


INTERNATIONAL TAX SERVICES

Going Global: Laying the Foundation for Growth in International Markets

For many U.S.-based middle market businesses expanding into new countries can feel daunting—there is complexity, unforeseen risks, and other factors to consider. If managed correctly, however, the rewards can be great and should not be ignored.

Growth potential in markets beyond the United States is significant. More than 70 percent of the world's purchasing power is located outside the United States, according to the U.S. Department of Commerce. Additionally, more than 95 percent of the world's consumers are based outside of the United States, according to the International Trade Administration, U.S. Department of Commerce.

Capitalizing on global opportunities is a must for most growth-oriented companies. A successful global expansion strategy must incorporate insightful planning, which serves as the foundation for building the support and infrastructure necessary to successfully navigate the global journey. To assist with framing your thinking around this topic, and to help you consider if this is the right moment for your business, we explore what Going Global could look like as well as specific opportunities and risks.

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The Many Paths to Going Global

Going Global is not a “one size fits all” strategy. Depending on your stage of growth or your business model, global expansion can take many possible forms, including:

- ▶ Exporting products or providing services to clients in new markets
- ▶ Opening sales offices, warehouses, or other types of facilities outside your home market
- ▶ Building or acquiring a foreign manufacturing facility
- ▶ Purchasing a competing business in a different country
- ▶ Creating contractual relationships with foreign distributors
- ▶ Establishing international legal entities for sales, manufacturing, or other business functions
- ▶ Entering into an international joint venture

Harnessing Global Opportunities

The global landscape offers growth potential everywhere you look—from uncovering new revenue streams and discovering new customers, to finding talented professionals who will help enhance and advance the skills and expertise of your team.

We explore four key opportunities that can result from global expansion:

- 1. Increase your sales and profitability:** Going global can provide new sources of revenue and yield greater returns on investments—helping to secure long-term success for your business. One path to overcoming lower growth in your home market is to look to overseas markets to help fill the revenue gap. This step can be achieved through exporting, leveraging technology to reach outside markets, or licensing/franchising your products in additional countries.
- 2. Gain a competitive foothold:** Taking steps to enter a new market that your competitors have not yet reached could help bolster your customer base and create a distinct advantage for your organization.

- 3. Find talent:** There is a war for talent in the U.S. in the current overheated labor market. Finding qualified professionals for key positions has never been more challenging. Expanding your operations to new markets immediately widens the talent pool from which you can recruit.
- 4. Diversify your business model:** By building out your customer base across multiple countries, it so your business is not dependent on economic conditions in just one geographic area. This helps you withstand the risks associated with potential market downturns, or other external pressure

Global Risks in an Uncertain Time

The growth potential related to going global is attractive. But, as you might expect, the globalization of your operations also brings complexity and risk that requires due diligence, planning and ample research. Below, we outline key areas to focus on when planning your globalization journey.

- ▶ **Tax and Regulatory Compliance:** Perhaps the most complex step on this journey is understanding how to comply with foreign market tax and regulatory requirements, tax treaties, as well as U.S. expanded reporting obligations, hidden tax costs, and tax savings opportunities. Since every jurisdiction differs, you need a resource who can help navigate the complexities and traps for the unwary as well as tax savings opportunities. Practically navigating the expanded U.S. rules and various foreign country rules also requires the right accounting system to achieve compliance.
- ▶ **Cybersecurity:** Cybersecurity risks are rising for companies around the world. It is critical to understand the local cyber risk landscape in your targeted expansion market. Are cyberattacks prevalent there? If so, what form are they taking? Additionally, IP theft is a prevalent risk in many nations, so that should be accounted for as well.
- ▶ **Supply Chain Disruptions:** If you are selling a product, you will need to decide whether you are going to make it onshore and ship it internationally or move some or all of your production overseas. In this scenario, supply chain considerations are critical. Supply chain disruptions have been making headlines since the start of the Covid-19 pandemic. When you introduce additional countries into this equation, suddenly the challenges

multiply. Will you be able to get the materials you need where you need them in a prompt fashion? It is critical to understand this landscape before investment is made in overseas manufacturing.

- ▶ **Banking, Currency, and Incorporating:** In many cases, you will need to establish a local banking presence that enables you to receive payments from customers, make payment to suppliers, or process payroll in the local currency. Patience is critical in these steps as it can take weeks to months to open a bank account, which can impact your ability to form local business entity.
- ▶ **Reputational Risks:** Understanding the culture of the countries you are operating in is critical to your success. It could be that a product popular in one market will not resonate in other places because of cultural differences and nuance. To achieve this, it is important to conduct foreign market research and to identify and understand the local competition.
- ▶ **Data Challenges:** A strong data strategy is a competitive advantage. However, collecting data across jurisdictions brings challenges and complexity. The more your organization expands, the more you need to consider how to collect, store and secure the data you need from across your operations. Compounding the challenges are strict global data privacy rules that must be accounted for and complied with across your data collection strategy.
- ▶ **Intellectual Property (“IP”) Protections:** To successfully expand your business internationally and maximize global innovation, companies must develop or utilize IP. Where that property gets created and who owns that property are important factors. These factors are key components of a successful business as they determine what legal protections are available and how income related to that property is taxed.





How Cherry Bekaert Can Help

Entering foreign markets can potentially expand your customer base and revenue, but navigating the risks and opportunities is complex. A successful global expansion plan should combine international tax considerations with business objectives and regulatory issues. This backdrop is especially complicated because each country has unique tax and legal issues.

While mid-size companies now have the potential to build the same global footprint as a larger, multinational corporation, they often do not have the same technology and resources to navigate this complexity.

Cherry Bekaert offers a broad array of services that can help you simplify global expansion, including:

- ▶ [International Tax Services \(Planning & Compliance\)](#)
 - Domestic and foreign entity structuring
 - Transaction planning including operational transfer pricing
 - Foreign tax credit minimization and utilization
 - Tax benefits associated with exports (IC-DISC and FDII)
 - Tax compliance including FBAR, FATCA, and withholding tax
 - Payroll taxes and related employment matters
- ▶ [Cybersecurity / Data Privacy / GDPR](#)
- ▶ [Digital Transformation & Data Analytics](#)
- ▶ [Client Accounting Services](#)
- ▶ [Risk and Accounting Advisory](#)
- ▶ [State & Local Tax Compliance](#)

Cherry Bekaert provides guidance and support that helps you protect your investments while achieving organizational goals. For assistance or questions regarding specific risks and opportunities to your international expansion plans, please contact your Cherry Bekaert advisor or a member of the International Tax Services practice.

This is the first in a series of articles exploring the opportunities around Going Global. Be on the lookout for upcoming pieces that will dig deeper on the key areas to focus on when planning your globalization journey.

ⁱ Source: <https://www.journalofaccountancy.com/issues/2014/may/20149387.html>

ⁱⁱ Source: <https://www.trade.gov/why-export>

Let Us Be Your Guide Forward



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About Cherry Bekaert

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