

Globalisation of your technology business

The technology sector lends itself to global activity, and businesses can grow strongly through 'globalisation'. Achieving global success still requires careful planning, not least in terms of how, when and where to develop your international operations.

Global expansion offers a range of benefits that can boost corporate performance. However, there are many key management considerations and pitfalls to be avoided when implementing an international strategy. Even companies that have already begun developing an international presence may need to review business structures and operational details in order to maximise the benefits.

Key benefits

Building a global technology business can deliver a range of benefits, such as:

- face-to-face presence to 'level the playing field' with local competition;
- gaining greater exposure to a new target customer base;
- risk mitigation through reduction of dependency on a single market;
- extension of product sales life by ensuring customers' needs are managed locally;
- reduced exposure to seasonal trends in a particular region;
- increased exposure to potential investors, ensuring your company and product remain in the global limelight.

Successful globalisation of your technology businesses can therefore boost revenues and support the financial health of the company.

Key management considerations

While globalisation offers a range of business benefits, many issues need careful consideration if cross-border expansion is to be achieved successfully.

Do you have a strategy?

Before taking any steps towards globalising your operations, determine how this fits with core business goals. Make sure your strategy can be clearly articulated so that it wins the commitment of all those needed to deliver it. Questions to consider in developing your strategy include:

- What geographical markets are you targeting?
- Will you target one location at a time or multiple markets at once?
- How will you manage your new locations – from headquarters or through local decision-makers?
- At what rate do you want to expand?
- How will you finance your expansion?
- Will you act alone or through joint ventures with local parties?

Do you understand the needs of your new customer base?

Unless you already have a global brand, your target market may not fully understand your product. The need for investment, both time and money, in the education of the consumer will differ by location depending on the nature of your product.

Have you researched your new market place?

Firstly, look out for tech hubs which are increasingly commonplace internationally. Locating your business in or around such areas of excellence can support continued success. Tech hubs are an important source of skilled labour and potential partners, which can lead to an improved product and economies of scale.

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Secondly, make sure you understand the laws and regulations that apply in each of your target locations, and don't underestimate the importance of setting up correctly.

Thirdly, look out for government grants and incentives, which are becoming increasingly common as countries seek to develop strong technology industries.

How will you structure your remuneration to retain a skilled workforce?

Technology companies rely heavily on the abilities of talented individuals, so how you remunerate them deserves careful consideration. In particular, the loss of key staff and their knowledge can seriously impact a company's development – especially in the growth phase. Retention can be encouraged through share option schemes, which tie the fortunes of the workforce to your company, encouraging both effort and loyalty. The tax implications of remuneration packages differ from country to country, so should be investigated up front.

Where will you locate your intellectual property (IP)?

Unlike other fixed assets, IP is inherently mobile. This means that technology companies whose business relies on the development and exploitation of IP have a relatively wide choice over where they locate. The tax implications vary from country to country and the consequences of location should be considered carefully.

What does your global group structure look like?

It is important to get your group structure right, not least because each jurisdiction has differing regulatory requirements. Even the seemingly simple decision of whether to set up a branch or subsidiary involves multiple variables, such as the public nature of records, potential tax efficiencies and associated maintenance costs.

Do you understand the tax implications of cross border activity?

Transfer pricing, VAT and other sales tax implications differ around the globe and their impact is not limited only to large corporates. How you set up and structure your business activities has substantial tax repercussions, so it is important to gain professional advice for your group from both a local and global viewpoint. Understanding tax impacts from the start should reduce the risk of problems arising as your operations grow.

Could outsourcing support your expansion?

It is often difficult for management teams to manage, monitor and record day-to-day activities in all business locations. Administrative and accounting activity for individual entities is therefore often centralised and outsourced, with local service providers maintaining statutory books and records. Legal requirements in different jurisdictions vary, but most require stand-alone records to some degree. Individual entity accounts must therefore be maintained, before any consolidated accounts are prepared. Specialist providers, such as Moore Stephens' Business Support & Outsourcing team, can generally deliver this service efficiently and effectively.

How important is data security?

Very. The resource required to manage the high volume of data generated by international operations continues to grow, so strong corporate governance is as important as ever. Roles for management should be clearly defined and documented, with formal risk management procedures and control matrices in place for all locations. These should be regularly checked to ensure information is up-to-date and systems are operating as required. The location of data servers should also be considered carefully, both for reasons of physical security and tax implications.

How do you monitor performance across your global operations?

Key performance indicators (KPIs) are essential for evaluating the success of any global organisation. Activities in individual markets may differ, so establishing the right KPIs for each location is important and should be based on a mix of industry and local knowledge. Relevant KPIs may also change over time, so periodic reviews are highly recommended and can bring increased purpose to your activities.

Seek professional advice

For help and advice on the globalisation of your business, contact us.

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