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HOW TO BE MORE COMPETENT IN INTERNATIONAL MARKET? INTERNATIONAL STRATEGIC MANAGEMENT; CASE STUDY OF FGB PTY LTD, AUSTRALIA

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Felton Grimwade & Bickford Pty Ltd (FGB) is a long established company operating in the pharmaceutical industry, which mainly produced eucalyptus oil and other products containing natural ingredients. Currently, FGB is the market leader in the industry in which the company has a competitive advantage as being the largest eucalyptus oil producers in the Australia. As their domestic market is saturated, the company has expanded their market internationally by exporting their products overseas.
However, due to the company's private funding, FGB was frequently restrained to adopt new innovative international strategies. Furthermore, as a long established company, the management style was somewhat conventional in which the level of taking risk is very low. As a result of poor management attitude towards changes, FGB had become too dependent on their foreign distributor to act on behalf of the company, lacking of innovative strategies, which thus led to market stagnancy. The case study in this article highlighted the critical impact of these issues on FGB's export performance and their current position in their international market. This article also analyzes what strategy alternatives that able to solve those issues so that the company could improve its current position in international market.

Keywords : Risk management , Market stagnancy, Capital restructuring, E-Commerce, Joint venture and strategic alliances

COMPANY BACKGROUND AND PROFILE

Felton Grimwade & Bickford Pty Ltd (FGB) is an Australian privately owned and operated pharmaceutical company specializing in natural products. It was established in 1867. FGB manufactures and markets a range of over-the-counter pharmaceuticals, nutritional supplements, household products, personal care products and medical devices in pharmacies and supermarkets throughout Australia, and in a growing number of export markets such as New Zealand, Malaysia, Singapore, Czech republic, Russia, Canada, Estonia and USA.

In terms of their strengths, FGB becomes the market leader in the domestic market of eucalyptus oil products. This is due to the fact that FGB is the largest fully integrated producer and manufacturer of eucalyptus oil and eucalyptus oil based products, being the "first in eucalyptus" since 1852. The company is also one of the two largest producers of eucalyptus oil in Australia.

At the same time, this enables the company to produce the purest eucalyptus oil possible and derive the best possible products and uses for it. In addition to this, FGB initiates R&D activities in conducting plant breeding, product development, analysis of clinical research papers and new harvesting technology. FGB operates from modern premises that have been finished to meet the standards that are required to comply with the Code of good Manufacturing Practice for Therapeutic Goods (Please refer to Appendix 1 for more details)

FGB's key departments include Marketing, Export, Manufacturing, Research and Development (R&D), and Accounting. A workforce consists of 30 employees, sales brokers and merchandisers outsourced. In order to facilitate the business, FGB has sufficient private funds, available upon request to support an effective market entry, which in their case is only exporting.

Thus, the currency risk exposure and certain events that had occurred such as the Asian Financial crisis and also the September 11 tragedy had affect the availability on funding overseas initiatives. For the past three years, the company's operating revenues has increased 23% and the current annual sales stands at $AUS 8 million. At present the company's main Australia competitors are DD, Goanna, Superior, and Faulding. These major competitive products are manufactured locally as well.

Experience Exporter

FGB manufactures and markets a range of proprietary products that are distributed in pharmacies and supermarkets throughout Australia and in a growing number of export markets. Moreover, FGB also incorporates its eucalyptus oil into its own products as well as selling it in bulk to other manufacturers in Australia and overseas.

Variety of Products

The range of FGB products are divided into two major categories: pharmaceutical and non-pharmaceutical grades of Eucalyptus oil. It also includes over-the-counter pharmaceuticals, herbal and nutritional supplements, household products, personal care products and medical devices.

Major Eucalyptus Oil Manufacturers and Suppliers

FGB, an independent private company wholly Australian owned, is one of the two largest producers of eucalyptus oil in Australia. The also acquire the expertise in supplying specialty eucalyptus oils to cater for individual needs.

Thus, the eucalyptus oils can be tailored to enhance a particular product. FGB is the only producer to obtain a pharmaceutical manufacturing license issued by the Australian Therapeutic Goods Administration or also know as the T.G.A. The company's eucalyptus oil are produces in Victoria from 5000 hectares of natural native forest and most of these oils comes from ***eucalyptus polybractea*** which is known to produce the highest quality pharmaceutical oil from the hundreds of species tested.

PROBLEM IDENTIFICATION

Negative Managerial Attitude Towards Changes

Information collected from the interview with FGB as well as extensive research on academic journals indicated that the management attitude was somewhat conventional and opposed towards any changes were not in line with their belief. This assumption was established as the company had been in the business for decades, thus, the corporate culture had been carried forward through many successions resulted in a long-established management style. Although the company recognized the importance of being innovative as them being the market leader in the eucalyptus industry, they seemed reluctant to acknowledge new ideas as a result of risks incorporated in it.

For example, resistance towards obtaining loans from the bank to expand its market. As a family business, FGB relied heavily on private funding to finance its operation both domestic and internationally. They are debt-free as they opted to play safe in conducting their business activities by not taking any loans from the bank. Consequently, despite its stable growth FGB was restrained to expand their market rapidly.

FGB however could not afford to do any promotional activities overseas. However, the company had succeeded in advertising its product in the local market through advertising in woman magazines, public relation activities, distributing pamphlets and catalogues for pharmacies purpose. Thereafter, FGB relied on its foreign distributors to do promotional activities of products as well as giving them allowance in terms of pricing and product customization to adjust to local needs of a particular market. Nevertheless, the company admitted that they had difficulty in having their personnel available to be allocated in regions in order to monitor their distributors' performance. Hence, this led to quality control and customer services issues.

Similarly, FGB had been restrained to expand in domestic market. For example, FGB was keen to develop new product innovation and to improve its research and development activities to strengthen its competitive advantage. Further, they considered opening independent stores in the Central Business District area in attempt to increase its sales performance and profitability domestically. Nevertheless, all these ambitions could not be achieved, as FGB was afraid to engage in any financial debt even when the expected revenue from the borrowing would offset the debt.

Consequently, the conventional management attitude had set back FGB a great deal in pursuing new innovative strategies and might lead to many other issues such as dependency on foreign distributors and market stagnancy as explained below.

Dependant Relationship on Distributor

Based on the research that has been conducted, it shows that FGB was somewhat dependant on their distributors. It was also realized that FGB did not go out looking for more contacts for their business purposes as the company would normally be known to the public by word of mouth or recommendation from their previous distributors or customers who have dealt with them before.

Furthermore, the company was lacking of control in terms of their management in relation to their headquarter and distributors relationship. It was admitted by the company that the successful of product penetration was very much dependent on the local distributors or agents knowledge, as they understand what was best in their local market. Nevertheless, the company effort to foster this relationship was somewhat lacking. For example, in their 30 years of a long-standing relationship to distribute bottles of eucalyptus oil in Malaysia, the company only managed to visit its distributors in Malaysia twice.

Collin Abbott, the Manager of Export and Marketing Services commented: *"We are not afraid that our foreign distributors will damage our brand identity because they want to make sales, and therefore they will ensure that they establish good relationships with customers overseas"*

This statement reflected the confidence of the company that their distributors act fully on their behalf that has been proven by long-standing relationship with distributors and agents over period of time. However, despite the trust given to distributors to customize the products in terms of pricing and advertising, the company should also retain some control to avoid conflict of interests between distributors' personal interests and the company's interests.

This demonstrates as a disadvantage, due to the fact that FGB may encounter problems such as loss of control on their product that they produce. This is proven as when FGB exports to different countries, which requires different market understanding. At the same time, FGB has also given flexibility to their distributors in order to set the price of their product and the customization of their product packaging would normally focus on the end user depending on the market. FGB also faces the problem in this matter as for example in their market in Malaysia, they had to compete with their own brand name, even though this brand name may not be connected as it has been broken up in the market dispute of the company, but it would somehow lead to potential loss of customers for FGB.

Consequently, this may lead to loyalty issues for the organization when their distributors distribute a competitor product at the same time. Even though currently, it has been analyzed that FGB does not encounter problems with

their current distributors, in the future, they have the risk of having their product being delayed in their delivery, as they are solely dependent on a particular distributor in certain markets. Thus, since FGB faces fierce competition from the local market especially in the supermarkets such as Coles, Safeway, etc., it is somewhat crucial for them to find solutions in order not to be too dependent on their distributors.

Another aspect that FGB should be concentrating is in the terms of managing control and trust matter with their distributors. Currently, FGB relies heavily on word of mouth by their distributors as well as their customers due to their long-stand establish relationship. Nevertheless, this comes as a disadvantage as since trust is such a fundamental mechanism in all-social reality, it therefore involves a problem, as it is a risky engagement.

Lack of Innovative Strategies

The situational analysis showed that the local market has been saturated and that the company has been trying to capture the potential opportunity in the international market. Nevertheless, the company was somehow quite conservative in terms of modifying their strategies.

They have been operating since the 18th century but as not yet took a different approach in expanding the market. Inadequate capital resource was the major issue as to why the company has retained export as a mode of entry as this method was less risky compared to FDI. Products offered by FGB have also been proved that it consumes lower cost locations for manufacturing the product abroad; since their main element of their products; eucalyptus oil is mainly available in Australia.

By using distributors, this would mean that FGB has to interact with fewer intermediaries that would lead to earn higher profits, as they are less people to pay to. Another advantage was that FGB could somehow enter the market easily as distributors would change the product to be adaptable in the local environment. This would lead to growth of sales and increased presence in the market. This would benefit FGB due to the fact that it has a large variety of products to offer. On the other hand, the downside of a company that implemented export strategy was difficulty of attaining control and quality issues as mentioned above.

In regard to market expansion, it seemed that FGB was sitting in a comfortable zone that they only implemented the "old" strategies and was afraid to take certain risks even if the action was worthwhile in response to future challenge. For example, the threat of being acquired by big multinational company. The logical thought behind this was that FGB was highly attractive, as they produced the strongest fragrance of eucalyptus oil in which the best raw material can only be found in Australia and that they had built a strong brand identity with a reasonably knowledge and expertise over the time they operate.

On top of that, inadequate capital resources indicated that FGB was restrained to expand rapidly in foreign market, which can be achieved relatively

easier by big multinational company. Consequently, having a stable market turnover throughout the years was not a guarantee to be successful in the future. It might be a wishful thinking for FGB to consider alignment with other partners to prevent such acquisition as well as to retain its competitive advantage in global market.

Market Stagnancy

Regardless the potential opportunity in global market; factors such as dependency on distributors lack of capital, and lack of innovative strategies leads to market stagnancy that caused a very slow market growth for FGB. On top of that, the company's resistance to be innovative and towards taking risk contributes to this condition.

For example, due to the company lack of degree of taking risk, and financial constraint, the company could not afford to hire personnel to regularly monitor foreign distributors performance. This had led FGB to become fully dependent on its foreign distributors, thus, resulted in high bargaining power of distributor in relation to products and quality control. Unless FGB continuously maintain their relationship with their distributor, this relationship may have the probability that it would turn sour.

Despite the eucalyptus oil being the competitive advantage of the company, reasons such as the product lifecycle was already in the mature stage product is not regularly used, purchase repetition was very low, therefore contributes to market stagnancy. Overall it can be said that the company is more profit driven rather than market driven. Hence they were not motivated enough to expand their business, so as long as the profit generated met their goals and objective.

Based on appendix 2, the revenue of the company as a whole increased from 7.2 million (2000/2001) to 8.0 million (2001/2002). This figure showed the increase was achieved from domestic market, but on the other side the international market remained stagnant. Even though, the company is making profit but it somehow lacks the critical mass of sales and cash flow to utilize the resources for product development, market research and product promotion compared with other major multinationals companies in the pharmaceutical industry. Moreover, since FGB only has a small number of executive team which contributes the fact that it limits their opportunities, which could have be fully explored and developed.

RESEARCH QUESTIONS

1. What can FGB do to expand their market to improve their position in the international market?
2. To what extend can the company gain the benefit from these strategies in relation to their industry (pharmaceutical industry)?
3. What can they do to improve their relation-ship with their distributors?

SOLUTIONS

Changing Management Attitude

It has been realized from the research done that FGB's fundamental problem is that they are afraid of taking risk in the international market. FGB tends to "play safe" in each part which they are involved in the international market as so not to take risk of losing anything in terms of profit, customers and relationship with their distributors. This occurs as management in FGB does not realize or understand the importance of demand-driven assurance that is essential in order to be successful in the international market.

According to Gnepa (2000), management attitude, motivation, and commitment are frequently mentioned as determinants of export success (Gnepa, 2000). Consequently to successfully increase the sales performance overseas, FGB should reassess its objectives and change its management attitude to be more receptive to new ideas as exporting requires new knowledge and information, new ways of advertising and selling, and familiarity with foreign cultures and ways of doing business (Burpitt and Rondinelli, 2000).

Therefore, FGB is encouraged to take certain risk in order to formulate new innovative strategies to enhance its market position. As stated by Prefontaine & Bourgault (2002), defensive managers will tend to intensify the problems foreseen, whereas more proactive deciders will minimize the problems and emphasize the opportunities. Likewise, FGB tend to focus on the risk rather than opportunity involved in new strategies, thus, kept the company lag behind.

For example, rather than spending money to actively seek customers in foreign markets, FGB preferred to wait orders that come from its distributors or word-of-mouth recommendations. According to a research in the US regarding strategy for successful exporter, a clear difference between Award Winning Exporters (AWE) and Non Award Winning Exporters (NAWE) was that 70% of AWEs' orders were actively solicited (Gnepa, 2000).

This proves that the higher degree of success achieved by AWEs for their flexibility would confirm and reinforce the notion that unsolicited orders may represent an occasional export opportunity, but that real growth comes only from active solicitation of foreign orders. Consequently, FGB's strategy to passively wait for the orders is proven to be inadequate compared to the strategy of successful exporters in the US.

Further, FGB is encouraged to limit their motivation strictly on the basis of revenues. Previous studies have shown that the strongest motivations for small firms to explore international markets are economic. Ironically, many firms that attempt exporting also discontinue the effort for economic reasons (Burpitt & Rondinelli, 2000). Therefore, the chance to acquire new knowledge and new skills and the chance to broaden organizational capabilities are also important factors in evaluating the success of exporting and in decisions to continue exporting in the future.

As a result, firms that emphasizes on 'learning' more than 'earning' will tend to continue exporting even when financial results are not as expected. They are seeking to better position themselves competitively by enhancing their organizational capability, knowledge, and skills (Prefontaine & Bourgault, 2002). Such learning can be achieved by FGB through a continuous market research or a partnership with customers in the host country to share knowledge as well as risk incorporated.

Risk management, Control Mechanism and Trust Issue

There are several ways in order to overcome these problems. Firstly, FGB could consider in redefining their organization goals and objectives incorporating demand driven assurance at the same time, as currently FGB goals and objectives are more towards supply driven thinking. Collaboration with each other and with management is essential to embed and sustain the evaluation of risk and control issues (Bruce McCraig, 1999)

Alternatively, FGB could adopt a risk management model for assessing safety and reliability of the risks. This issue is essential to be addressed as in order for FGB to succeed in their achievement of goals and objectives, it would somewhat depend on how risks and uncertainties involved with them are assessed and optimal decisions are taken in containing and managing these risks (V.M. Rao Tummala, Y.H Leung, 1996)

As risk could actually be managed, FGB could reduce their cost of taking risk. Generally, there are three types of management risk that the company should understand in order to be able to deal with these risks, which are stated as below:

- **Structure** - the nature of the organizational risk infrastructure
  There are two structures that FGB can use, which are centralized or decentralized risk management. Centralization occurs where all risk management work is taken into one department, whose sole function is to analyse and control risks for the whole organization. Centralized risk can be use when large problem occur, such as risk that the company might obtain when FGB decided to expand the market to Middle East. Each function should be prepared for unexpected problem that might be faced by the company in the future. In a decentralized regime, responsibility belongs to departments, for example the risk on deciding to hire more than one distributor to distribute FGB products can be handled by export department.
- **Strategy** - the nature and combination of techniques used in risk management
  Many strategies that can be use in order to minimize risk. In this case joint venture or strategic alliances can be used by FGB to reduce and spread the risk. (Phillips et.al, 2001)
- **Culture** - the beliefs and values that influence the actions of individuals and groups who are responsible (directly and indirectly) for risk man-

agement within the organization. *(Smallman, 1996). The culture of FGB in risk management is too low, therefore leads to market stagnancy. Motivate the staff to be take more risk will increase the opportunities of the company on expanding the export.*

These types of risk can be use to assist the managers in order to understand the risk that they will have to face in order to minimize it and act effectively. It would also help the managers in FGB in spreading the risk to each function in the organization based on their capability.

Moreover, all the activities done by the company should be reported frequently to the top-level management team, in order for them to know what is going on at all times, because they should not fully rely on their distributor as deterioration of their product may occur.

This may lead to control issue that FGB would have to be attentive towards control on their product. Despite FGB's flexibility towards its distributor's activities, FGB should also implement some control mechanism to monitor the distributor's performance as well as to ensure that the product quality meet the customer's requirement.

Structuring the Appropriate Capital Structure

It has been an issue that FGB is not interested in acquiring external funds to avoid financial commitment. This situation has somehow led to another issue for FGB to expand their market internationally effectively. Therefore, to minimize the loss of risk taking in managing their capital, FGB needs to restructure its capital allocation and acknowledges the terms and conditions within capital investment.

Restructuring the capital investment requires practical knowledge of the project manager of FGB to determine particular elements which essential for analyzing and selecting capital projects. According to Byers et.al (1997), the key of success in generating the appropriate capital structure within one project is the ability of the company in transforming capital in the forms of goods and services back into cash. In order to determine whether the project is profitable or not profitable, the project manager has to ensure that the net cash return exceeds the cost of capital required in the project.

Further, in selecting and managing capital investment, the project manager should identify some of the following circumstances, (Byers et.al, 1997): assessment of environment; recognition and identification of opportunities; analysis of alternatives; selection of the best course of action; capital investment; management of projects to ensure success; reassessment of the project and management during project life; conducting a post-audit to identify lessons learned.

Additionally, FGB should consider acquiring financial aid from the bank because as long as the company determines the cost of capital effectively it will not lead to a loss for the company. As stressed by Roots (1994), that

success often doesn't come cheap, and that early resource commitment is determinant. As regard to this, a research in the US indicated that AWEs are more likely to make a significant investment abroad in terms of mode of market entry, explicitly, export subsidiaries, joint ventures, and wholly owned subsidiaries (Gnepa, 2000). Below are indicators to determine the expected cost of having funds available to finance projects (Byers, Groth, Richards, Wiley, 1997, p.252):

1. The cost of capital indicates the time value of money as well as the risk associated with expected economic benefit within a project.
2. The cost of capital reflects the company's intention to obtain funds in present time and in the future.
3. The cost of capital evaluates the rate of interest that the company should pay within its capital from borrowing.
4. The cost of capital determines project failure if it results in lower rate of return rather than rate of cost of capital.

Based on the research by Mansi and Reeb (2002), the relation-ship between debt financing and international activity is a constant ongoing process of firm internationalizations. According to the cost and benefit theory if the company has low cost of debt and utilizes its debt in financing the international activities effectively, the company will have a significant impact in both statistical and economical development.

Companies that have higher level of international activities prove that they could utilize their debt to achieve at least a balance of cost and marginal. However, by using debt to finance international activities, the company is exposed to interest rate volatility particularly when the interest rate increases the rate of repayment will also increase (Mansi and Reeb, 2002, p.129).

Forming a Joint Venture

In regards to FGB financial problems, the company could consider forming a duopoly joint venture, as it will provide FGB with capital resources, market power, and technological expertise (Aloysius, 1999). In regards to market positioning, FGB is a market leader in the eucalyptus industry, and therefore to produce the optimal outcome from the collaboration, the partner chosen must have the finance ability or the technology expertise. Hence, each party covers the other party's weaknesses and gain more benefits from the coalition (Aloysius, 1999).

However, to induce a partner into forming a joint venture, FGB has to ensure the benefits outweigh the total costs. By joint venture, the risk also can be minimize, since joint ventures entails a new competitive orientation that, if successful, leads to changes in strategic direction and values, therefore problem solving is undertaken with an external partner.

Joint venture approaches to innovation enables a firm to capitalize on expertise even if the technology and market environment is unfamiliar, because of the level of expertise accessible. At the same time, joint ventures also enable firms to quickly fulfil the gap between know-how and action. As an extensive plantation of Australian eucalyptus seed has been developed in China, FGB is suggested to form a joint venture with a Chinese partner to obtain location advantage as China provides raw material of the eucalyptus oil.

Furthermore, based on the analysis done, China has a lower wage of labour compared with Australia where this will lead to lower operation cost which would benefit the organization as a whole (Pan and Chi, 1999, p.363). Howsever, problems might occur when the company associated produces unnecessary product or service features and with too much differentiation. Since joint venture also leads to exploitation capabilities, which contribute different competencies, wise selection of joint venture partners practically assures that all needed exploitation capabilities will be available.

Factors such as communication, information processing, negotiation, and political skills become essential in managing effective joint ventures (Hall, 1992). Therefore, it is crucial for FGB to choose cautiously which company that can be their partner and which one is not.

Additionally, there are three types of joint venture that the company could form; equity joint ventures (EJV), wholly foreign owned subsidiaries, and cooperative operations. EJV and wholly owned subsidiaries contributes to high capital cost, but then this would result in higher-profit compared to cooperative operation.

Since joint venture can generate cash inflow, often a substantial cash contribution is required from one firm to another to gain the expertise or scarce non-fiscal resources of another firm, thus, financial risk will be low. In addition, joint venture partners often have an enhanced access to external capital (Schillaci, 1987). This enhances both companies' resource sufficiency. The realities of joint ventures tend to moderate the efficient allocation of resources and capital.

Contract manufacturing is the example of cooperative operation; which provides low risks, low capital cost and low profit. In this case, FGB could provide certain amount of fund to finance the operation in China. In considering of EJV (long-term) and cooperative operation (short-term), EJV would then be a better alternative for FGB as a mode of market entry in China, providing that the company could seek for a qualified partner who has the financial ability required.

Thus, in terms of sharing the capital cost and technology with the Chinese company, FGB is able to increase the company's profit and simultaneously widen their market areas (Pan and Chi, 1999, pp.361-363).

Upon the advantages in conducting EJV in China, there are also disadvantages, which exist in this type of mode of entry. For instance, EJV requires higher integration in coordinating interests, goals and management, which will lead to contradiction amongst the collaboration. Furthermore, there is a possi-

bility of poor financial performance in terms of uncertainties and fluctuations in the local and world market (Pan and Chi, 1999, pp.361-362).

Building a Strategic Alliance

According to Wolff & Pett (2000), an export strategy is the primary foreign-market entry mode used by small businesses in their internationalization efforts as exporting fits the capabilities of small business by offering a greater degree of flexibility and minimal resource commitment yet limits the firm's risk exposure. In other words, very small firms may be able to pursue a focused strategy (Porter 1985) internationally by employing a specific skill base (Burpitt & Rondinelli, 2000). Hence, their caution is understandable in light of the scant margin for error afforded by the limited resources of many small firms.

However, through a strategic alliance, FGB can pool capital resources in order to expand its market reach in the global world. Strategic alliances are business arrangements where two or more firms choose to cooperate for their mutual benefit (Mahoney, Trigg, Griffin, Pustay, 2001). Some benefits of alliances are ease of market entry, shared risk, shared knowledge and expertise, and synergy and competitive advantage.

As each organization has separate entities, it gives more flexibility in a way that firms can protect their resources and share only those they need to be enhanced. For example, by having a strategic alliance with local partner in Middle East, FGB not only acquire larger fund to develop a new product innovation that suits best with local market (product diversification) but they also gain market expertise. In return, the local partner may obtain a certain percentage of the company's profit without the need to know-how-knowledge.

However, there are some pitfalls for organizations engaging with this strategy such as incompatibility of partners, restricting access to information, conflict of earnings distributions, potential loss of autonomy, and changing circumstances that threaten the existence of strategic alliances (Mahoney, et. al, 2001).

E- Commerce Business to Business

It should be suggested for FGB to adopt B2B e-commerce to expand the market. B2B is where the business participants are both organizations and does not include individual customers. Currently, one of the growing areas of the Internet is B2B marketing (Wilson & Abel, 2002). Many benefits can be gained by FGB if they adopt this strategy, firstly embracing opportunities and expand the FGB's network internationally.

Secondly by using e-commerce, FGB can minimize the cost of transactions in terms of administration function. However, even though the company can gain lower cost through e-commerce, the setting up cost is quite high.

Thirdly, the management system can be centralized and high economies of scale can occur (Wilson & Abel, 2002). The use of web can lower the barriers to global expansion because it simplifies the operational issues of doing busi-

ness in other countries, since all the documentation and payment export can be handled electronically. Fourthly, e-commerce also allows transparency since it will enable FGB to monitor competitor's products and pricing strategies and respond to it effectively. Lastly, FGB could also gain direct and faster feedback from their business partners; therefore quicker strategies adaptation can be done to meet their business partner demand (Wilson & Abel, 2002).

Do Nothing

Another solution for the company is to do nothing at all, and continuing what FGB is currently doing. One crucial question that arises by doing nothing is whether by increasing export might lead to increase profitability or not. There are two contingency factors that should be taken into account, which is; firstly, the size of the company, since FGB is a family business, the size of the business is quite small and the source of their capital comes from private funding, therefore by doing nothing could limit the risk.

Secondly, the lengthening of a product's life cycle, product produced by FGB is already in a mature market and therefore the competitive will sharpen since there will be many competitors producing the same or similar products. For that reason, before FGB would like to expand their market to a certain country, it is recommended for them to conduct external analysis of the particular country that they are interested in. Thus, if the country is found not profitable enough, it is best for FGB to maintain where they are currently (Liouville, 1992).

Nevertheless, empirical tests have not always verified that exports would increase profits. Consequently, in an environment where it tends to convince more businesses to turn to exports, it becomes necessary to lay out which are the most favorable circumstances for a businesses to choose between staying in the current business or expand more internationally (Liouville, 1992).

RECOMMENDATION

As a whole, it is strongly recommend that FGB should consider two main strategies in developing its business, particularly in the international market areas. Firstly, FGB should focus on restructuring their management style specifically in the context of their organization structure, corporate culture & value and also their management behavior. Hence, FGB should change their management attitude and motivation towards making decision in a higher risk level rather than just playing safe in all segment of their organization.

For that reason, the company could also effectively implement the appropriate strategy in going international, while simultaneously gain higher profit as an outcome from these strategies. Furthermore, FGB should also consider in acquiring loan from the bank or other sources to overcome their problem of insufficient funds in order to generate more business activities.

In this case, different perspectives of management thinking are required within the FGB working environment. As illustrated in the analysis above,

FGB management style reflects that they tend to play safe in their business strategies. Hence by integrating the new pattern of risk management and innovation of a new capital structure in the organization overall, the realization of beneficial international business strategies would be easier to achieve.

These strategies are:

- In marketing program development, such as building the intensive relation-ship with distributors.
- In management performance development, such as conducting training program for employees in term of acknowledging risk-management and hiring expertise in enhancing risk-management area.
- In corporate strategic business development, for example, adding value in forming joint-venture and strategic alliance in showing company's financial performance.

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Appendix 1

COMPANY SITUATION ANALYSIS

The company's name	:	Felton Grimwade & Blckford Pty. Ltd. (FGB)
Address	:	61-69 Clarinda Road, Oakleigh South, 3167 Victoria, Australia
Telephone	:	+61 3 9562 7711
Fax	:	+61 3 9562 7291
Website	:	www.fgb.com.au
Email	:	mail@fgb.com.au

Board of Directors

Peter S. Abbott	Chairman
Alison Abbott	Non-Executive director
Colin J. Abbott	Export and marketing services director
Michael D. Mckelvie	Non-Executive Director

The following below are details on how FGB is structured:

- FGB is privately owned
- The main shareholders is the single private shareholder
- The associated organization is the Australian distributor for the major U>S healthcare brand, and several overseas distributors
- The management team includes two active company directors. Managers and coordinators.
- The key department are Marketing, Export, Manufacturing, Research and Development (R&D), and Accounting Department
- A workforce consists of 30 employees, sales brokers and merchandisers outsourced
- The company was established in 1867 when pharmacist Frederick Grimwade with his friend Alfred Felton, formed a partnership to trade as Felton Grimwade & Co.
- The core business activity of the company is that resources must be carefully allocated to where they will deliver the greatest positive outcome.
- The company operates its business in the pharmaceutical industry
- The company targets primarily on females age 25-35, with families. For highlight product benefits to them. Status and location are not so important although obviously consumer has to be able to afford and want to purchase the product.
- At present, the trend to natural products and therapies is continuing, which benefits the company challenge from increased competitors.

Appendix 2

Year	Operating Revenues (A$)
1999 – 2000	6,5 million
2000 – 2001	7,2 million
2001 –2002	8 million