

# Global Expansion

International Growth in Uncertain Times:  
The New Playbook



# Speakers



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# Objectives

- Discuss key impacts on the cross-border business environment as a result of COVID-19
- Evaluating your business models for international success
- How does Global Expansion look in the current Environment

# Key Impacts on Business Environment-COVID-19

## Enterprise Considerations

- Working Capital and Liquidity
- Capital Structure
- Centers of Innovation
- Resource Management
- Changes in:
  - Core business strategies
  - Corporate Real Estate
- Managing of:
  - Customer Demand and Confidence
  - Business Development and Growth Avenues

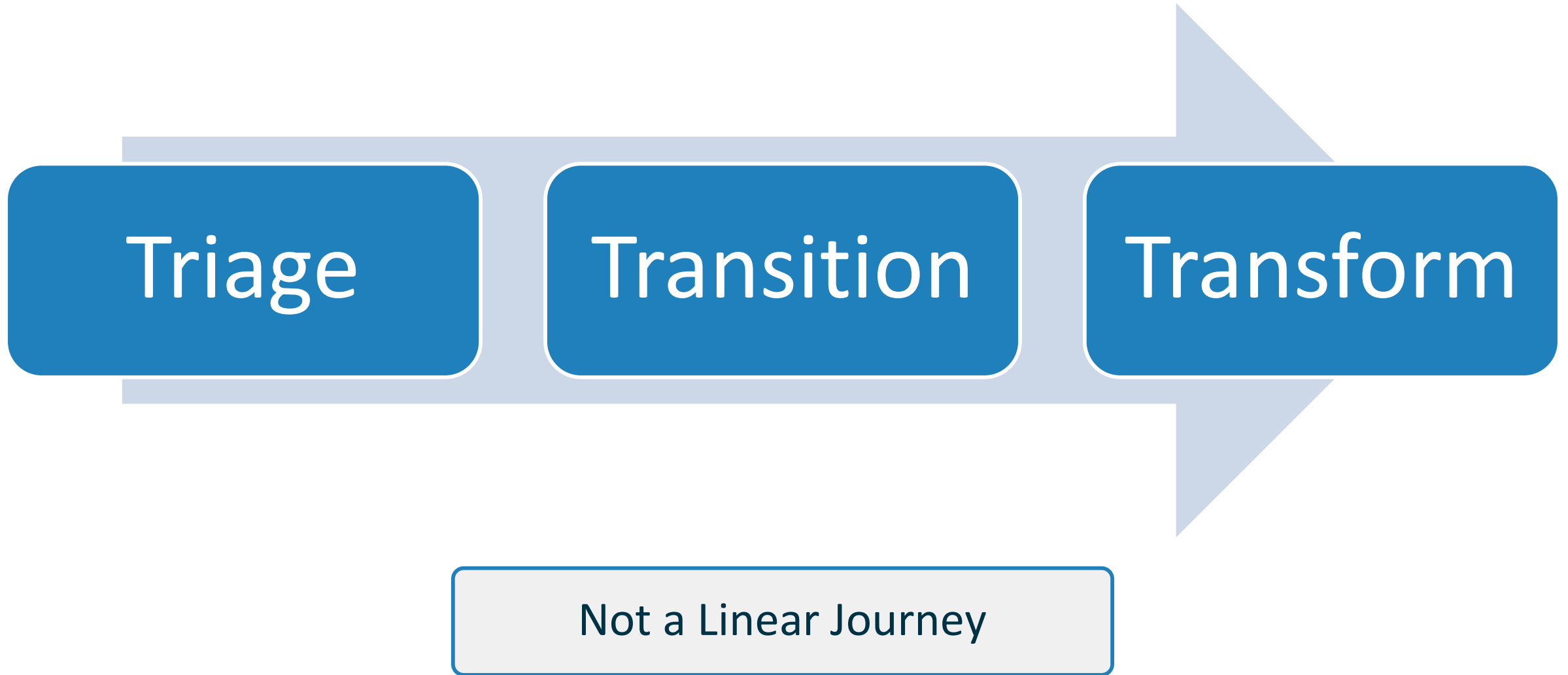
## Product-based Considerations

- Supply Chain
  - Input Accessibility and Timing
  - Value and Cost Drivers
- Transportation and Logistics
- Scale-up / Scale-down
- Production Changes (SCM / People)

## Service-based Considerations

- Service Demand
- Shifts in productivity and realization
- Staff & People Development

# The Journey to the “New Normal”



# How Is This Journey Different?

## Enterprise and Board Level

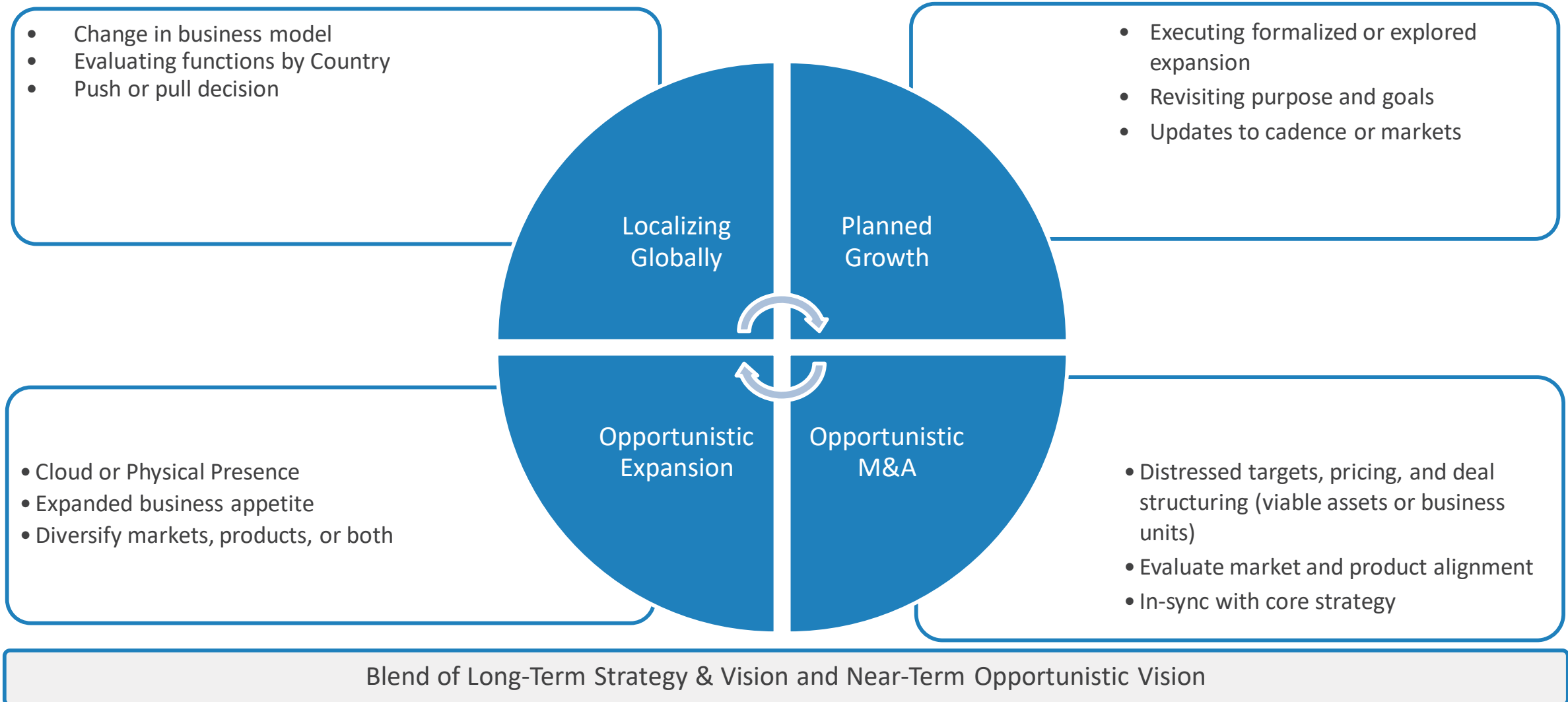
1. Balancing long-term board strategy vs new opportunities
2. Evaluation of business unit diversification
3. Expansion alignment to Core Strategy:
  - Validation and protection of main business
  - Syncing of culture and product
4. Set Push vs Pull Expansion Vision

## Execution Level

1. Change in cadence of response and execution
2. Scarcity of Time and Presence
  - Opportunity Pursuit
    - ◇ Remote Exploration
    - ◇ Market Research
    - ◇ Business Development
  - People Process:
    - ◇ Talent Acquisition (Search and Hiring)
    - ◇ Integration Process
3. Communication channels

# Cross Border Growth Opportunities in This Journey

## Create a Model of Sustainability



# Localizing Globally:

## Capitalize on Opportunities or Avoiding Risk

- Managing the process
  - Vision and culture without company travel
  - Where are the resources you need?
- Clearly stating the “why” through the “what”
  - What changed in the environment?
  - What is different about the timeline? The opportunity?
  - What is necessary for business continuity?
- Addressing the “how”
  - How does the company pivot strategies?
  - How to build without disruption?



# Planned Growth:

## New Environment Same Strategy?

- Plan validation in COVID Environment? Post-COVID?
  - Required changes to market, products or competitors?
  - Access to talent? Different talent required?
  - How does Covid-19 impact your ability to scale?
- Plan pivots vs modifications
  - Cadence of execution
- Does how you planned to grow need to change?
  - Travel? Limitation on Visa?
  - Hire Locally
  - Transaction versus Organic

# Opportunistic Expansion:

## Staying Consistent With Core Resources and Capabilities

- Why are you going where you are going?
  - Where is the market/existing customer base/competition?
  - Is your product or service international market ready?
  - Where is the talent you need?
  - Other considerations: business environment, logistics, language, time zones, culture and tax
- Researching the market to determine the best approach
  - How do other companies enter and operate in the market?
  - How does Covid-19 impact your ability to enter and scale?

# Opportunistic M&A:

## Understanding the Target and Location

- Does the market and product mix align to core strategy?
- Accelerated Execution
  - How does this fit into your wider international strategy and structure?
  - Advantageous pricing, but does the timeline fit?
- Pricing with COVID-19 Risk Modelling
  - Rescue Deals, Restructuring, Distressed Sellers
  - Necessary changes to deal financing and structuring
  - Additional stress tests
  - Do the terms look different?

# International Market Entry:

## Preparing for International Setup

- Setting up an overseas operation
  - Know your metrics and timelines for success
  - Know what you can do remotely versus requires in person representative
- Plan ahead, some things take longer than you expect
  - Hiring lead times and obtaining visas?
  - Need for Local Representation?
  - Setting up entities and opening bank accounts
  - Internal budgeting and expenditure
- Do your own research
  - Understand the jurisdiction you are working with
  - Beware of second hand information, take good advice!
- Be thorough

# International Market Entry:

## Entity Formation

- Don't be an "accidental tourist", it's easy to trigger corporate taxable presence in many countries without intending to
  - Based on actual operations
  - Likely if there is a fixed office or dependent agent/employee
- Without pro-active decision, it's likely a de facto branch is created
  - Tax implications, liability for directors, required to disclose US company financial information
  - Ensure you appear on the radar when you decide to, not before

# Acquisitions

## Buying a Position

- Overseas acquisitions
  - Due diligence: understanding the differences in the market.
  - M&A transactions, consider how the process, timeline, laws and deal structure differ from a local country transaction.
  - Other considerations: deal disputes, deal dissatisfaction, post-merger integration, employee transfers

# Branch vs. Subsidiary Considerations

## Branch Considerations

- Extension of company's home office
- Permanent establishment risk for direct and indirect taxes
- Treaty protection
- Income and expense allocation and apportionment
- Dividend equivalent withholding tax
- Transfer pricing considerations

## Subsidiary Considerations

- Corporate Veil
- Tax-free incorporation
- Protects company's home office from local filings
- Clear income and expense accounting rules
- Subject to direct and indirect taxation
- Transfer pricing considerations
- Withholding tax on certain payments

### Branch vs. Subsidiary

Consider your future plans and how the choice fits into your wider international structure

# Cross Border Tax Planning Considerations





# Building the Team:

## A Balancing Act

- Remote working vs office based/onsite
- Local employment laws will apply
  - No "at will" employment (outside US) and each country will differ
  - Local law employment contract
  - Rules around notice periods, approved leave, vacation, termination etc.
- Understand cost of employment and standard benefit costs/offering
- (Some) Other issues:
  - Protecting your position
  - Probationary periods
  - Using post termination restrictions/non-competes
  - Data protection

# International Market Entry:

## Building the Team

- Immigration
  - 'Right to work' checks
  - Work permits for employee transfers
  - Employment contracts / assignment agreements
  - Changes in foreign jurisdiction employment law (employment rights, holiday pay etc.)
  - Cost of Expats - tax equalization
  - Post Covid-19 - timing and accessibility

# International Market Entry:

## Alternative international workforce routes?

- Beware of consultants, ensure they are a "genuine contractor"
  - Misclassification = employment law and tax risks
  - Protecting IP, enforcing post termination restrictions and Commercial Agent Regulations
- Can using an international PEO provide an alternative?
  - Potential option to facilitate quicker hiring/market access
  - Important to do diligence on the proposed provider(s)
  - Consider that not all global PEO's are created equal – and not every PEO has the same structure in each country
  - Ensure you understand what the tax implications are (e.g. Permanent Establishment risks)
  - Understand other local risks and nuances

# Dealing With Overseas Commercial Issues and the International Regulatory Environment:

## Intellectual Property

- Before going in: research the market
  - Is the brand already in use?
  - Different meaning?
- First impressions last
  - Differences in IP protection
  - Patents vs. copyright
- Trademarks – EU wide application? Protected in the US? Other regional coverage?
- Enforcement rights across borders
  - Rights enforceable across the US/EU and elsewhere?

### IP

- Additional steps to secure IP rights currently enjoying protection under EU law
- Territory covered by licensing agreement

# Dealing With Overseas Commercial Issues and the International Regulatory Environment:

## Contracts

- US exclusions can invalidate the contract. European terms may not work in the US.
- Product liability
  - Can't be excluded by agreement
  - CE marks & other international safety standards
- Consumer protection laws are relevant
  - Certain provisions may be required
  - Do you need to translate?
- Negotiation position
  - Expectation that even B2B that agreements are valid under local law

### Commercial Contracts

- Is Brexit or pandemic a force majeure/ cause for termination?
- Negotiation with a UK company
- Impact on regulated agreements (e.g. commercial agencies, consumer law etc.)
- Forum and choice of law considerations

# Dealing With Overseas Commercial Issues and the International Regulatory Environment:

## GDPR & Privacy Considerations

- Are you collecting EU resident data? How do you use data globally?
- GDPR in EU in effect as of May 2018. CCPA in effect in the US and consider other overseas privacy regulations
- Focus around 'controlling' or 'processing' of Personal Data
- One of the key principles: no transfers from Europe to the US
- Exceptions
  - Consent: not always practical
  - Privacy Shield: self certification for EU-US transfers
- Don't forget your employee data!

# Additional Practical Considerations for Conducting Business Overseas:

## Operating Globally

- Real estate, office space and international work style considerations
- Dealing with international disputes: forum and governing law
- Industry specific regulation
- Consumer protection regulation
- Passporting regulatory approvals/licenses between EU countries
- FX and transferring funds
- Boiler plate: enforceability, currency, time zones, effective notice

### Regulation

- EU Passporting system no longer applicable from the UK into the EU?
- What about EU regulated companies operating in the UK?
- EU industry specific regulations to remain the same in the UK?
- Investment – new UK legislation aiming to attract overseas investment post Brexit?
- Other considerations?

# Additional Practical Considerations for Conducting Business Overseas:

## Cultural and Practical Issues

- Applies globally – every country has its own customs
  - Can cause offense without intending to
  - Use of informal language or first name
  - Punctuality, meeting times, etc.
  - Coronavirus impact on approach?
- Can impact your business' success
  - Building up sales relationships can take a long time e.g. longer sales cycles – don't give up
  - Perception of "big American company" in the market
- Same language doesn't mean that everything else is the same
- Getting cultural aspects right can make a huge difference
- Integrating the overseas team with HQ





# In Closing

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor

# Is the Timing Right?

- Why expand abroad instead of growing business at home?
- Is your foundation at home strong enough to withstand disruption?
- Acquisition or new operations?
- Do you understand the U.S. market? Where will you set up?

**Why is the U.S. market appealing?**

**When is the right time to make the move?**

- Who is competition? How are you different?
- Is there a need for your product or service in the market?
- What is your competitive advantage in the U.S. market?
- What industry trends are important?

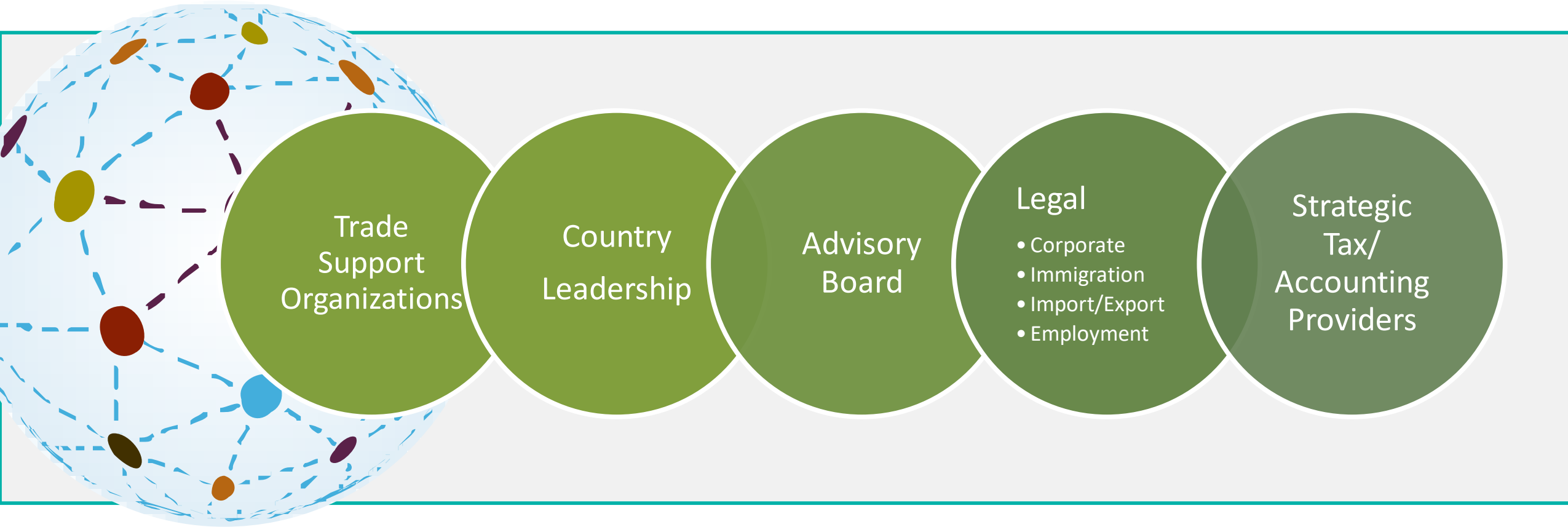
- Do you have U.S. advisory board?
- Who will lead your U.S. operation?
- Where will you find your workforce?
- Do you like to fly?

**Who is on your team?**

**Do you understand regulatory environment?**

- Do you understand U.S. tax system? (federal, state, local)
- Do you have the right visas?
- Are you prepared for the U.S. legal system?

# Assemble Your Team



# Create Your Road Map, Timeline and Budget

We focus on inbound companies and individuals.

We create a roadmap to streamline the process of entering a new Market



Experienced advisors who understand the U.S. and your home country.



One single resource to handle all your needs



Connections to banking and legal resources



Process that reduces the pain points of entering the U.S.

# Keys to Success

Do your due diligence

Use a U.S. advisor to vet your budget and roadmap

Find the right trusted advisors early that know inbound companies in your industry

Have the right company resources dedicated to the expansion

Have a plan, but don't be afraid to adjust it

Don't forget the customer