The best time to scale your company globally

Growing into an international market can transform your company by building brand recognition and helping you reach new consumers and suppliers — but is it right for your business? If global growth and moving into a new market is your next step, you need to learn when to expand internationally and how to recognise when your company is ready for the transition.

Temps de lecture : minute

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Is your business ready for global growth?

Global growth is a long-term goal for many business owners — but *breaking into an international market* isn't right for every industry and company. Growing into an international business model could be a profitable decision for your company if the following criteria apply to you.

1. You reached your full potential at your current location

Take a close, honest look at your current operations. Are you successful enough to open another location in a new market? Is your flagship service, location, or product generating more than enough revenue to cover the cost of your current operations with a significant surplus?

If your profits align with your goal, it's time to examine your operating conditions and staff. Have you secured talented, skilled employees and invested in a long-term training plan to sharpen their skills? Have you taken steps to make sure they are happy with their positions in your company? According to one report, *89% of employees* say they are more likely to recommend a company that has invested in well-being initiatives that help them live healthier, happier, and more balanced lifestyles. Lack of adequate development opportunities and poor work-life balance are *two leading reasons* valuable employees choose to leave a company.

Your existing locations should also have all necessary equipment, supplies, software, and electronics. If your current sites lack the tools and improvements to conduct business successfully and retain hardworking employees, then it's too soon to grow internationally.

Have you run out of domestic markets to enter? Have online consumers expressed an interest in more international offerings? If you've reached your maximum potential in all domestic markets, it's a sign that you might be ready to grow your business internationally.

2. Your product or service makes sense in other markets

The *two main reasons* companies pursue global growth are to capture a market share and increase their sales presence. However, just because your current market loves your product or service doesn't mean you will succeed in an international market. You wouldn't expect a company specializing in producing rainproof clothing to succeed in an arid desert country — the same logic applies to all goods and services.

Conducting market research and adapting your existing offerings are two parts of the company-growing process you can't afford to skip. Ask yourself the following questions:

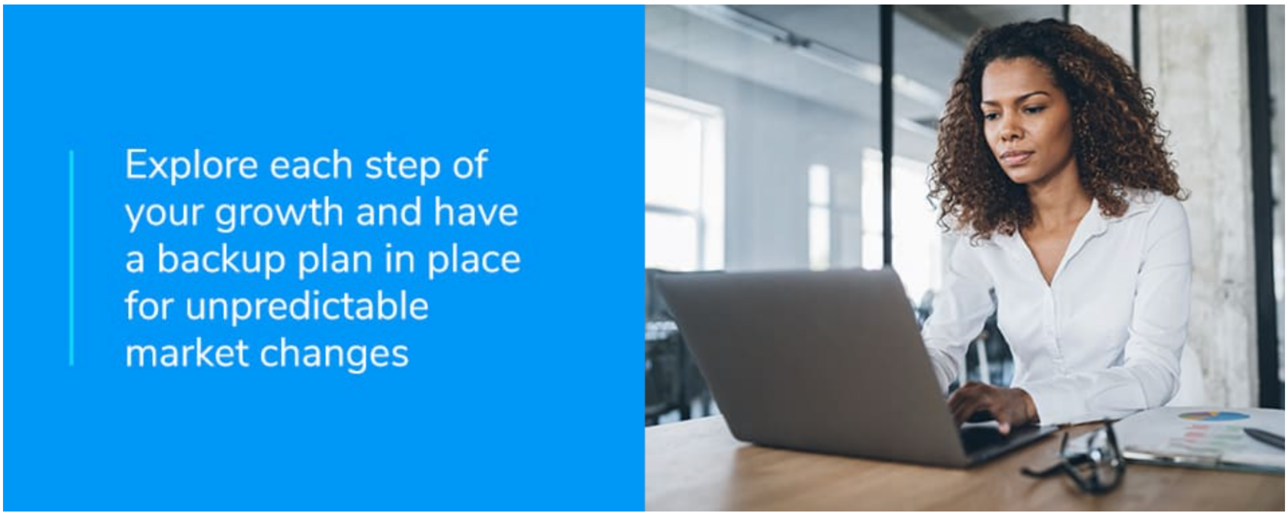
- Who is the ideal buyer persona for my existing product or service? What do they need and value? How do I meet and exceed their expectations?
- What are the current political, environmental, cultural, and economic states of my desired international market? How do those facts

compare and contrast to my current market?
- How will these differences alter what I currently offer? Will my product or service make sense in this context?
- How saturated is this current market? Is there a similar product or service already being offered? If so, does my company have enough distinguishing characteristics, such as a lower cost or unique feature, to justify a location here?
- Who is my new buyer persona in my international market? Where are the gaps? What needs is my company unable to meet?

In some instances, you may find that international growth is the only option if you have a production need that you can only meet in a new market or with the help of international talent, such as a specific manufacturing resource or specialised skill.

3. You understand the benefits and complexities associated with global growth

Before you grow your company, you must have a clear understanding of the risk and reward involved. Without sufficient planning and resources, your venture could turn into a costly error. Companies *interested in global growth* cite adequate resources for operations and compliance and recruiting international talent as their biggest concerns. The *Harvard Business Review* found that, of all the companies in their database that attempted expansion, it took the average business five years to experience a 1% return on assets (ROA). Additionally, only 53% exceeded 3% after 10 or more years of operation.



If international growth is the best fit for your industry and company, don’t let these figures sway you from your goals. Instead, consider them a preparation guide so you can avoid the same pitfalls others have encountered. Explore each step of your growth and have a backup plan in place for unpredictable market changes, like an economic downturn or a worldwide health crisis, to reduce your chance of insolvency. Work with professionals, like a global Employer of Record (EOR), who can help you secure local employees and keep your company in legal compliance with all labor laws.

Once you’ve come to terms with and prepared for the risks, create a plan for how you will reap the rewards. International growth opens you up to new consumers, diversifies your offerings, and gives you a competitive edge. It’s also the best way to raise brand awareness and build a strong reputation that will carry you further into even more new markets.

Determining the best time for growth

Maybe you were presented with an opportunity you can’t turn down, or your flagship location has seen immense success — but are you ready to make the move? Entering a new market takes careful planning and involves multiple internal and external factors. Premature growth is a costly, unnecessary risk. Instead, *plan your global growth strategy* carefully and make sure you meet the following criteria.

1. You have a sound business plan

Consider your existing company structure and management hierarchy — is it easily adaptable to a new market or business plan? If you wrote a formal business plan when starting your company, use it as a starting point and make revisions and adjustments that account for your new market.

Include considerations like:

- International product packaging and labeling requirements
- Full-time written and spoken translation services
- Different employment contracts, including for remote workers
- Legal compliance across new markets
- Estimated time until you see an adequate return on investment (ROI)
- Local manufacturing standards and laws
- New products or services tailored to the local market
- Digital and print advertising methods
- Daily operations, including scheduling, problem escalation, and training

Establish benchmarks and a timeline for meeting them so you can measure your success at regular intervals and make changes as needed.

2. It makes financial sense

Assess your capital and create a long-term financial plan for your current locations in the domestic market, as well as your new international venture. In many cases, it makes economic sense to strive for global growth. Some countries offer enticing incentives for doing business there, like tax credits or grant programs. Others have a more affordable labor market or manufacturing facilities.

Consider the current state of your industry. If you’re experiencing a boom or experts project significant long-term growth, it might be the best time to make your move. As of 2021, some of the *fastest-growing global industries* are:

- Heavy-duty truck manufacturing, with 29% increase in revenue
- Water transportation, with 23.6% increase in revenue
- Aircraft manufacturing, with 17% increase in revenue
- Auto sales, with 16.6%increase in revenue
- Auto and auto parts manufacturing, with 11.9% increase in revenue
- Hotels and resorts, with 11.8% increase in revenue

Other profitable global industries include oil and gas, airlines, and management consulting.

3. You know your international market well

If you’re unsure when to take your business global, consider how well you know your desired market. Do you still have things to learn or formal market research to conduct? Do you have any existing roots in your international market that you can leverage to your advantage, like employees, investors, or suppliers?

Understanding your market means having a firm grasp on your target consumer and how their surroundings impact their purchasing decisions. What needs and concerns do they have? What solutions do you offer? Are there any crucial taboos, cultural traditions, or nuances you need to be aware of? Take time to explore and get to know the place where you want to establish your company. Sample local competitor offerings and *localise your company* by finding local talent, like designers and marketers, who can help you make the transition successfully.

Analyse your chosen market's gross domestic product (GDP) and *its growth rate*, keeping in mind that a high GDP is only an asset to your company if it matches the local population growth and consumer purchasing power. Inflation plays a significant role in how a market responds to a new company and the cost of doing business there.

Global growth time frame — how long does it take?

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As you calculate your expansion timeline, consider the following crucial steps for establishing a business in a new country:

1. Conducting a market study
2. Securing capital
3. Establishing an entity
4. Opening a bank account
5. Registering and filing for permits and taxes
6. Hiring, training, and onboarding employees
7. Launching your business
8. Holding annual meetings

GLOBALIZATION PARTNERS

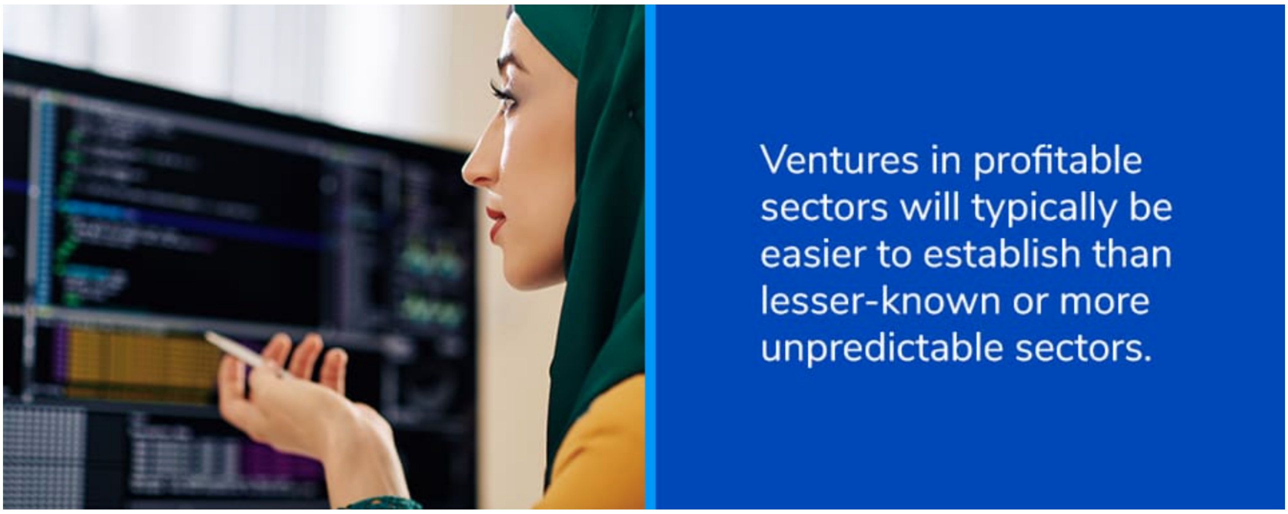
The *global expansion process* can take your company months or years, depending on your industry, the location you're growing into, and your available resources as you make the transition. As you calculate your growth timeline, consider the following crucial steps for establishing a business in a new country:

1. Conducting a market study: Conducting a market study of your international destination can take anywhere from weeks to months, depending on how extensive your research is and the sample size you use for surveys and information.
2. Securing capital: Securing capital can take anywhere from months to years, depending on the cost of your international goals and how much capital you bring to the table yourself. The more capital you're seeking from loans, investors, or grants, the longer the process will take.
3. Establishing an entity: Establishing a legal entity in your chosen country is a necessary step for most international growth, especially if you're hiring local employees to work for your company. If your legal entity includes a physical location, factor in how long it will take to secure a place, complete any construction or renovations, and apply and receive permits.
4. Opening a bank account: Many countries require international companies to have a local bank account for taxes and employment. The application process may require extensive documentation and in-person meetings, so allot several weeks or months into your timeline.
5. Registering and filing for permits and taxes: It's easier than ever to apply and register for permits and tax identification numbers, thanks to online application portals — just be sure to have all necessary documentation and contact information for all relevant parties before you begin.
6. Hiring, training, and onboarding employees: Before you can hire, train and onboard employees, you must have extensive knowledge of local labor laws, including taxation, benefits packages, minimum wage,

industry standards, and employee rights. The best way to do this is to work with an EOR, which will handle the legal complexities of international hiring so you can focus your labor efforts on providing adequate training.

7. Launching your business: Once you've hired and trained employees, you're ready to launch your business officially. How long this will take varies, depending on your start-up process. Don't forget to account for marketing initiatives, seasonal events, and other relevant local information that may dictate the best time to start your business.
8. Holding annual meetings: Some countries require locally-based public companies to hold at least one annual shareholder's meeting.

Understanding the best time to grow globally



The best time for global growth depends on your chosen location's economic and political situation, your industry and any relevant seasonal concerns, and what entry strategy you're using. For example, some industries, like consumer tech, might wait to grow and launch their new global venture until their next product launch. Other examples include financial services, which are typically busiest during tax season, or restaurants or food service providers that rely on seasonal produce or ingredients.

Ventures in profitable sectors will typically be easier to establish than lesser-known or more unpredictable sectors. As of 2020, the *most profitable industries* across the globe were:

- Oil and gas, valued at $251B
- Pharmaceutical drugs, valued at $104B
- Computers and peripherals, valued at $97.8B
- Systems and application software, valued at $73.5B

Other profitable industries include life insurance, healthcare services, computer services, entertainment software, and household goods. The two *most profitable companies* in the world are Apple, with a net income of $58.4B, and Microsoft, with a net income of $44.3B.

Two common entry strategies for accomplishing your growth goals

Your entry strategy is also a key factor to consider. Two of the most common strategies are the pioneer entry and the late arrival entry.

1. Pioneer entry

To be a pioneer company in a new market means you're the first of your kind. You have the advantage of bringing consumers an all-new product or service and being the only option available in their local market. This freedom grants you full control over how you want to distribute your product, how you price it, and what standards you want to set should any competitors begin offering a similar product or service. It's a good fit for products with a shorter shelf life, like electronics.

Being the first in a new market is not without its drawbacks. As the first, you’re taking an unpredictable plunge into a market that may or may not be a profitable business decision. Without local competition or an existing industry standard in this new location, you have very little insight to work with. Be sure to conduct extensive market research before implementing this entry strategy.

2. Late arrival entry

The late arrival entry strategy is for companies growing into an already saturated or nearly saturated market. The most obvious issue with this strategy is that you have to work around existing consumer loyalties and expectations for price and service.

However, arriving late gives you the unique advantage to capitalise on everything your competitors aren’t taking advantage of, like offering lower costs, more personalised services, or better products.

Learn more about growing into international markets with Globalization Partners

Globalization Partners is a global EOR with a presence in more than 180 countries. We can help your company achieve international growth by managing customised employment contracts, navigating international labor laws, and working with in-house experts and local professionals to keep your company compliant while enticing top talent to your business.

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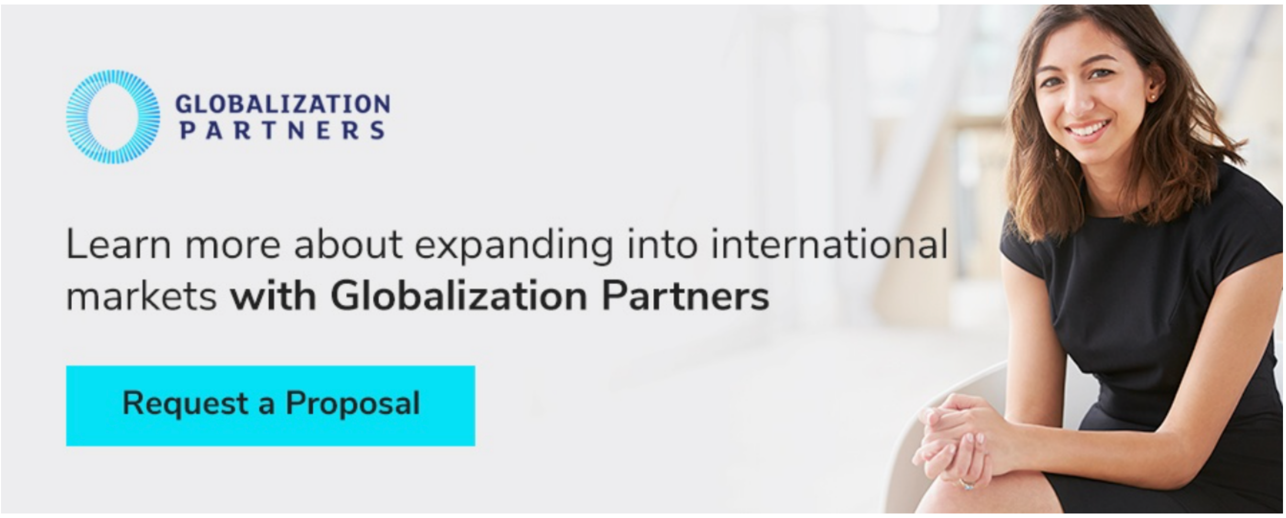

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Article by Nick Adams