

## CFO BEST PRACTICES FOR MANAGING RISK WHILE SUPPORTING GLOBAL GROWTH



CARVING OUT NEW BUSINESS TERRITORY is never easy, especially when it involves navigating economic, regulatory, and political environments in unfamiliar parts of the world. Companies must balance the rewards of greater profits and increased market presence with the challenges of building and managing a team in a new country.

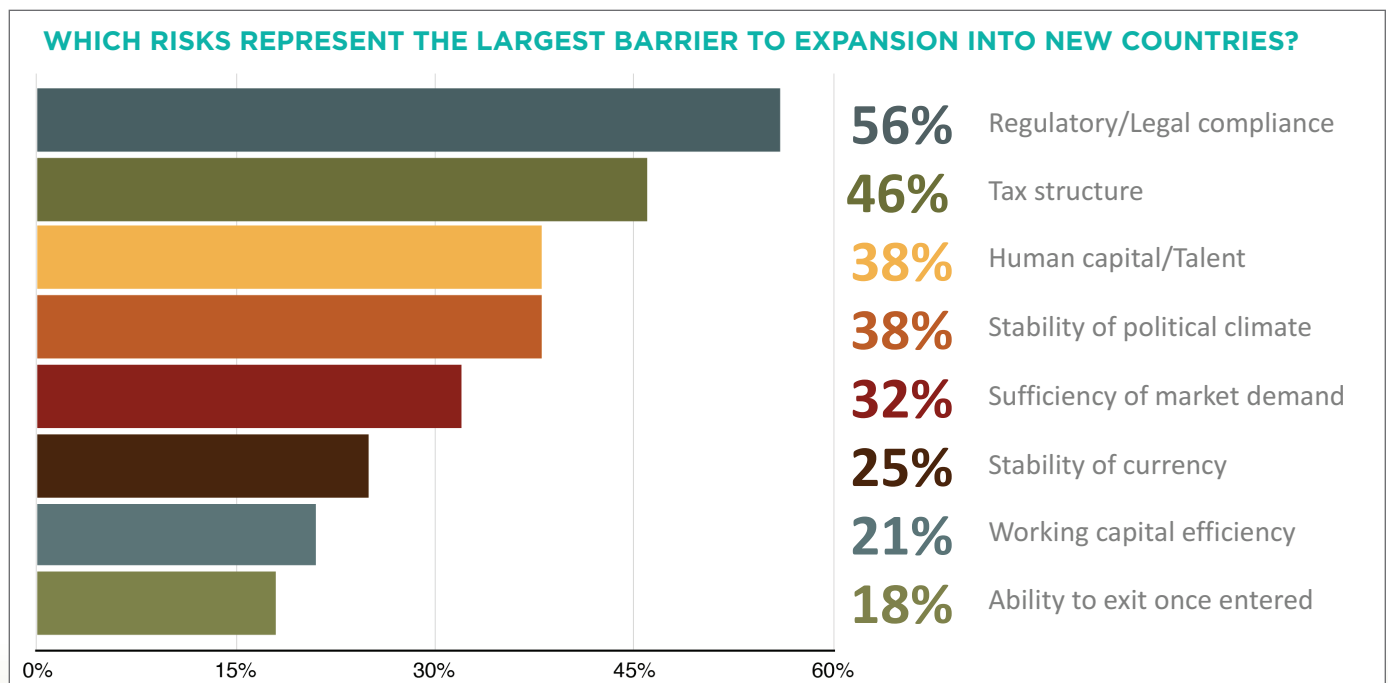
In a recent survey of 64 senior finance executives from companies that are actively planning to expand abroad, regulatory/legal compliance (cited by 56% of respondents), tax structure (46%), and human capital/talent (38%) were identified as the largest potential barriers to expansion in new countries. Finance chiefs also understand that in new countries they must account for the stability of political climate (38%) and sufficiency of market demand (32%), in addition to answering the core question of

market demand (32%). (See Figure 1.)

The survey, conducted by CFO Research in collaboration with Globalization Partners, a firm that helps other companies hire international employees without setting up foreign branch offices or subsidiaries, found that a clear majority (57%) of senior finance executives viewed the legal/HR/tax challenge bundle as a barrier to global growth. This is understandable, as the challenges of staying abreast with international tax and accounting regulations and labor standards are daunting even for companies with an established global presence.

In addition, staffing-up in a new country can consume considerable resources, and the quality of talent has a direct impact on an organization's ability to succeed in an untested market.

**Figure 1**

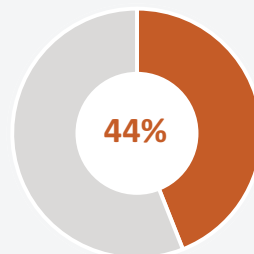


#### TAPPING THE INTERNATIONAL TALENT POOL

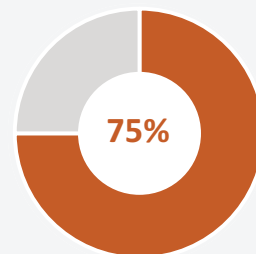
While the complexity of employing staff in a new country is not a new phenomenon, it must be addressed by firms seeking to grow. Ramping up operations in foreign territory is not simply a matter of finding the right people—although that is an issue—but also managing and supporting the staff once they are in place.

Finance chiefs point to finding talent (cited by 52%), legal compliance (48%), the challenge of setting up a subsidiary (33%), and onboarding (33%) as the human capital/talent issues representing the largest barriers to expansion into new countries. (See Figure 2.) While successful businesses are adept at managing these issues when operating domestically, they can be potential roadblocks when trying to build a staff in areas where they lack a network or even speak the language.

MY ORGANIZATION PLANS TO HIRE EMPLOYEES IN 2018 IN COUNTRIES WHERE IT CURRENTLY HAS NO EMPLOYEES

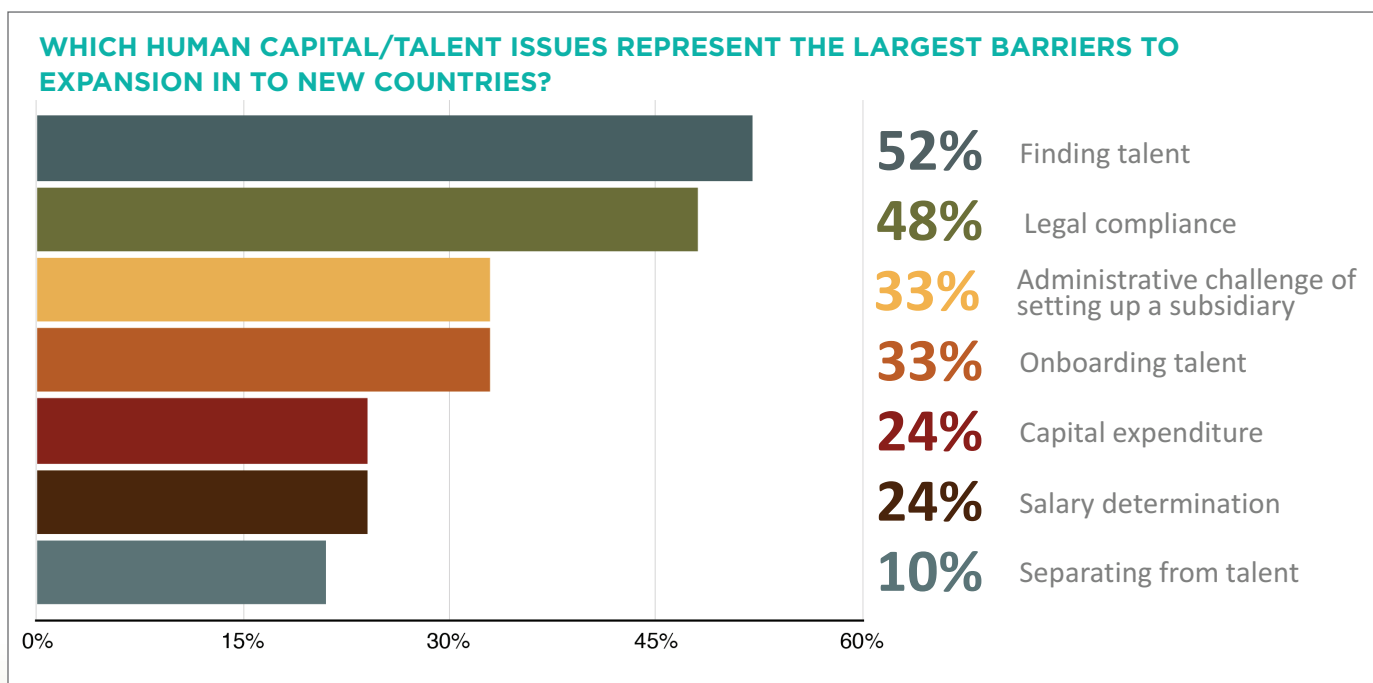


MY ORGANIZATION EXPECTS TO EXPAND TO AT LEAST TWO NEW COUNTRIES OVER THE NEXT FIVE YEARS



Yet, these challenges cannot be ignored, as 44% of survey respondents confirm that in 2018 they will hire employees in countries where they currently have no employees. And given that three-quarters (75%) of respondents expect to expand to at least two new countries over the next five years, the pressure to staff up in new territories is intensified.

Figure 2



### PARTNERING WITH THE RIGHT FIRM

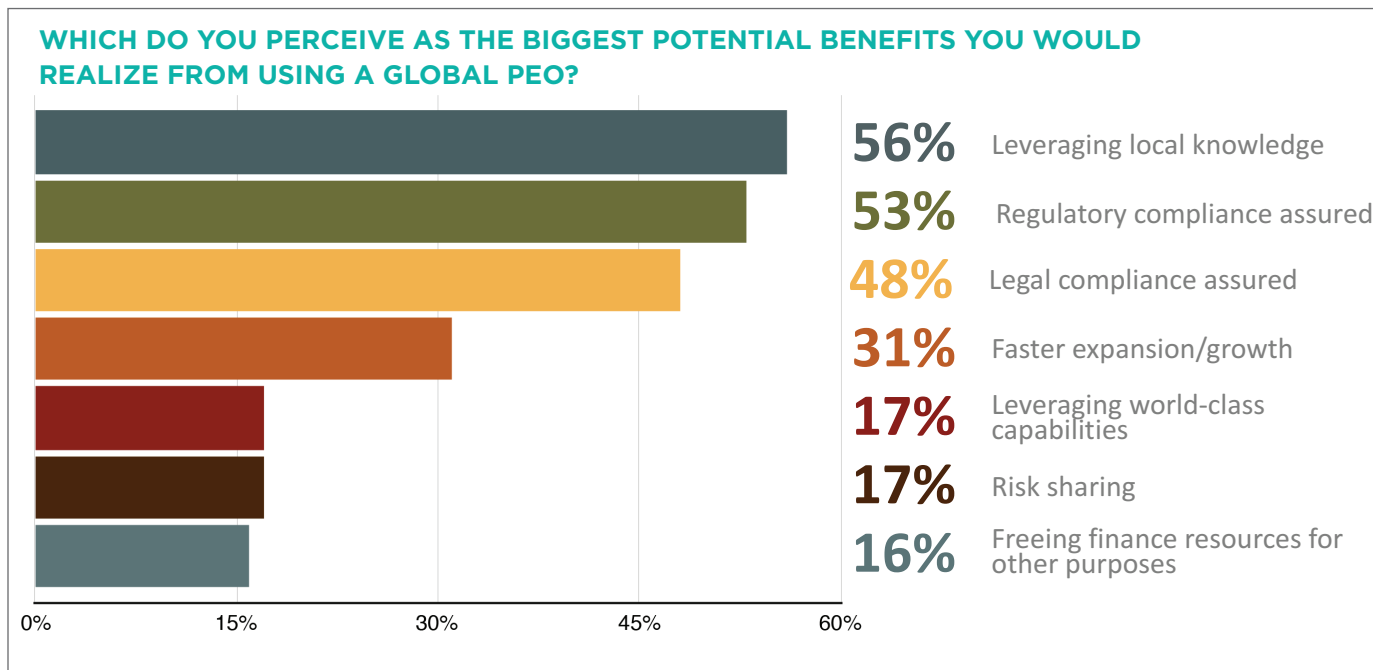
Progressive companies frequently rely on third parties to help manage international expansion and operations, with good reason. Third parties are well versed in the country- and region-specific details surrounding employment, tax, and accounting regulations. They know how to overcome the obvious challenges, as well as where the hidden challenges lie.

Respondents agreed that use of a trusted Global Professional Employer Organization (PEO) provides a broad range of benefits, along with a higher expectation of success, for companies expanding internationally. Using a Global PEO enables a company to quickly place workers in countries where they do not have a business subsidiary or branch office. This works because the

company's employees are placed on the Global PEO's payroll, with the company benefiting from the Global PEO's global legal infrastructure. The Global PEO then assumes the risk of complying with the laws in each country.

More than half of respondents chose leveraging local knowledge as a top potential benefit of engaging with a Global PEO (cited by 56% of respondents). A trustworthy Global PEO that has expertise with local regulations can more smoothly navigate the employment market and accompanying issues. Assuring regulatory compliance (53%), legal compliance (48%), and faster expansion/growth (31%) were also cited as potential benefits to working with a Global PEO. (See Figure 3.)

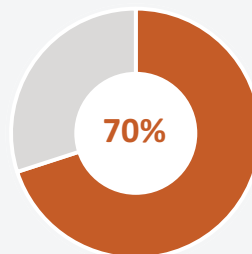
**Figure 3**



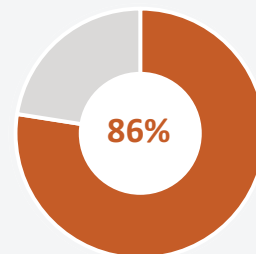
A majority of respondents noted concerns about cost and performance associated with partnering with a Global PEO, but it was clear that those concerns were outweighed by the magnitude of the challenge of trying to go it alone. Given the long list of potential benefits, it is clear why CFOs see the use of a Global PEO as the best practice for both supporting growth and managing risk in international expansion. Use of a trusted Global PEO would enable a company to expand into 10 countries at once, whereas more traditional expansion plans required slow and methodical evaluation to assess risk.

In fact, survey respondents see the use of a Global PEO as a best practice. A strong majority (70%) of survey respondents says they would consider outsourcing legal/HR/tax services in countries where they will be expanding. An even stronger majority (86%) of finance chiefs believe a trusted Global PEO can do a better job of overcoming barriers than a typical company can do on its own. It's clear that, in their

**MY ORGANIZATION WOULD CONSIDER OUTSOURCING LEGAL/HR/TAX SERVICES IN COUNTRIES WHERE IT WILL BE EXPANDING**



**BELIEVE A TRUSTED GLOBAL PROFESSIONAL EMPLOYMENT ORGANIZATION (PEO) CAN DO A BETTER JOB OF OVERCOMING BARRIERS THAN A TYPICAL COMPANY CAN DO ON ITS OWN**



dual roles of risk mitigator and growth supporter, CFOs recognize the importance of leveraging expertise to ensure success. Choosing a trustworthy Global PEO is important because a company is essentially outsourcing its entire legal infrastructure. There is a wide variety of quality within the Global PEO industry, and the penalties to companies for lack of compliance and adherence to local laws can be exorbitant to the end client. Going with a cheap solution can be a costly option for companies looking to hire employees in new countries.

## CONCLUSION

GEARING UP TO CAPTURE BUSINESS BEYOND DOMESTIC BORDERS can be both exhilarating and daunting. Overcoming the legal, HR, and tax hurdles of doing business in a new country is not a challenge that most CFOs want to take on alone. For companies seeking to expand and grow, it is an issue they will have to face. Fortunately, they don't have to face that challenge alone.

## ABOUT GLOBALIZATION PARTNERS

GLOBALIZATION PARTNERS eliminates the barriers to global business by empowering companies to quickly and easily operate abroad without needing to incorporate in over 150 countries. Leveraging both high-touch services and proprietary technology, Globalization Partners streamlines the employment of a global workforce on behalf of its clients, manages legalities and compliance issues, and takes on all of the associated risk. It counts Fortune 500 and high-growth startups among its client base, including General Dynamics, iRobot, Moz and Yelp.

For more information, visit [www.globalization-partners.com](http://www.globalization-partners.com).

