CPA Practice Advisor

that decision-makers at mid-sized businesses in the U.S. are facing when expanding their company's supply chain or geographic presence internationally and how they are ...

Jul. 18, 2018

The 2017 Wells Fargo International Business Indicator found that 81 percent of U.S.

are tackling them. Top of the their list of concerns about going global is uncertainty around current geopolitical events. For example, although the European Union's General Data Protection Regulation (GDPR) has already gone into effect, 76 percent of respondents think their organization isn't ready to be compliant and that it will delay their expansion into Europe.

Another source of uncertainty for European expansion is Brexit. The U.K. is scheduled to leave the E.U. in less than a year and 61 percent of respondents are still concerned about the impact Brexit could have on their businesses if they pursue international expansion into Europe. Dash Victor, Controller at software company Docker, explained that companies like his that were thinking of making London their EMEA hub are delaying the decision because "of course companies want to be sure they can easily sell in to the E.U. from whatever hub city is chosen."

Many companies also now need to factor in the realities of the evolving U.S.-China trade relationship, including uncertainty around tariffs on specific goods. For example, 69 percent of respondents are concerned about trade disputes between the U.S. and China, and 71 percent are concerned about the renegotiation of international trade agreements such as the North American Free Trade Agreement (NAFTA).

Unfortunately, companies have very little control over these global uncertainties, but it's important to try to anticipate and plan for as many potential challenges as possible. A concerning 88 percent of respondents think their organization is unqualified to successfully address necessary aspects of global expansion. The aspects of global expansion that respondents think their organizations are least qualified to successfully address include: knowledge of local markets (34 percent), different tax codes (32 percent), foreign exchange volatility (32 percent), hiring to support international expansion (31 percent), compliance and regulatory risk (30 percent),

will more easily enable their international growth, while 51 percent are engaging vendors that have the capability to work smoothly in new markets.

In addition, forty-one percent of respondents are planning to establish back-office operations around international realities to keep pace with their expansion. The most effective finance teams streamline back-office operations to spend less time focusing on financial operations and payment complexities and processes and more time partnering with other areas of the business to deliver greater value, such as by optimizing working capital and helping the company scale globally more efficiently.

According to Rob Lenderman, Founder and Chief Operations Officer of the creative optimization marketing technology Boost Media, when the company first expanded outside the U.S., the team quickly realized it would be nearly impossible to understand the banking systems and tax regulations in all the countries where they wanted to operate. Boost Media now pays out to around 30 countries on a regular basis thanks to implementing back-office technology that supports international financial operations. Without this approach, the company would have had to scale down expansion ambitions to only three or four countries, limiting the quality and quantity of people the company could work with outside the U.S.

The most important preparation for expanding globally is to implement systems that solve finance problems, so that, for example, even if India suddenly changes its taxation rules, you're still covered. While international expansion is challenging for finance departments and always subject to financial, political, and regulatory uncertainties, back-office technology has evolved to support international expansion, streamline operations, and keep pace with changing banking systems and tax regulations. Technology can help an organization scale internationally and help finance departments shift their focus from managing the details of supplier payment processing to delivering valuable guidance to the business.