

Five Points You Should Consider When Doing Business Abroad

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For a number of years, High Street Partners Inc. (HSP) has helped management teams at small- and medium-sized businesses build successful strategies for international expansion. By limiting the number of challenges and frustrations that often accompany global growth, HSP helps companies concentrate more on overseas market opportunities. Here are five key points each company should consider before heading abroad.

- **Have a Plan.** Although it may seem obvious, many businesses aren't clear why they're heading overseas in the first place. We work with 130 clients, and a surprising number of them don't seem to have the kind of well thought-out plan you'd expect, in terms of why they're going, where they're going, and what they're hoping to achieve. Whether a company is heading overseas for new market opportunities, tax reasons, proximity to its customers, or in pursuit of a diversified revenue base, a clear set of objectives should be the number one priority.

- **Get Internal Buy-in.** Getting everyone on the same page before stamping your passport is critical. You want to make sure the entire company knows what the goals are and what's expected of each individual. The decision to go overseas is often made at the Board or the CEO level, but in order to pull it off, you need finance, HR, sales, shipping and other parts of the company working in sync, while complementing each other's focus and skills. More often than not, a company may have a strong sales focus overseas, but not the human resources infrastructure to support that portion. Every department of your company needs to know its role for a successful expansion.

Make sure the entire company knows what your international business goals are and what's expected of each individual.

- **Make Sure You Understand the Full Costs of Hiring.** Knowing the US equivalent of the "all-in" costs of doing business overseas is something no company should overlook. You want – and need – to know exactly what your budgets are beforehand. Surprisingly, companies often tend to forget important details that can dramatically affect financial success; costs for employer social security obligations, income and business taxes and compliance issues can add dramatically to the bottom line. As you're building out a cost-benefit analysis to go overseas, you need

to make sure to incorporate all of these different costs, which vary from country to country. Other costs may include company cars, fees for full-time contractors, and mandatory pensions and other benefits. Have clear expectations of how much money you're expected to spend per employee.

- **If You're Headed to Europe, beware the VAT (Value Added Tax).** Businesses are required to collect and remit VAT on applicable transactions. Even non-EU (European Union) businesses must make periodic VAT filings and also keep their VAT records on file and available for inspection by local tax authorities if they are required to charge VAT. If you're going overseas to sell a product or a service, there can be many ramifications for VAT that U.S. businesses don't have nearly as much of a handle on as they need to. Businesses look at it as a sort of sales tax, but it's really a lot more complicated, and in many ways it's significantly different. If you don't know exactly what the rules are, you can trigger significant cash flow problems.

- **Think about How You'll Manage Your Overseas Employees' Expectations.** It can be somewhat





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You might have a strong sales focus overseas,
but you don't have the human resources
infrastructure to support that portion.


Five Must-Have International Business Books

 *Managing Across Borders: The Transnational Solution* by Christopher A. Bartlett – This book is primarily focused on Bartlett's research into management on a global stage. It gives readers an "application handbook" to help translate ideas into actions more effectively. A section of the book also charts how several other firms have been implementing the business community.



 *Competing For The Future* by Gary Hamel – Hamel explains how business is not about being number one, but more about who "gets to the future first." Managers who are comfortable doing things the way it has been done before will wind up seeing their companies struggle. This book argues that business leaders need not to worry about old tactics, but to focus on tomorrow's competition and opportunities.

 *International Business: Competing In The Global Marketplace* by Charles W. L. Hill – A thorough and up-to-date read. Offers the pros and cons of economic theories, government policies, business strategies and organizational structures. Goes into detail on managerial suggestions on each topic and is loaded with a number of case studies.

 *Oxford Handbook Of International Business* by Alan M. Rugman – Twenty-eight chapters from some of the world's greatest minds with their take on international expansion and their keys to success. These brilliant scholars come together to reflect on the present structure of the field as well as the major intellectual issues in the future.

 *Accelerating International Growth* by Philip Rosenzweig – A devoted book on one of today's most crucial business challenges. Provides a detailed look into the strategic, organizational and human aspects of international growth. Also displays knowledge and tools necessary to speed up the development process for leading companies in a quick, efficient manner.

of a hassle keeping your employees on the same page when you factor in the different continents or time zones. We may think it's no problem calling somebody at four in the afternoon here, but you need to understand you're calling them at nine at night. Basically, if you have a bunch of projects going on in Europe, you need to make sure you focus on them before lunch. U.S. companies need to be sensitive to some of the cultural differences such as vacations or car loans that can lead to potential embarrassment. It's the seemingly trivial things that can cause disruptions, inefficiencies or much worse.

With some pre-planning, good communication and a thorough strategy, you can reduce the hassle of doing business abroad and reap the rewards. Before deciding to take the next step with international expansion, you should take into account the "little things" that will make a big difference.  

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