

4 factors to consider before going global

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Success is not a destination. It's merely a fleeting moment of celebration, and the journey must carry on. A business that comes to the point of success needs a plan for the next course of action in terms of growth and expansion. That means new markets, new challenges, added strain on production, and so on. These challenges get amplified when businesses take the plunge into global markets – new laws to deal with, new culture to cope with, new languages of communication – the list never ends.



At the peak of its success, in 2004, the online auction site eBay executed its global expansion plan by moving into China. However, it had to shut shop in just two years, unable to cope with local competition. Tesco had a similar fate when it tried to expand into America's west coast markets with its Fresh & Easy chain. It folded in just six years and lost over £ 1.2 billion. The famous US coffee shop chain Starbucks had to shut down three quarters of its outlets in just eight years after moving into Australia.

International expansion is the only way business can tide over saturated local markets. An international presence also helps in levelling out market fluctuations. However, the risks are many. Here are four factors to bear in mind before taking your business overseas.

Culture

The biggest challenge for any enterprise entering a new overseas market is language. In some markets, you would need to develop websites in the local language and accept the local currency. Carl Theobald, Chief Executive of Avangate in Redwood City, California, which provides e-commerce capabilities to small and medium-size companies, says that online shoppers are more likely to buy when the shopping experience is in their local language and currency. Make sure the marketing message of your brand is perfectly translated in the local language.

The other aspect of culture shift is in the way business is conducted locally. "Closing a deal abroad can be a vastly different experience than you're probably used to," says James Hunt, adjunct professor of entrepreneurship at Georgetown University's McDonough School of Business. Some cultures struggle to say, 'No, we aren't interested' in a product or service, which means you can have an extremely long and costly sales process that never leads to a sale. It's critical to know when to stop sales talk that stretches with no promise of a sale.

Budget

Zeroing in on a realistic budget for global expansion is no easy task. The variables are unknown and plenty and you have to sift through each one of them to arrive at a figure. Bear in mind the fluctuating exchange rates and different business tax structures for different countries.

Jane Hatton Finette, who has worked as a consultant for many years advising businesses on how to expand their presence internationally, says, "Usually companies grossly under-estimate the necessary resources (and therefore the drain on the core operations) and time needed. To get a better grip on this topic ask yourself what it would mean for your expansion plans if you would overrun your assigned budget by 50% and also 100%. If you find yourself in a position where these scenarios put too much stress on your operations, try to redefine your goals and plans to shed costs and resources." (As stated in Seedcamp)

Expanding internationally requires a significant incubation period. Most entrepreneurs go wrong in their estimation of this time period. "You have to expect to lose money for a while," says Jon Fjeld, Executive Director of the Center for Entrepreneurship and Innovation at Duke University, as stated by Entrepreneur. According to him, you not only need enough capital to make the initial investment, but you also should have a long-term financial plan in place.

Law

Coping with different laws in different countries can be daunting and can distract you from focusing on business goals. You will have to deal with a lot of paper work and regulations. Finding out the regulations for your particular industry before attempting to expand abroad is the first step to expanding your business internationally. Find good legal counsel in your country as well as your targeted international markets to help you with these formalities to provide your business with a smooth road to success.

John Manzella, a recognised author and speaker on global business and the latest economic trends, and CEO of World Trade Center, Buffalo Niagara, advises enterprises to stay out of markets that claim to enforce intellectual property laws but don't. Before going global, you need to investigate how piracy is handled. "If protection isn't a priority, you may want to avoid this market," he says. "In some countries, the accused is presumed guilty until proven innocent, and judges may unfairly favour domestic sales agents or consumers. Assess each country's legal practices and investigate safety and environmental regulations," he adds.

Ben Wright, CEO of Velocity Global, points out the complexities of HR regulations in different countries. He says, "If a person is working for you full time, they are no longer considered a contractor, and penalties can be stiff. If someone is not on a contractor agreement they must be employed by a local company," as stated by Built In Colorado. Wright suggests either setting up your own subsidiary or using an International PEO to deal with such issues.

Risk

Civil unrest, insufficient reserves, unforeseen fluctuations, political mishaps, policy changes, new competitors, red tape, the risks for enterprises with international presence are many. The importance of tracking global news minute by minute cannot be overstated.

An in-depth risk assessment and evaluation of the areas under consideration for expansion will help businesses assess threats and vulnerabilities applicable to the physical location. However, it will also evaluate all vendors to be involved. “For most companies, the biggest threat comes in the form of people. It is important you know with whom you are working and determine the level of trust you can put in them,” says Miguel A Martinez, CEO of Pinkerton Group, a leading provider of risk management services and solutions.

In conclusion...

Research

The root of the words ‘research’ and ‘respect’ are one and the same. They both etymologically mean ‘to look (closely) again’. Expanding globally demands that you exercise great caution; look at things in great detail.

John Manzella advises business going overseas to do their homework diligently. “Establish the factors you feel will best help you determine the markets to pursue — and seriously weigh them. Success is best achieved if you calculate all the costs of doing business and understand the ramifications of each decision. If not, your efforts may turn into losses,” he says.

From infrastructure needs to demand, from competition analysis to studying economic indicators, from local law to HR policies, there is whole lot of factors that you need to familiarise with before taking the plunge.

Poor preparation is the beginning of failure. Multitasking is not a great skill as it has been made to be. Strive to do things right, and in order. Help your business go global one step at a time.