



SUCCESSFULLY SCALING YOUR BUSINESS INTERNATIONALLY

Do you have what it takes to go international?

Your company has reached a place where you need to expand internationally. But there are so many unknowns. How long will it take and how much will it cost? How will you navigate unfamiliar ways of doing business?

Understanding how culture affects business can mean the



difference between success and failure when expanding internationally.

In this edition of *Executive Issues & Insights*, we explore key insights drawn from

the extensive C-suite and Board experiences of the NextLevel team on how to successfully scale your business internationally.

NEXLEVEL CASE STUDY

\$10 million in sales in less than 4 years

The Department of Defense was the primary customer of a U.S. company that treats third-party textile products with a proprietary application. DoD regulations required all production to be in the U.S. After several years, the company established a foothold in the wholesale apparel and textile market, a huge revenue opportunity.

Most of the base products for their wholesale customers were manufactured in Asia. Shipping them to the U.S. for treatment and then back overseas for distribution created logistical and cost issues, hampering the company's ability to attract customers and grow. The CFO, now a NextLevel partner, along with his team, determined that the company's growth opportunities depended on building a plant in Asia.

The team identified three business plan scenarios and created detailed five-year plans for each scenario. These included a customer analysis, funding requirements,

(more)

NEXLEVEL INSIGHTS

Be clear about your strategic intent

Two strategic reasons to expand internationally are to serve the local market or take advantage of cost synergies. But beware the lure of reduced costs — they are often offset by higher overhead. Explore options such as establishing a strategic partnership with a local company or starting with e-commerce. A thorough understanding of the economics of your ultimate goal will point you in the right direction.

Factor in financial and tax considerations

What is the optimal structure for your business when you expand internationally—wholly foreign-owned enterprise, branch, or joint venture? Each has tax implications. Additionally, consider the financial impact of issues such as shipping from overseas factories, credit insurance, and which currency you bill in. Billing in a foreign currency may require implementing a hedging program and appropriate policies supported by your bank.

Account for local regulatory requirements

Regulatory processes in other countries can vary drastically from those in the U.S. and from each other. In addition, they can change at the last minute, causing delays of months or years. Make the best estimate you can for how long it will take and how much money you'll need to expand internationally. Then add a contingency of 10 percent to 100 percent more, depending on your confidence level, and model the impact on your plans. Can you withstand spending up to twice as much time or money?

(more)



(continued)

a break-even analysis, a new pricing model, and international tax implications. Eventually they decided to build a plant in China that would be 100 percent owned by the U.S. parent. The NextLevel partner was chosen to lead a “startup team.”

The startup team hired a consulting firm to help with the documentation required for the Chinese plant. They also created detailed manufacturing and warehousing documentation so the Chinese plant mirrored U.S. processes as much as possible to ensure quality, and hired local legal counsel to tailor employment agreements. To reduce communication issues, they selected a general ledger package that provided reports in both Chinese and English.

The plant began operations in under a year, and was profitable within the first year. After three years, sales originating from the plant topped \$10 million. Its success became the model for additional plants the company opened in future years.

“EXPANDING INTERNATIONALLY MEANS
BEING IN IT FOR THE LONG HAUL.”

Success depends on many factors. How well you are accepted as a member of the local community is an important one of them.

More Information

To learn more about how NextLevel can help you successfully scale your business internationally, call us at (800) 833-NEXT or email info@nlbev.com.

(continued)

Build with regard to local standards and infrastructure

Don't try to build an American facility overseas. American ways of building and doing business often don't translate well to other countries, resulting in huge overhead costs. Understand infrastructure constraints in water, sewer, electricity, and Internet access. It's much less risky to build a local facility using local managers, employees, and customs, scaling incrementally as needed.

Understand employment markets and regulations

Will you be hiring on a contract basis or an at-will basis? Different countries have different types of employment contracts and expectations for mobility and permanence. Understand the implications of local employment practices so you'll have the flexibility to quickly adjust staffing up or down if necessary.

Carefully consider cultural implications

Taking time to fully understand the culture of the country you're working in is paramount. Other countries have different philosophies regarding intellectual property, manufacturing quality, and customer relationships. Cultural differences will affect everything from how you resolve disputes to how you schedule employee break time. Consider bringing on local leaders to facilitate cultural understanding. They will become an integral part of your team.

KEYS TO SUCCESSFULLY SCALING YOUR BUSINESS INTERNATIONALLY

- **Your strategic intent:** Are you clear about why you're expanding?
- **Your financial and tax planning:** Have you chosen the optimal structure for operating internationally?
- **Your local regulations:** Can you absorb delays of months or years?
- **Your building process:** Can you build within the local infrastructure and be willing to scale incrementally?
- **Your employment contracts:** Do you understand local expectations and regulations?
- **Your cultural understanding:** Have you taken time to fully understand the cultural expectations of doing business in your target country?