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A prime challenge faced by D in penetrating the market has been the building of credibility with U.S. clients. In D's view, such credibility takes 2-3 years to establish and the market should thus be viewed as requiring a long-term commitment.

Regarding the question of liability, the company emphasized that this is relatively more important in the United States, as more claims are made and laws appear to be more punitive. In addressing such obstacles, D simply follows a strategy of insuring themselves to the fullest extent possible.

Although D would provide no specific figures on market penetration costs, they do suggest that their U.S. operations are more profitable than their Canadian operations at this point in time. Substantial U.S. growth is anticipated over the next five years.

### **Case Study E**

This successful entrant has offices in over a dozen U.S. cities. The initial penetration of the market followed two simultaneous paths - namely opening an office in a border state and acquiring an environmental company. The former route did not succeed in the long-term as it "did not become sufficiently American" and the firm subsequently closed the office.

The latter route did succeed and E proceeded to acquire a total of four firms during the early 1980s. These acquisitions generally arose out of previous contacts and/or working relationships. The firm has used the professional associations, contacts and networking route for its advancement, the foundation of which is based upon its technical expertise and its quality, responsive service. In the view of E's management, to succeed in the U.S. market, it is necessary to run the companies autonomously "with U.S. roots". This is particularly true in the southern states where residents are arguably more parochial than in the northern states. Company E's four subsidiaries have grown internally since the acquisitions and indeed have progressed into other states as well.

The Canadian benefit from U.S. market penetration is obtained through collecting management fees, through moving engineers back and forth, and through accessing U.S. ideas and technology. In E's words "we are definitely benefiting in Canada from our American specialists and experiences". The transferring of ideas and the exchange of expertise is fostered through the formation of a joint management committee which encompasses the President of each company and which meets regularly.