

International Expansion Guide



EMERALDTECHNOLOGY

Introduction

Today, you'll learn how to expand your tech business into new international territories and the pitfalls to avoid in the process.

International trade and global expansion have become a topic of discussion inside every boardroom. From single-person SaaS companies to enterprise-level firms post-pandemic, the world is moving again, and sights are being set across the horizon.

If you're reading this, chances are you're one of those companies.

So, you have a growing business. Clients love what you do, investors are brimming with excitement, things are going well. The next logical step is international expansion. Taking what's working here...and doing it somewhere else.

It can be exhilarating and terrifying at the same time. New revenue streams and brand-new client markets are tempting, but unless you have a solid strategy, it could be a step backward. Luckily, we've put together a simple step-by-step guide for you.



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Company Director



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Why expand?

The reasons for going global are usually extremely specific to your business. But we do have a few common motives to talk about.

1. Talent Search

Any tech business owner will know that talent is the bottleneck they never expected. Funding? Sure. Legislation? Maybe. But the talent pool simply not having enough people to choose from is something that takes most people by surprise.

2. Emerald are unique

Not only do we find the talent, but we also facilitate bringing that talent onboard with as little fuss as possible. We can acquire all the talent you need on a global scale, and we are the only EOR on the market that can seamlessly do both.

Also, when you don't have a legal entity in the country you want to expand into, it raises a complete set of new problems. You can mitigate a lot of those problems by talking to us first.

3. Market presence diversification

With geopolitical tensions running high, it can be a wise move to diversify your business. Moving into other markets has its downside, but it also helps the business keep growing and stay afloat if one major market goes south due to the economy or other factors.

4. Your circumstances have changes

Subsidiary acquisition, sales office opening, political upheaval. There's a lot of reasons why you might need to make a fast entry or exit into or out of a country. This can be a lot to deal with in a short space of time. Partnering with a dedicated EOR partner like Emerald can remove most of the headaches overnight.

5. You need extra revenue streams

This is intricately linked to market presence diversification, but slightly more pressing. The need for market diversification is sometimes because you want to hedge against something going wrong in your home country. Requiring extra revenue streams is the result of a saturated market. You absolutely must find fresh, untapped markets.

A study by the McKinsey Global Institute found that companies with higher levels of internationalization had a

30%

higher compound annual growth rate (CAGR) compared to companies with low levels of internationalization.

Chances are you have decided to go ahead and start putting together an **international strategy**. We know it can seem a little overwhelming, but thankfully **we've assembled our top tips to help you move forward at this stage.**

1. People always beat systems.

As we have established above, you need a plan. What market are you trying to penetrate and why? How will your product or service likely be received in the market?

A clear customer persona in every market you intend to operate in will help you define and redefine your strategy. This is a fluid situation. It's also why we advise against platform-only solutions to payroll and talent acquisition. Those solutions are too rigid and simply can't cope with the rapidly changing geopolitical world we live in.

2. Choose your partners wisely

We suggest you choose an international expansion partner with care. International markets are full of potential, but there's also a lot of risks. Your partner should know what's in store and crucially, have experience in the field. Emerald has already helped hundreds of companies just like yours. We handle talent acquisition in foreign markets daily. Our entire infrastructure is built to withstand dramatic changes to human resource legislation and tax legislation.

Our portfolio covers every type of business from seed stage to enterprise level. Whatever issue you have expanding your business, we've handled it before.

3. Action not reaction

During your international expansion phase, it's tempting to throw as much spaghetti at the wall and see what sticks. Don't do that.

The last thing you want to do is become reactive. Having a plan and partner who can execute that plan will help you avoid the pitfalls associated with global expansion. You don't want to spend your day running around putting out multiple fires. Lurching from crisis to crisis isn't a good look.

4. Small steps- big rewards

The ultimate goal should be to go into the new market nice and lean. With help from an established consultancy, you can see what works and shift perspective rapidly. Expanding on a micro level to get macro long-term gains. With Emerald, you can dip your toes before diving right in. With our advanced systems and practices, we can secure talent, arrange VISAs, organise payroll and manage your entire expansion into a new market.

Without you ever having to set up a legal entity in that country.

5. Cashflow is King

If you've made all the right moves, you should see big rewards from expanding your business into a new market. Now is not the time to hedge. By reinvesting that money back into your expansion plans you can quickly gain a foothold and potentially squeeze out competitors. This has an effect called "expansion multiplication", expansion into new markets is now being funded by the rapid growth of older markets. The cash flow allows you to acquire the best talent, faster.

Keeping a positive cash flow in a new market will put you in first place when it comes to hiring A+ talent. When you're putting money on the line, agility is the key to success. Organic problems require organic solutions.

Finally, after you've assembled your plan and ticked all your boxes, there's still going to be elements you can't see because you simply haven't experienced them. Luckily, we have, and we can let you in on a few secrets.

Here are the biggest reasons why a large amount of international expansion goes wrong. These aren't in order of importance so make sure you read them all the way through.

1. Failed Infrastructure

Since it varies from country to country, this is one of the big stumbling blocks. The functional back-end infrastructure you'll need is vital to growing your presence abroad. Remember, we aren't trying to maintain here, growth is the only option because the expansion has to pay for itself.

If you don't have a legal entity in the country of choice then Emerald is a great option. But if you do want to go at it alone you'll most likely need to entire back-end infrastructure for, legal representation, accounting, bookkeeping, HR, payroll, M&A, IT.

These things can get you in ridiculously hot water if you don't get it right. Your organisation can easily fall foul of local tax or HR compliance laws and end up in court.

Getting council with a trusted advisor like Emerald is a smart choice that could save you hundreds of thousands of dollars in legal fees.

2. Quality Control

You've already completed the internal audits and decided you can go ahead with international expansion. Brand perception is great. Now you must think about delivering that product in a new marketplace. Can you guarantee the same quality as you provide back home?

Moving into new markets can be a fantastic way to test the waters and see how your product is perceived in other countries, but you still must deliver the same quality.

It's another reason why we encourage companies to avoid remote contractors. Employing in-house talent, especially local, can often mitigate quality issues because they intrinsically understand the local client base.

Product localisation or "rewrapping" is common businesses trying to penetrate a new market. The offer is good, it's the packaging that needs work.

3. Compliance, compliance and more compliance

As you've most likely seen in the news lately, international business expansion and compliance are hot topics. Tax laws are changing for big-tech companies and it's a scramble to figure out some sort of path through this red tape. Archaic governmental structures aren't built for fast moving business expansion.

You'll need to watch out for:

- Compliance with local laws for payroll, onboarding, employee benefits and compensation
- Subsidiary or regional presence laws
- Local banking regulations and regional bank accounts
- Commercial certification
- Record and fil maintenance
- Taxation

Those are just a few reasons why a local government could take you to court and slap you with a hefty fine if you get it wrong. Partnering with Emerald shifts most of that pressure to us.

Google, Facebook, and Amazon are all currently in court over legal issues due to international business expansions. While most of that is centred around taxation, you're still better off talking to a trusted

advisor before going ahead with any plan you must expand into new markets. No matter how big or small you are.

Expanding internationally and ensuring compliance with various regulations can increase operational costs for tech businesses. According to a study by Thomson Reuters, compliance costs for businesses have increased by an average of

450%

over the past five years.

Helping you expand your business internationally as an Employer of Record is in our source code. We do all heavy lifting so you can concentrate on building your business.

Is it the right time for

International Expansion?

There are many factors at play to determine whether your organisation is ready for global expansion. A proven product-market fit is a non-negotiable must, naturally. The same can be said for having a firm grasp of underlying costs.

You also need to ask yourself these questions:

- Will you need an entity, office space or warehouses?
- Is there a need for local teams?
- Do you have to create new products for different markets?

When you have answers that satisfy your scrutiny, it's time to expand.

Still, tread carefully. You don't want to make the same mistakes as other tech vendors.

Let's take Homejoy for example, who received \$24 million in Series A funding, however. There was a massive problem with their expansion efforts.

The start-up had to cease international operations after only 13 months from when it launched in Germany. They simply weren't ready to make the jump because the global demand wasn't there.

In the next section, we'll investigate how **your company** can take that next crucial step while vastly enhancing its chances **for successful, profitable growth.**

What obstacles stand in front of your global expansion?

We've discussed product-market fit, type of business, and your location as factors dictating whether expansion is correct for your business.

Providing you tick the correct boxes and there's strategic soundness to your decision, it's time to move forward. But there remain other factors at play. The landscape is there for you to expand, but that doesn't eliminate the limitations of your ability to grow.

For instance, just because you've expanded into a new country doesn't mean you'll need to run a full subsidiary right away. In fact, you might not need entity at all at any point during your growth cycle. After all, opening an entity

is both inflexible and cost-intensive, chewing into all that funding you've worked so hard to raise. Furthermore, you'll be stuck with those expenses over the long haul, on top of any other obligations required in the new territory.

The obvious solution here-or, so it would seem- is working with contractors. At face value, this approach offers you the best of both worlds. You will get to expand rapidly into new markets, and you're not betting the house by launching a new entity. It seems like a win-win, even if you end up failing fast and cheap.

Unfortunately, while the above approach is the wisest manoeuvre for many companies, its rife with obstacles in need of navigation.

A global trend has taken hold where countries are handcuffing companies masking 'pseudo-employees' as contractors.

If you're offering Full-Time-Employee benefits to contractors, they essentially become 'pseudo-employee.' Offering benefit such as holiday pay/ paid time off, sick pay, bonuses or commissions, benefits, or is an open-ended project, is not legally compliant.

Therefore, by misclassifying employees, you are likely to face a massive social tax bill by going this route, which is often the only viable path for tech companies. On top of taxes, there are also potential legal ramifications involved.

Additionally, cultural nuances are involved, which you'll need to grasp for impactful marketing and hiring the best available talent.

How you can overcome these hurdles

Okay. You're implementing a Go-To-Market and Professional service team in a country where your entirely unfamiliar with local tax/labour laws.

For the sake of argument, we'll say you aren't yet launching a subsidiary and must hire contractors in those countries.

We've established the challenges at hand in executing this growth strategy. So, how do you overcome those obstacles?

One answer is Emerald Technology's Employer of Record solution, through which your tech company can simplify payroll data processing. This allows your company to run regional specific payrolls throughout several countries, using only one solution.

Clients see EOR as the engine to powering their expansion.

In a nutshell, our EOR solution allows you to extract all the potential value from global expansion while neutralising many of the risks involved.

You know more than anyone, time is of the essence in tech. Often, you need to act fast to be the first mover, and your expansion efforts must be streamlined to gain an advantage over your competitors. By partnering with Emerald Technology and leveraging our EOR solution, you're empowering your company to get that crucial leg up.

3000+

Payrolls

79

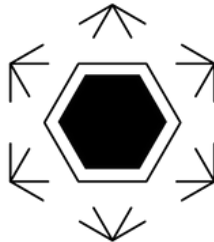
Countries

200+

Local Experts



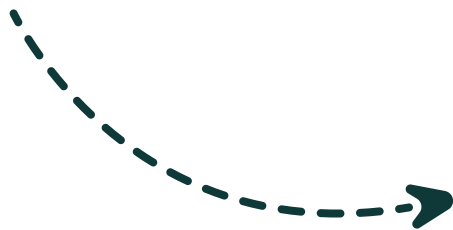
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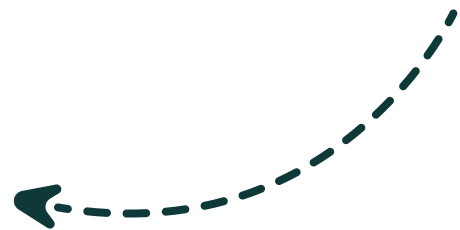
Employer
of Record



Your
Employee



Traditional
employment
relationship



You are responsible for the day-to-day employee management and working life.

Emerald covers all employment responsibilities, HR, onboarding, payroll, benefits and compliance.

Making international hiring **compliant and risk-free.**

Emerald Technology has supported thousands of technology brands hire, onboard and payroll their international talent for over 20+ years.

Discover how our Employer of Record solution can help your tech company simplify international hiring and expansion.

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