply chain. Global standards reassure overseas customers who may not know much about you, especially if you're a small firm exporting for the first time."

CASE STUDY SECURING A TICKET TO THE GAME

Standards are vital for growing international success, according to Stralfors

Stralfors helps major clients communicate effectively and cost-efficiently with their large customer bases, both through traditional printing and mailing and also using digital media.

The company operates in the UK and six other European countries. Clients include major names in banking and financial services, utilities, the public sector and the gaming industry. It has a turnover of over £300m and employs more than 1,000 staff.

In the UK, where Stralfors has 140 staff, the company operates an integrated management system based on ISO 9001. The group has achieved certification to global management system standards in the fields of environment (ISO 14001), information security (ISO 27001) and health and safety (OHSAS 18001).

Stralfors has recently achieved certification to the business continuity standard ISO 22301. Its European operations are also becoming certified to international standards. "Our ability to demonstrate



"We can always improve. The standards put us in control – and they show others that we're in control"

reliability, stability, cost-savings and continual improvement has been underpinned by our management systems," says Tony Plummer, UK managing director. "Standards are a ticket to the game in our industry. You can't take part unless you have them." He says that customers want to see suppliers "demonstrate good process" through audited international standards. "They want to check against something credible to be reassured on quality and compliance."



Working together: a winning formula

Businesses can get more out of overseas work if they collaborate with partners abroad

Expanding into overseas markets has long been a challenge for SMEs. The task is easier for large organisations, which have greater resources for setting up joint ventures, acquiring foreign operations or establishing their own subsidiaries.

What many SMEs need is the ability to collaborate effectively with foreign partners, while protecting their own assets and reputation. "There has to be something in it for both parties," says David Hawkins, director of operations at the Institute for Collaborative Working. That "something" might be: business introductions (personal referrals are vital for doing business in China),

access to technology, provision of expertise, or establishing a two-way street into each other's marketplace. "The key is to understand what each side wants," he says.

The answer for many could lie in BS 11000 Collaborative Business Relationships, which can act as a kind of pre-nuptial agreement for businesses. The standard provides a framework for managing collaborative business relationships for maximum benefit to all parties. A business can use it to:

- Identify how relationship management can help achieve its commercial objectives
- Evaluate the benefits of entering into a single or multiple partnerships

"The real key is to understand what each side wants"

- Select the right partner to complement its objectives
- Build a joint approach based on mutual advantage
- Develop added value
- Develop and execute a successful exit strategy

"BS 11000 provides the rules of engagement, helping to overcome cultural differences when doing business abroad," says Hawkins. "It prompts the questions both parties should ask of each other, rather than keeping their cards under the table."

He adds that the standard also helps to "highlight problem areas, so they can be addressed upfront, which makes it easier for partners to build trust in each other".

CASE STUDY

PROFITING FROM PARTNERSHIPS

Pera builds strong relationships beyond the UK, where partners often struggle to succeed

Management consultancy Pera helps businesses and governments create employment and sustainable business growth by providing expertise and training, transferring knowledge and improving the skills of a country's workforce.

As well as significant projects in the UK, it has worked with several partner organisations to deliver government programmes overseas, where it was not viable or good value to fly out UK-based staff and instead it has needed strong local partners to deliver services.

Pera was the first UK management consultancy to become certified to the partnership-working standard BS 11000, which is recognised internationally as the framework for collaborative business relationships.

"Having the standard demonstrates that we're committed to working collaboratively with our partners to make an impact," says Ben Wilson, Pera's head of organisational innovation. "We're a medium-sized organisation, but the standard allows us to punch way above our weight."



"It creates more openness and honesty than you'd get with a traditional contract"

For example, working with the Jordanian Chamber of Industry and the Jordan Enterprise Development Corporation, Pera has provided a blend of training and consultancy to help nurture innovation across a wide range of businesses.

"Delivery partners leverage our brand and relationships, so our reputation is at stake, but this makes for more effort by all parties to make it work," says Wilson. BS 11000, he adds, provides structure and disciplined record-keeping, making it quickly transparent if things are going wrong. "It creates more openness and honesty than you'd get with a traditional contract."

Balancing risk and reward

Businesses looking to grow internationally are potentially exposed to new dangers – but standards can help manage their risks and boost rewards

Standards help businesses of all sizes achieve and maintain best practice and this holds true when it comes to managing the risks of doing business across borders.

As well as globally recognised standards in risk management itself, there are also relevant standards in business continuity management (BCM), information security management, crisis management and anti-bribery.

“These standards are sometimes perceived as defensive measures, adopted mainly by large companies to help avoid disasters and reputational damage,” says Anne Hayes, head of market development at BSI. “In fact, using standards should be seen much more positively, because they encourage overseas customers to do business with you. Standards are equally applicable to SMEs – they save time and provide expertise rather than companies having to acquire specialist abilities themselves.”

In the field of BCM, BSI has launched ISO 22301, which can give a competitive edge to

“Standards encourage overseas customers to do business with you”

businesses that provide critical services to overseas customers. The requirements of the standard are fully scalable, making it just as appropriate for SMEs as for larger firms.

Information is critical to the operation of most businesses, large or small, and ISO 27001 and ISO 27002 are chief among standards designed to help them manage and protect valuable information assets. Again, this gives confidence to overseas customers and suppliers.

To combat corruption, BSI has published BS 10500 to help organisations implement an effective anti-bribery management system. This standard takes into account both the requirements of the UK Bribery Act as well as internationally recognised good practice, so it can be used by any company in Britain or internationally. BS 10500 enables organisations to operate due diligence by considering both local and national legislation.



CASE STUDY SUPPLYING CERTAINTY

Lettergold Plastics benefits from being certified to several important international standards, including the key discipline of business continuity management



The experience of Lettergold Plastics highlights how standards can boost SMEs trading internationally.

Lettergold specialises in injection moulding, contract packaging and, in particular, domestic water treatment products. It is based in Newmarket, Suffolk, and employs about 25 staff.

The company regards management system standards as a key tool in achieving success, not least in helping it to establish lasting partnerships with its customer base and suppliers at home and abroad. Lettergold has achieved certification to the quality management standard ISO 9001, the environmental standard ISO 14001, and key health and safety standards.

In May 2008, it became only the third UK company to become certified to the

BCM standard BS 25999, which has since been updated to become the international ISO 22301. “We originally sought certification to fulfil a tender requirement and that’s happened a couple more times since,” says managing director Andy Drummond.

Lettergold has used its BCM system to test its supply chain. On one occasion it sought alternative sources for chemicals normally imported from Belgium. “It helped us identify an alternative supplier,” says Drummond. “In a real exercise, we tested an alternative US source, which proved acceptable, although it added two weeks to the lead time and shipping costs. The system allows us to make plans to mitigate problems if they occur and protect our reputation.”



Bridging the credibility gap

Many international standards are widely recognised around the world, giving great reassurance to overseas customers and suppliers

A major challenge for companies doing business overseas is how to win the confidence of potential trading partners. How can your customers be sure that you'll fulfil your promises and how can your suppliers be sure you'll pay them?

This credibility gap is especially awkward for SMEs, which lack the power of a global brand and may be unknown in foreign markets.

"International standards offer a solution because they are recognised worldwide," says Charles Corrie, business programme manager at BSI. "They mean something to customers and suppliers everywhere, giving your business much greater credibility."

Corrie says that this is particularly true of the ISO 9000 family of standards, which has long offered a systematic approach to quality improvement by adopting management principles.

The family includes ISO 9001, which has taken off in recent years, with the number of certificates issued now numbering more than a million worldwide. ISO 9001

"If you have these standards in place, customers start out with more confidence in you"

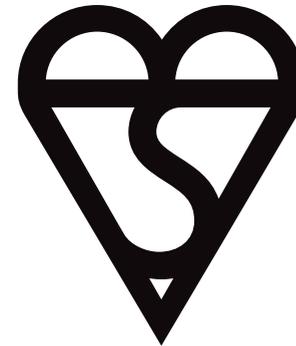
provides a best-practice framework for firms to manage processes to ensure they meet customers' requirements. Research has proved that organisations with ISO 9001 deliver improved customer satisfaction, boosting sales and profits at home and abroad.

There is also rising overseas awareness of the ISO 9004 standard – which is broader than ISO 9001, addressing the requirements of all the stakeholder groups – as well as for international environmental and health and safety standards.

"Foreign customers and suppliers understand the rigorous processes you've been through to achieve certification, especially accredited certification," explains Corrie.

"In the past they would have asked endless questions and hassled you for information. Now, if you have these standards in place, they can start with a much higher level of confidence in you."

Corrie says certification can be a key differentiator: "Without it, you won't get onto tender lists."



Signs of reassurance

CE marking can offer overseas customers a measure of comfort about the quality of your products, but an independent Kitemark provides a stronger statement

The CE mark on a product means that a manufacturer claims that it conforms to minimum legal requirements – in respect of health and safety, for instance – as laid down in European Union directives. The EU introduced the CE marking scheme to allow goods to be traded across borders without having to be reassessed or adapted for each separate market.

The mark is mandatory for many products sold within the EU. But while certain goods – such as medical devices and gas appliances – require rigorous, independent, initial and ongoing testing in order to be CE marked, there are many others for which manufacturers need merely to self-declare that they meet all the relevant legal requirements without any independent verification.

This creates a problem for manufacturers and consumers alike. Consumers can neither be certain that makers' claims for a product are justified nor that the mark signifies genuine quality, while manufacturers that produce

"Acquiring a Kitemark gives your products a high level of credibility in the eyes of potential customers"

to rigorous standards often feel they have no way of demonstrating their superiority.

But there is a solution. They can acquire a BSI Kitemark, a voluntary, independent third-party certification that gives assurance about their products' quality and safety – and reassurance to customers and end-users.

To achieve the BSI Kitemark certification, a manufacturer must have a comprehensive quality management system based on ISO 9001, or a recognised factory production control system combined with initial and ongoing product testing and surveillance.

Ian Kitchin, BSI's commercial director, says: "While a manufacturer could merely self-declare, acquiring the Kitemark shows that BSI has verified the quality of your products and processes. It provides a much higher level of assurance."

"The Kitemark is widely recognised in overseas markets, giving your products a high level of credibility in the eyes of potential customers."

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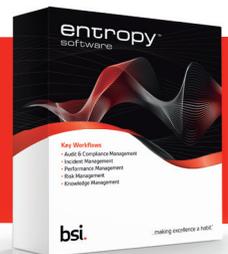
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