

The global marketplace promises new opportunities and great rewards for those intrepid enough to enter it. However, the cultural challenges can be daunting. Along with an appetite for risk, it takes steadiness and savvy to navigate the waters of international business.

Allen Carlson, CEO of Sun Hydraulics (NASDAQ: SNHY), has seen his company grow threefold during his 16-year tenure, from \$80 million in annual sales in 2000 to \$230 million in 2014. A graduate of the Harvard Business School's Advanced Management Program, Carlson led the Sarasota-based hydraulics manufacturer into Asian and European markets. With almost 1,000 employees worldwide and just under \$1 billion in market capitalization, the company's success has been the subject of business school case studies.



After four decades in the fluid power industry, Carlson is set to retire from Sun early next year, the culmination of a smoothly executed, five-year leadership transition. Fresh from a flight from South Korea, where Sun Hydraulics has a manufacturing operation, the affable Carlson recently sat down with Requisite to offer insights into his global business strategies.

This interview has been edited for clarity.

WP Will you describe Sun Hydraulics as it was when you first joined the company?

Carlson

We were a \$50 million business in 1996, many fewer employees. We operated out of one building here in Sarasota. In 2000, I became CEO. Today, we have three locations in Sarasota, one in California, sales offices in China, France, and India. We do most of our manufacturing here and some light manufacturing in the UK, Korea, and Germany. Our international business is 50 percent of our over \$200 million in sales. We've grown significantly in terms of numbers, but also in locations. We had essentially no presence in China or Korea when I started.

WP What compelled you to continue expanding internationally?

Carlson

We saw that if we weren't international, life was going to become very difficult. Growth opportunities would be minimized, and we would be a much smaller company, more at risk, probably not a public company. Customers were saying, 'I am going to start an operation in China. If you can't support me in China, that business is going to go to somebody else. And that somebody else will get some of our business in the States that you currently have, and maybe all of it someday.'

WP So competing in Shanghai was also about staying competitive in Sarasota?

Carlson

If you can't play globally, you will be excluded locally. Companies in our industry that don't go global cap out at \$20 million in sales. Maybe that's fine with them—that's their strategy. There are real headaches in becoming a global company, employees working in multiple languages and 10 time zones away. I am sure there are folks who say, 'I'm quite happy being a local player, a \$20 million business.'

WP How do you prepare to enter a foreign market?

Carlson

There is no rule: each situation is different. But first you should survey the landscape. If you bring your cookbook and say, ‘This is our recipe,’ there might not be all the ingredients you need in that geography. Surveying the landscape might take two, three, four, five years. It is not one trip and you’ve got it. It’s talking to a lot of customers, a lot of competitors. It’s turning over rocks, prospecting.

WP Should a CEO go into a new country on his own or with a team?

Carlson

Absolutely go by yourself. A team is counterproductive. You start by prospecting one-on-one. It gets confusing and muddled when you have more than one—to send a team over to survey the market is not a good way to go.

WP What strategies do you use to survey the foreign landscape?

Carlson

Wander around. Talk to people you meet on street corners, at Starbucks. You’ll get a good flavor of the culture. People like to tell you about what’s going on and what they are doing, where they came from, what is important to them. I count the number of Starbucks. A rule for us is that if you step outside the airport and don’t see any BMWs, you might as well go home. Our products are high-end. In our space, we compete on quality, reliability, performance, but never on price. So if there are no high-end products, you probably are not going to do well in that market.

WP Do you learn the local language or use a translator?

Carlson

I have 20 words in a few languages. I brush up on expressions.

For example, in Chinese, ‘mama huhu’ is like ‘maybe yes, maybe no, I don’t know, I don’t care.’ But I also learned long ago you never conduct business in any language other than English. If you do, you’ve moved onto their turf and they have the command. Also, no translators: if you can’t speak English, we don’t need to have a meeting. Everything gets lost in translation.

WP

You don’t rush into a country just to have a presence?

Carlson

No, we build a beachhead and keep expanding. You’re not taking the first offer—you are taking your time. You are not going to be hitting home runs right away. You are going to be bunting and pitching and fielding, and you might occasionally hit a home run, but if you are going to build a long-term, successful company, you have to go a step at a time.

WP

Has it been easier to enter certain countries than others?

Carlson

In China, we did a joint venture as our first entry. Our partner was our Taiwanese distributor who we had known for 10 years. So setting up China was easy for us because of our existing relationship with our Taiwanese partner. That is how we started China right.

WP

How did you make good local hires and build your China team?

Carlson

I sat down with our senior guy for Asia and we wrote our ideas down on paper. Attribute number one: the hire has to be an engineer. Number two: has to have studied hydraulics in engineering school. He has to speak English, has to speak Chinese, has to have a sense of humor. We’ve hired six guys in China, and that is the job description. We’ve been able to find the exact employees we wanted with those criteria.

WP Have you ever employed a specialist to help you enter a country?

Carlson

We hardly ever have a third-party intermediary—that’s a recipe for disaster. But 10 years ago, an Indian engineer selling our products with our Dubai distributor approached us. He was somebody we knew; we hired him to scout India for us on a one-year consulting contract. We said, ‘Your job is to make a white paper, draw a map of what we need to do in India if we were to establish an office there.’ I told him when he reached \$1 million-plus in sales, I’d come and visit him. Well, he did it. I will be in India the third week in November.

WP Do you remain culturally American when you’re doing business internationally?

Carlson

Yes, you have to be who you are. Not necessarily to be American, but to be genuine. Don’t be something you are not because they will see right through it. If I were to bow and present my business card to a Japanese guy, he would look at me like, ‘Are you nuts? Why are you trying to give me a business card the way the Japanese do it?’

WP What sorts of final contracts do you hope for in your international negotiations?

Carlson

It’s our contract—that’s it. That’s our policy: take or leave it. Having a Sun dealership, if they do it right, is a long-term license to success. It’s an investment on their part, but there has been no international channel partner we’ve set up that has failed.

WP Aside from growth, how else has your international business made you a better company?

Carlson

The Japanese are very serious when it comes to quality. If there is a little scratch of paint on the product that has nothing to do with functionality, to them that is a quality defect. So we had to ratchet up our quality systems. That's helped us in a big way because we now have root-cause corrective action engrained in this whole company. That has absolutely made us better.

WP

Is it getting easier to do business globally?

Carlson

It's getting easier all the time. Back when we started in Asia, it was by fax machine—not everybody was connected. Now email is a huge advantage. Our website is very, very good for us—it's a five-star website, the best in the industry, in multiple languages. It's there to say, 'Here's our billboard. And, oh, by the way, our billboard is in Korean, our billboard is in Chinese.'

WP

Where would you like to expand next?

Carlson

On our radar screen right now is Cuba. It's not going to be the same plan we used in China or France or Germany. The only thing consistent across every opportunity was we surveyed the landscape. In Cuba right now, they don't have any money. How are you going to get paid? Another issue in Cuba—our governments are in the way. If you want to take a purchase order in Cuba right now, you have to go to the government first.

WP

World markets have been volatile. Is this a nervous time for you to be connected to the global economy?

Carlson

The economy is down; we are not going to grow as fast as we would have if it was strong. But everything's fine, steady as she goes. You can't be making long-term decisions based on what your pulse is today.