

AGRIBUSINESS SERIES

E x p o r t H a n d b o o k s

KNOWING MY COMPANY

Inter-American Institute for Cooperation on Agriculture, IICA

Inter-American Program for the Promotion of Trade,
Agribusiness and Food Safety

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The Inter-American Institute for Cooperation on Agriculture (IICA), through the Agribusiness Competitiveness Directorate seeks to aid countries in identifying and benefiting from opportunities offered by the market as well as to support public and private institutions favoring competitive agribusiness development.

In January of 2004, IICA launched the Inter-American Program for the Promotion of Trade, Agribusiness and Food Safety, headquartered in Miami, Florida, USA. This initiative emerged with the mandate to provide greater technical cooperation to strengthen the entrepreneurial capacity of small and medium-sized agribusinesses of IICA member countries; to assist in identifying business opportunities and in facilitating decision-making processes that would promote business development.

To date, the activities carried out by the program have helped to identify a set of needs that appear to be common among small and medium-sized agribusiness companies in the Americas. Three needs have been defined as "priority issues" and their analysis is now being published in what has generally been named "Agribusiness Series", a publication whose purpose is precisely to help strengthen the competitiveness of small and medium-sized agribusinesses of the hemisphere. The section ***Export Handbooks*** especially aspires to share ideas and concepts that can assist in the decision-making process for those that wish to successfully participate in international markets.

The objective of this document is to assist those companies that are considering the possibility of engaging in international trade. The objective is to give the readers the opportunity to find their own solutions, allowing them to understand that the export process implies changes not only in production or the incorporation of new technologies, but that, principally, it implies a change of mentality, a change in the ways that are used to approach the market, and in viewing competitiveness.

We trust that this publication will become a valuable resource that small and medium-sized agribusinesses can consult and we hope that IICA can contribute to strengthen their competitiveness and to improve their livelihood.

Attentively,

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International markets offer great opportunities, many are highly attractive. But not all producers take advantage of these prospects be it for technological, financial or logistical reasons, or, simply because they lack the production levels required to satisfy the demand.

Exporting is more than a process. It is a commitment that affects everything from the method of production to the minutest details of management, planning and budget definition of the company. Therefore, before venturing into international markets, it is imperative to analyze in detail the commitments and the responsibilities being assumed. Exporting involves facts, analysis and knowledge.

We are convinced that “no one knows your business better than yourself”, and this exercise only intends to be an element that, if used periodically, can aid you in the correction of errors, in the strengthening of positive actions, and to assist you with new solutions and routes for your business. It is not an infallible tool, but a useful one that was prepared after an extensive review and study of the documents on the subject and which takes into account a great deal of materials taught in business courses and the experience of the author. Knowing that the most important activity of the reader is to ensure the success of his company, we have attempted to keep this exercise simple and concise.

Two affirmations guide our analysis: (1) That the market needs constant innovation and change, and, (2) a well known axiom warning that “it is impossible to achieve different results if one always keeps doing the same things.” However, nothing is more difficult than adjusting to change or to break with tradition and with what is known. It is for this reason that we offer this manual, because we believe that it may help you to look at things differently; to decide if it is advisable to venture into exports and, finally, to motivate you to make yours a more competitive and successful business.

WHY DOES MY COMPANY EXIST?

All companies and organizations have a reason for existing and were created to achieve something. That reason must be based on the following basic premises:

- The personal values and beliefs of the founder or founders.
- The history of the company
- The social and economic realities of the company's environment
- The available resources
- The market conditions

A clear reason for the company, its values and vision of the future are the best compass to define the road map for the business to confront the challenges and take advantage of the opportunities that present themselves.

The following questions help to define the reasons for the existence of the company, its values and its leading principles.

A. What is the history of my company? How did we create it? When was it founded? How have we arrived at where we are today?

B. What are the present values of my company?

C. What is our vision? And, what is our mission?

D. What are the external factors that determine the success and actions of my company? (The macroeconomic factors and the social and political environment that determine the reality of my company)

E. What are the primary resources of my company? (Prepare an analysis of the internal capacity of the company)

F. What do we do best? And, what distinguishes us from the rest?





MY BUSINESS

The title of this section may seem ironic; because it is obvious that no one knows the business better than you. But, what we hope is to have this knowledge become the main focus of your actions and for each and every one of your employees to become aware of this. The surest way to achieve a competitive company is to have all the participants of a company recognize the core values of the company.

It is also advisable for the leaders of the company to periodically question where they are headed, what the market demands are, what changes must be made, and, what goals should be redefined or redesigned.

The answers to this section will help to clarify the course of action(s), and as its strengths are identified, your company will become stronger.

A. What does my company do?

B. What do I want my company to achieve within the next 5 years?

C. In what branch of the industry is my company involved in?
(Production, industrial, distribution, etc.)

D. What is it that makes my company unique in the marketplace? Why do I believe that my company can succeed in the international market?

E. Am I a pioneer or are there other companies such as mine? (Define who are your primary competitors and describe in what aspects you consider that they are better than your and in what aspects you have more strengths?)

F. What do my clients think of our product(s)? (Try and define the advantages and what the clients consider to be the major weaknesses; this will assist you in determining what actions to take in terms of what processes you need to improve?)



G. What problems do I help my clients to resolve? (Answering this question will help in defining strengths and creating a marketing strategy based on the strengths of the product(s) and service(s) provided by your company).

H. If you had to produce more, how would you acquire or obtain the supplies and raw materials required? And, how would this affect my financial position and credit standing?

I. Who are my primary suppliers and who are the alternate ones? (Indicate those companies that supply crucial materials for the product or service that your company offers and how these are purchased / acquired).

K. How are the operations of my company financed and where will the additional resources necessary for exporting will come from? (Describe how you intend to finance the export operation, including payment recovery mechanisms from foreign countries such as c.o.d., factoring and export insurances.)





UNDERSTANDING THE MARKET

The market generously rewards those who understand it and respond correctly to its dynamics. Therefore, it is essential to become familiar with the market, and its competitive nature and conditions, in order for the company to succeed and remain sustainable. Market know-how is a permanent and dynamic process. Responding to the questions below will help you understand the market, to recognize the signals it emits, and, above all, it will assist you in designing business strategies that benefit your company. We recommend that you do this exercise once a year, or whenever you feel that market conditions have changed abruptly. For example, as a result of the signing and ratification of a Free Trade Agreement.

A. What is my actual market?

B. In what market do I wish to participate?

C. What are the primary characteristics of this new market and what makes me think that my product or service will succeed therein?

D. What do I perceive necessary in this target market that makes me believe that there is a demand for my product?

E. Who would be the primary buyers and users of my product or service in this new market?

F. What segment of this new market really interests me?

G. What five reasons make me believe that I will succeed in this marketplace?



H. How do I plan to sell my products or services in this new market? (Define clearly the terms of sale, marketing strategies, and focus attention on your cash flow).

I. What are the main risks and obstacles you confront in entering this market?

J. How do I intend to face each of these risks? (Describe your solutions and the actions you plan to take).

K. Who can provide the help I need to tackle this market and position myself successfully?

WHAT MAKES ME UNIQUE

When dealing with competitiveness, it is said that success can be achieved only in two ways: price or differentiation. A product is purchased because, when compared to other products, it has a better price or because it is different and satisfies special demands, i. e. because it is unique. Therefore, before venturing to start a new business or competing in international markets, you should reflect on the qualities of your product. What makes you unique? What distinguishes it from the rest of the products or services offered? If you do not have the certainty that your product has one of these competitive advantages, it is quite probable that you will not achieve the expected success. The questions below should help you define the advantages of your product, and, if necessary, will show you the issues to be resolved in order to have a competitive advantage.

- A. What product or service am I offering? (Be very specific in describing what you offer).

- B. What is novel about my product or service? (State what novelty you offer to international clients in the market you wish to penetrate).

C. What added value do my clients or users obtain from my product or service?

D. What is it that makes my product or service truly unique or different?

E. Who else offers this product or service in the market that I am interested in?

F. How do I plan to accomplish my sales? Is this really viable?



G. What are my goals for the first year? For the first three years? And, for the next five years? (State estimated sales volume, income, and profits).

a. First year:

b. Three years:

c. Five years:

H. How do my prices for the product or service compare to those already existing in the marketplace?

I. Have I calculated my sales price correctly? (See *Agribusiness Series: Export Handbooks / Calculating Sales Prices*)

J. If my sales proposals and my strategy to enter the market do not succeed, then, what is my exit strategy? And, how do I minimize my losses?





PERSONAL QUALIFICATIONS

All companies need a leader who serves as an inspiration and who, at the same time, assumes the responsibility of guiding it to fulfill its vision and mission without forgetting the social obligations of the company. The following questions hope to assist the leader of the company to recognize the strengths and weaknesses.

- A. How capable am I of identifying the business opportunities in the market I am involved in, and in other markets?

- B. What are my main qualifications? And, how do I use them to take advantage of the business opportunities presented before me?

- C. What are my primary weaknesses, and, what can I do to correct them? (We suggest naming five principal weaknesses and writing, next to each, one way in which it could be overcome).

D. How would I rate myself (1 being the lowest and 5 being the highest mark) in each of the following criteria?

- I spend more time thinking about the reasons why a project would work rather than on the factors that would make it fail.
- I try to believe that I am the owner of my own destiny instead of waiting for others to tell me what my destiny is or my functions are.
- I am capable of looking at things from a different perspective and, thus, find an innovative solution to overcoming problems.
- I am up-to-date on the changes taking place in the industry I am involved in, and I am able to make the necessary decisions to change the course of my company.
- I accept criticism willingly.
- I am able to delegate and to work as a team member to achieve objectives.
- I assume my responsibilities or I always try to find others person(s) responsible when things have not turned out as I expected.
- I can work with persons of another sex, religion or race without this being a limiting factor.



E. Do I have the know-how or the technical expertise to evaluate risks involved in a new business venture, considering the demands and peculiarities / my target market? If not, then what do I need? And, how will I resolve this?

F. Am I capable of analyzing the financial and accounting information of the company in order to understand its position and define the steps to be taken to improve its competitiveness. Who will assist me in this task? And, what functions does each of these persons have?

G. How capable am I of accepting changes? At recognizing when it is necessary to change course? And, how quickly can I implement those changes?

ONE LAST EXERCISE

Finally, this section contains an exercise that we believe could help you penetrate international markets and consolidate your existing markets. The idea is for you to describe your strengths and weaknesses following the analytical process known as SWOT. This analysis is presented here in its simplified form; however, you can find a vast amount of information about it on the internet. All you have to do is search for the reference term SWOT (or FODA in Spanish).

SWOT ANALYSIS OF MY COMPANY

To do this analysis, we suggest filling in the blocks below. One should remember that when discussing Strengths and Weaknesses, this has to do with the internal conditions present within the company, whereas Opportunities and Threats refer to the external factors that affect the company.

Strengths

Weaknesses

Opportunities

Threats

Once the list has been completed, it is necessary to define what measures will be taken in each case. If possible, these measures should be accompanied by well-defined goals and deadlines, with names of persons responsible, a follow-up program and an evaluation to determine the progress achieved.

Before concluding, it is worth remembering that if you decide to compete in a certain market, you must, before anything else, define what your positioning strategy is going to be. To do this, it is important to find out how your clients view your product vis-à-vis the product offered by competitors. Once again, you can only compete in two ways: Price and differentiation. If your strategy is based on price, you are under the obligation to produce at the lowest cost possible. If your product has a unique value and your clients recognize this, then you can command a higher price.



FINAL NOTE

The ideas proposed here are the results of a lengthy review of available literature. Similar exercises were consulted, as were a host of publications. Libraries were visited and different internet sites were searched. Likewise, the author relied on his own personal experience. It would be practically impossible to thank all of the people that lent their support. We wish, however, to avail ourselves of the opportunity to express our appreciation to all persons who work on developing business skills. We hope that everyone using these materials may reflect on the future of their companies and make the best decisions possible.