Ready to go global?

Commercial Bank
In today’s world of global commerce, many mid-sized companies are considering expanding internationally to grow their businesses and capture additional revenue opportunities outside of the United States.

Charting this course is not always easy. Asking the right questions in advance – and having the right financial partner – is critical in understanding this broad global landscape.

Foreign markets, especially developing markets in Asia and South America, present tempting opportunities to expand your company’s reach and grow your business operations. So it is not surprising that many mid-sized companies cite international expansion as a critical component of their overall growth strategy.

Tactically, it is essential to have a well-researched rationale, formally defined goals and a clear idea of what successful outcomes look like, before you expand internationally.
Important questions to consider include:

- Are you expanding to accommodate a customer in a specific geography or country or do you have options on where you can expand?

- Is growth in this market sustainable? What are your expectations in the short, medium and long term?

- How competitive is this market? Who are the dominant players and other likely entrants? How is your offering differentiated from theirs?

- Does an organic or an acquisition growth strategy make more sense? What are the advantages and disadvantages of both in terms of time to market and the level of control you will have over the local operation?

- How will you capitalize and launch your new operations? What are its ongoing expenses and how will they be funded? When do you expect to become profitable?

- What business model will you implement?

- What is your leadership/management structure going to look like in this market?

No two markets are alike

Every country around the world is different - and most differ significantly from the U.S. Before expanding internationally, you need to make a thorough assessment of a range of factors and also seek to understand how the environment in your target country may change in the coming years. Your due diligence should include:

- **Political landscape:** Many countries, especially developing countries, are less politically stable than the U.S., which could pose a threat to your company. In extreme circumstances, there may be a risk of confiscation of assets.

- **Regulatory environment:** Local regulatory standards may differ significantly from the U.S. You should establish whether export licenses are required for technology or products in your target country, for example. As well as assessing local regulations, U.S. regulations, governing areas such as money-laundering for instance, should be taken into account.

- **Economic landscape:** Rules can change overnight in some emerging countries, with major implications for your business. For example, currency controls could be introduced that would make it harder to repatriate profits.

- **Fiscal and Monetary policies:** As governments typically rely on either monetary policy or fiscal policy (or both) to influence macro outcomes, both can significantly impact companies expanding abroad.

- **Foreign ownership restrictions:** In some countries, for example in Asia or the Middle East, there may be a requirement to partner with a local firm in order to comply with rules on foreign ownership. In other countries, the political environment may make it difficult for foreign companies to succeed on their own; it may be necessary to cultivate local relationships.

- **Tax environment:** Many countries around the world offer incentives for locating your business. Similarly, certain operational models may be more appropriate in particular jurisdictions. It is also important to factor in changes in the global business landscape: the recent U.S. tax changes will likely have a significant impact on the financial and legal structure of overseas operations.

- **Culture:** Many countries have starkly different business practices and cultural norms. In order to ensure a smooth entry into your target market, it is important to take account of cultural sensitivities, norms and traditions. Necessarily, other countries have different holidays from the U.S. or different working hours, for example. In addition, it may be necessary to adapt working practices in some countries.

- **Legal landscape:** While some countries have a common law tradition like the U.S., many do not. Every aspect of the legal environment of your target country should be scrutinised, including employment, data privacy and intellectual property law.

- **Connectivity to the parent company:** Visibility and control of local operations are often a primary concern for companies expanding internationally. You need to establish how the head office will liaise with the subsidiary; the extent of local independent decision making versus control by headquarters; and how decisions will be communicated or cascaded.

- **Employment:** The local hiring landscape is likely to be different from that of the U.S. How you hire employees and pay them once they have joined the local operations may need to be rethought. Securing talent may require working with specialist local recruitment agencies or teaming up with local universities. Companies also need to consider appropriate pay and conditions for local workers, as well as any expatriates required at the local operation.
Advice is not a commodity: engaging the right partners and advisors early in the process is critical to your success

Operating overseas is very different from running a domestic business. Companies should ensure that their Boards of Directors have international experience and access to the knowledge and skills that will enable them to make informed decisions.

The financial, legal, tax and accounting decisions you make when expanding internationally are often a principal determinant of whether the venture will be a success. Strong partners, including banks, law firms, tax advisors and accountants are invaluable allies to you throughout this process. There is a strong case for engaging with partners even before potential target markets have been identified, in order to tap their knowledge and establish whether there are potential hurdles to operating in various geographies.

The right partners will not necessarily be those that you have worked with in the U.S. The law firm that has served you well domestically may not understand the legal landscape to facilitate your expansion in China, for example. Similarly, many accountancy firms are domestic-focused and will have little international experience. Where necessary, Citi can introduce you to a wide variety of local subject matter experts.

Your banking partner is especially important when going global as they will provide an ongoing service to your new operation. If you intend to work with your U.S. bank, they should have a presence in your target country. You should also find out whether they offer a sufficiently broad range of products and services, including local products, to meet all of your needs in that country. Working with your U.S. bank for some services but with a local bank for local payments, for example, could create unnecessary complexity.

It is also important to ensure these partners are engaged collaboratively, as each is a subject matter expert for its own domain. Their collective knowledge, a result of sitting around the table and aligning on key considerations and resulting implications, will be advantageous as you formulate and finalize your overall strategy. As a result, you are more likely to create a coherent growth strategy that can be implemented smoothly.

The power of Citi

Citi Commercial Bank has been helping businesses like yours expand internationally for over a century. We have an on-the-ground presence in 25 markets in North America, Latin America, EMEA and Asia-Pacific; Citi has a presence in a further 19 markets with the capacity to serve Commercial Bank clients. We offer a broad suite of local and global financial services, including operating accounts, payments and collections capabilities, and local lending. Working with Citi means you have access to familiar products and support – unlike if you work with a local bank.

Our expertise in these markets goes well beyond understanding local economic, regulatory and financial conditions: we have worked with many other clients that have expanded their footprint. Using our global network, we can easily scale our banking offer to match your growth plans. Our network of professionals is ready to help you achieve your strategic goals.