

# Your global expansion strategy: checkers or chess?

How to game the competition and succeed internationally



**SAFEGUARD  
GLOBAL**



# Introduction

If you're new to international expansion, just knowing where to start can be daunting. Understanding labor laws, compliance regulations, licenses, logistics and more may seem insurmountable. We get it. We've been there hundreds of times with our clients across more than 179 countries. And with 14 of our own offices around the world, we've been there ourselves, too.

For those more seasoned in global expansion, the thought of moving into yet another market can, perhaps surprisingly, still feel daunting. After all, each country has its own specific playbook, and if you're not already on the ground and well-versed in its particular intricacies, you may not know the rules.

That's why having an experienced partner who understands the various pathways and pitfalls of entering new markets is a smart move. In an evolving political and economic landscape, doing things the way they've traditionally been done isn't an option. Those who are following the status quo are playing checkers. We're here to help you be more strategic, like playing chess.

**"Even if you're not considering how to execute your expansion plan faster and more efficiently, your competition is."**



Ryan Schooler  
Safeguard Global CFO





# How you go global can make all the difference

No matter your level of experience in global expansion, deciding to scale beyond your current markets and borders is time-consuming, costly and complicated. Many companies fail due to a lack of due diligence: They've identified where they want to expand, but they know next to nothing about local laws, compliance and regulations. Don't make the mistake of assuming that operating in France will be anything like operating in the U.S., or even in the U.K.

## Exploding Giants

Plenty of companies that are successful in the U.S. have failed massively when expanding internationally. Here's a partial list of epic busts.

- Google (China)
- Walmart (Germany)
- Starbucks (Australia)
- Best Buy (U.K.)
- eBay (Japan)
- McDonald's (Caribbean)

The point of differentiation for your company's success or failure lies in the "how," or in the planning and execution of your international expansion strategy. Your understanding of global events and how they continue to impact laws and regulations is critical—not only for today, but for forecasting your growth in that market for the long term. Take port management company Dubai Ports World. Post-9/11 backlash forced it to transfer ownership of its U.S.-based operations to an American entity, all because it was owned by the government of the United Arab Emirates.

Whether you opt to establish an entity or subsidiary, or simply test the waters by hiring a few salespeople, having a robust picture of the local landscape is critical to setting up your company for success from the very start. This means considering everything from tax requirements and data privacy laws to employment contracts and consumer behavior before you take your first step.

## Localized infrastructure checklist:



Securing local talent



Obtaining business licensing



Understanding local labor laws



Ensuring compliance



Establishing an entity or subsidiary, or choosing an employer of record



Outsourcing HR and payroll



Determining tax status



Considering cultural nuances



Crafting a transfer pricing agreement



# Are you hiring internationally to expand or expanding internationally to hire?

Whether yours is a more traditional expansion where growth depends on entering new markets, or an expansion focused on securing talent, it's no small undertaking to find, hire and retain the skilled employees your company requires abroad. Capitalizing on human capital is especially challenging in the current landscape, with U.S. unemployment at a 50-year low<sup>1</sup> and global figures at their lowest since 1993.<sup>2</sup>

Strategically, hiring employees through a global employer of record (EOR) involves significantly less risk (and fewer headaches) than establishing a local entity. The often labyrinthian process of setting up a business overseas means it's easy to make mistakes, the costs of which can range from wasted time and money—and having to start the process over from scratch—to exorbitant fines and even jail time. An EOR partnership, on the other hand, lets you get up and running quickly while you create an entity in parallel.

<sup>1</sup> <https://www.cnn.com/2019/10/04/jobs-report---september-2019.html>

<sup>2</sup> <https://data.worldbank.org/indicator/sl.uem.totl.zs>



Being able to test the waters of a new market or get a jump start on expansion gives you a strategic advantage. Working with an EOR offers companies like yours a number of other benefits, including:

- Greatly reduced setup costs
- Faster time to market
- Minimal labor investment
- No capital requirements
- No required tax presence
- Management of changing regulations
- Seamless exit strategy
- By-the-book terminations
- HR support
- Cultural expertise
- 100% compliance with local laws and regulations

Working with an EOR is a smart move. But to have a truly winning global expansion strategy, the EOR you choose needs to have a physical presence in the country or countries in your expansion plan. That means direct, in-country entities established, not a temporary foreign employer.



**85.2M**

The number of jobs that will be unfilled by 2030 due to the growing global labor shortage. Another result? Trillions of dollars in lost economic opportunity.

[Source](#)



**30%**

The average cost for each bad hire can equal 30% of that individual's annual earnings.

[Source](#)



**AU\$63K**

The cost of misclassifying a contractor as an employee in Australia.

[Source](#)



**€30K to €225K**

The fines for treating contractors less favorably than permanent employees in France.

Businesses found guilty can also be banned from employing contractors for two to 10 years or have company managers imprisoned for up to three years.

[Source](#)



**3**

The top three drivers of attrition for employees globally are compensation, followed by career development opportunities and people management.

[Source](#)

A photograph of two women standing outdoors in front of a large, ornate building with a prominent clock tower, likely Big Ben in London. The woman on the left is wearing a light-colored coat and is talking on a mobile phone. The woman on the right is wearing a dark coat and a patterned scarf. The image has a teal overlay. Two overlapping dark blue circles are positioned behind the text.

# You don't know what you don't know

Your company looks to you to have the answers when it comes to global expansion and hiring. Of course, keeping tabs on applicable labor laws, business licensing, compliance regulations and tax structure in a single country alone could be a full-time undertaking. And if you get something wrong, it can be costly, both in time lost and in penalties accrued.

Case in point? We have several. Read on.

## Entity Establishment

It takes an average of six to 12 months to set up an entity in another country, often due to extensive paperwork, reviews, licensing, bank account setup and more. For example, in Brazil it takes a whopping 43 documents and more than 13 official procedures to open a company. Doing so incorrectly could set you back to square one.

[Source](#)



## Labor Laws

Thinking about expanding into the EU's largest economy? Germany is reforming its stringent labor laws for top earners across all industries. The objective is to streamline the existing time-consuming and expensive settlements regarding the early termination of senior staff. The current process can potentially lead to costly court cases that last more than six months.

[Source](#)

## Tax Structure

If expanding into mainland China, for instance, a company is required to register with both the in-charge state tax bureau and local tax bureau, according to the regulation in China on the Administration and Collection of Tax. Not doing so properly, or failing to pay the appropriate amount of taxes, can lead to strict penalties, including the inability to conduct business in China in any form in the future.

## Data Compliance Regulations

Let's go beyond GDPR, California's CCPA and Brazil's LGPD, which have all certainly had their fair share of coverage and analysis (and rightfully so). More countries around the world have adopted stringent privacy laws this year, and more are in the pipeline, including in countries such as India, Japan, Nigeria and others. While this is a positive development for citizens of participating countries who are concerned about data privacy and longevity, companies conducting business in markets with evolving compliance regulations have an incredibly complicated road ahead.



## More entities, more problems?

If your ultimate goal is to establish an entity as part of your global expansion strategy, it's critical to consider how your company will structure transfer pricing abroad. Thinking through where your company's revenues sit and who taxes them, and how you remit cash or profit has multiple ripple effects on your overarching global operations and your ability to expand elsewhere. Additionally, you may need to alter your tax or legal structure at home to ensure seamless operation among entities.

There are other global expansion to-dos before your company is up and running—whether as an entity or utilizing an EOR. They may not be on your checklist, but they certainly impact the ability for your company to achieve its strategic goals.

Among those considerations are HR, payroll and the understanding of cultural nuances, all of which can mean the difference between satisfied employees and a successful venture, or the opposite. Having the right EOR partner in place can ensure minimal missteps and a competitive advantage over others in the market.



## 36 hours

Payroll and HR departments spend almost a full work week on compliance-related activities alone, including navigating regulatory changes to ensure that company policies keep up.

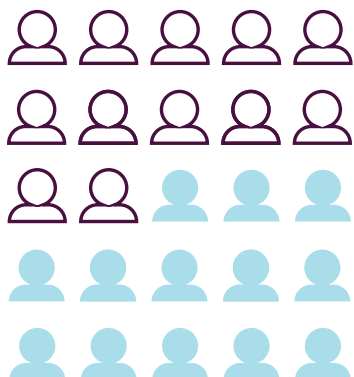
[Source](#)



## 27%

Nearly a third of all businesses cite payroll fraud as the number one source of accounting fraud and employee theft.

[Source](#)



## 47%

Almost half of all HR and payroll professionals say maintaining multiple, duplicate employee records leads to increased compliance risk.

[Source](#)



# Checkmate, not stalemate

Whether you're testing your expansion strategy by entering one or two countries with a small presence or establishing full entities in multiple markets, partnering with an experienced EOR offers a panoply of tactical advantages.

Global Employment Outsourcing by Safeguard Global, also known as GEO, is the EOR with the most experience in taking companies like yours global. We developed this innovative business model to meet our clients' needs and we've been doing it longer than anyone else. With a presence in over 179 markets (including our own entities in 14 of those), GEO can help you drive growth by reducing the risks of expansion and lowering the barriers to entry.

## We are local

Our network around the globe extends from China and Estonia to Peru and Uganda. Our intimate knowledge of local laws, languages, currencies and business practices smooths your path, ensures compliance and removes the chance of fines or tax penalties.

## We are flexible

When it comes to international expansion, there's no such thing as one-size-fits-all. Each company has its own goals and needs. That's why we create custom solutions for each client. We can onboard one or two existing employees to ensure they're compliant, or fill entire offices in multiple markets. Want to test a market before committing to it? Need a swift exit strategy? We're built for both.

## We are fast

It takes at least six months and as long as a year to establish your own entity in most markets. With GEO behind you, you can gain an automatic workforce in as little as two weeks. We work around the clock and around the globe to get you operational so you don't miss any opportunities. In three streamlined steps, we'll get you up and running. First, an advisory meeting. Next, the custom option you need. Finally, getting everyone on board and paid.

## We are experienced

We pioneered this business model and no other EOR has been operating as long as we have. We manage thousands of global workers across 179 countries for companies from small nonprofits to huge multinational corporations. And we've expanded ourselves, opening entities in 14 markets since 2010, so we understand firsthand what it takes to get the job done. Got a question? We have the answer.

We'll take care of your international expansion so you can outmaneuver the competition and achieve the growth your company needs to succeed.

**Connect with a global solutions advisor today** to learn more about all the ways GEO can take you global.





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