

Low-risk, low-cost global expansion for fractional CFOs



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When small or midsize companies are ready to grow internationally, managing local laws and customs is critical, time-consuming and risky—here's how you make it work

When it's time to go global

You've been serving your small or midsize client for months, possibly years. You've used hard-won expertise to guide them through growing pains, helping their leadership make smart decisions while avoiding pitfalls common for entities on their path of expansion. So it's no surprise to you when the CEO or board says it's time to set up a presence in a new international market.

You're prepared, but that doesn't mean it's going to be easy.

You've kept up on the news, and you know the hits the larger corporations have taken for noncompliance with local taxes and regulations. You also know that laws and regulations can change at any moment.

"(Mexico's) new requirements likely will increase the number of labor disputes as employees begin to understand their rights and have their grievances promptly addressed."

— National Law Review, August 2019

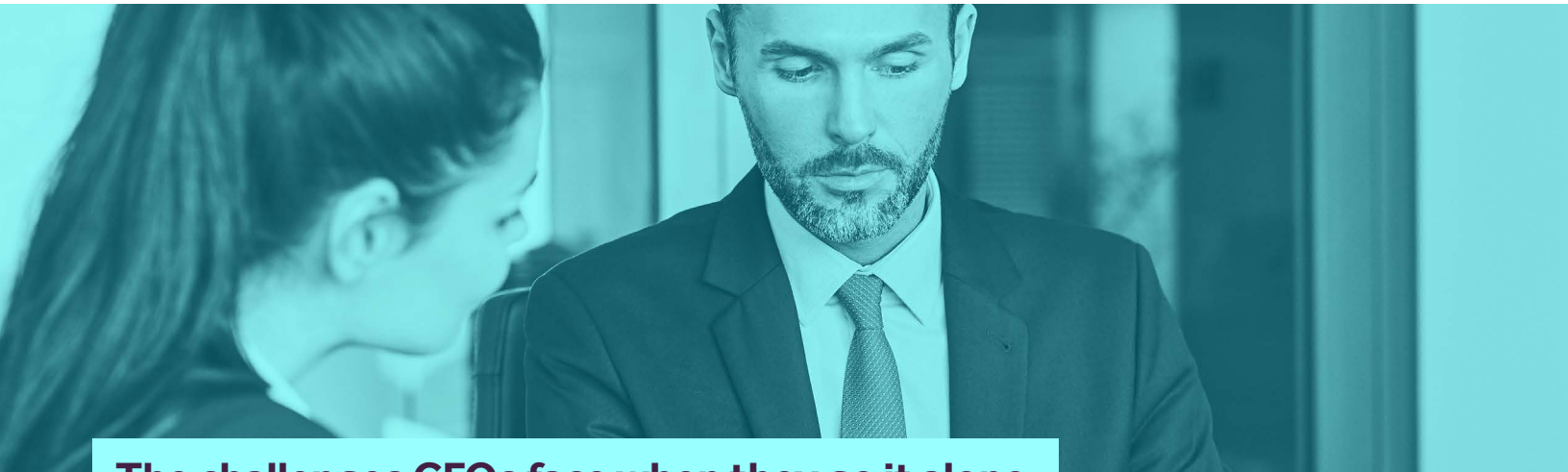
"On October 7, 2019, the European Union's Council of Ministers (the EU's principal legislative body) adopted new laws to provide widespread protection for whistleblowers."

— Lexology.com

"The General Data Protection Regulation came into force (in the European Union) last year and was the biggest shake-up to data privacy in 20 years. It also increased the maximum penalty (for companies) to 4% of turnover."

— BBC News, July 2019

Your organization may be smaller, but that just makes the risks even more outsized. You'll need a lot of expertise to make an expansion happen: financial, human resources, legal. But one thing a small or midsize company doesn't have is spare personnel to commit. The CEO is looking to you, the fractional CFO, for guidance. And it's time to start making some calls.



The challenges CFOs face when they go it alone

When you're a CFO, expanding into a new market is a responsibility that suddenly claims much of your time and must be handled flawlessly. For a fractional CFO with multiple clients, an international expansion for one can claim the lion's share of your time and attention, making it difficult to balance all your clients' needs.

"On October 23, 2019, Slovenia's National Assembly adopted a package of tax measures which includes changes to corporate, personal, and capital gains taxes."

— Tax-News.com

"(Philip Morris) had to take a \$0.20-per-share charge against earnings because of claimed underpayments of excise and value-added taxes (in Russia)."

— The Motley Fool, October 2019

Global expansion also introduces a high amount of risk and potential expense, two things no company or CFO wants to shoulder.

You also don't have time to lose. The ideal window to introduce a new product or service to a market can be incredibly small, and a well-timed international expansion can make the difference between an organization's increased success or atrophy.

Setting up a legal entity to operate in a new market takes exactly the type of skills you've been trained to do and (hopefully) enjoy: developing a deep understanding of the local laws and regulations governing taxes, pay and benefits. Because the CFO role is expanding so dramatically, and because the human resources available to your clients may be limited, you may find yourself asked to take on duties outside of the traditional CFO role, including investor relations and communications and talent recruitment.

"As the digital economy develops, technology giants are coming under increasing scrutiny to assess whether they have paid their fair share of taxes in the countries where they do business."

— International Tax Review, November 2019

Once your legal entity is set up and staff is in place, oversight is just the tip of the iceberg. Payroll has to be processed as expected, so changes to local legislation must be monitored, as they can affect employees' status and pay. Every personnel decision must meet local regulations and cultural expectations. Plus, your company will inevitably face turnover and may need to start from square one. Even when you have boots on the ground to handle the minutiae, you are still responsible for the risk and the costs.

Outsourcing as an option for global expansion

Just how to handle global expansion as a fractional CFO is a key decision you need to make up front. Before you do it on your own and call in existing resources or begin building connections in the new market, it's prudent to consider outsourcing the effort. Outsourcing can provide a solution that reduces risk and costs while maximizing flexibility, something your client has already shown a penchant for—they use your services, after all.

Many CFOs, whether traditional or fractional, rely on employer of record solutions for international expansion. An employer of record is a third-party entity that takes legal responsibility for hiring personnel abroad as well as ongoing needs for their employment: pay, taxes, benefits and more. Like a staffing agency in the United States, an employer of record serves as the point of contact for key issues related to an individual's employment, giving the company that has engaged with the agency the freedom to determine and manage the employee's responsibilities without unnecessary administrative burdens.

You'll want to ensure you're asking the right questions as you evaluate employers of record. Some of the features to look for in an employer of record should include:

Global footprint

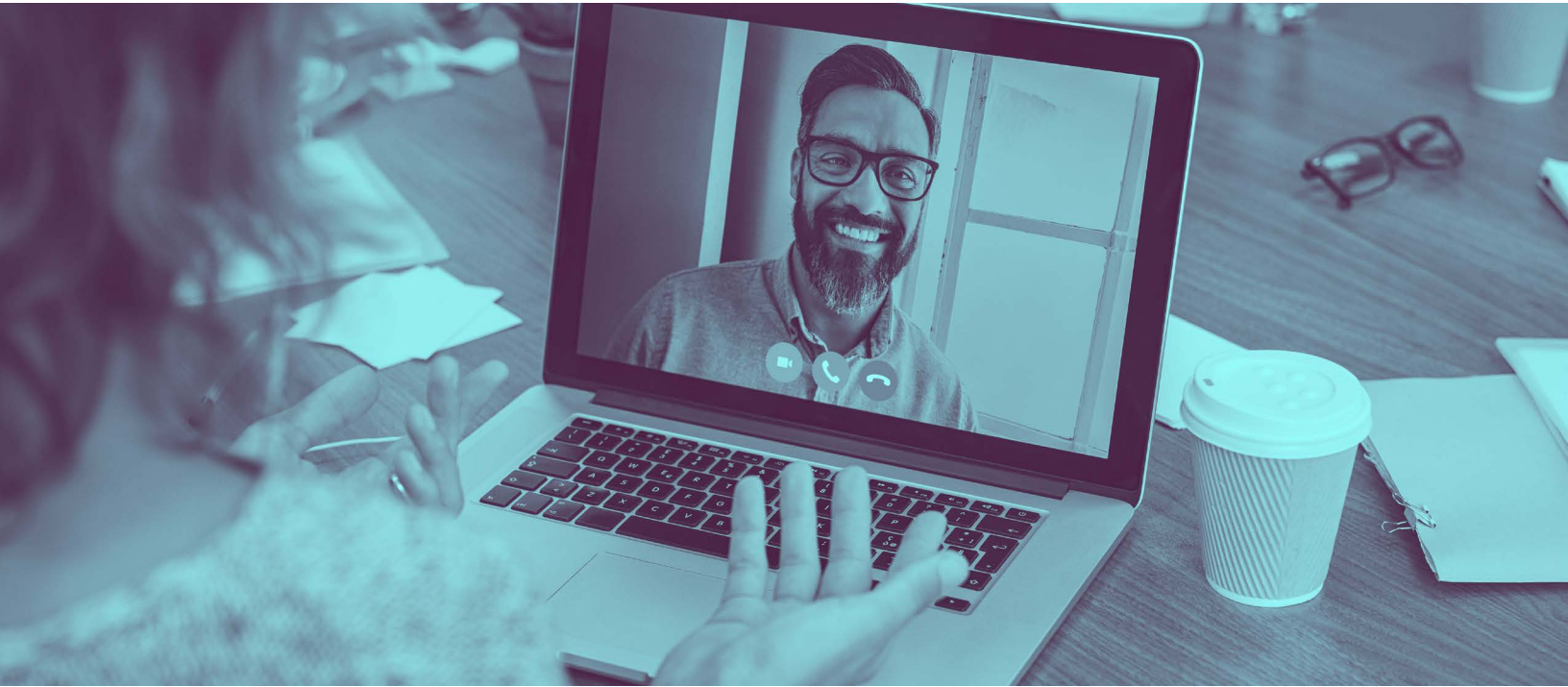
A large global footprint with intimate knowledge of local laws and cultures in each represented market

Local availability

Contracts in local languages, payments in local currencies, and availability in the local time zone

Technology

Smart use of technology, such as management dashboards, to make employee oversight straightforward



Because an employer of record already has the local infrastructure and expertise in place in your target country, expansion can happen in a matter of weeks—in contrast to the months it might've taken you solo, saving your client money not just in time spent, but in various fees associated with entity setup.

In addition to reducing risk and administrative workload, another benefit to an employer of record is flexibility. Changes in strategy or direction can happen, and keeping your clients' options open—by not committing to the expensive and complex process of entity establishment—is the best service you can provide during a time of transition.

Outsourcing can be a long-term strategy for your client's presence in another marketplace or it can be used for a limited time. A limited engagement might be appropriate if your organization is exploring opportunities in a new market but not ready to

commit to a permanent presence, or if it needs the validation of initial performance in the market before committing the resources to establish a legal entity. Outsourcing can also mitigate unexpected delays on your organization's end by minimizing costs as your organization scales up its services, for example, or arranges the transfer of personnel to a new location.

Explore employer of record options before your next expansion

Risk mitigation, cost efficiency and reduction in complexity are exactly what your client needs as they enter this next phase of growth. And as a fractional CFO, you are there to guide them to solutions that help them avoid unnecessary risks and costs. An employer of record may be the smartest choice for their global expansion.



Safeguard Global builds adaptive solutions for organizations seeking to thrive in the global economy.

Through a combination of workforce management data, technologies, services and market expertise, Safeguard Global enables success through smarter, more efficient global employee management, recruitment, payroll, onboarding, expense management and more.

Learn more about how an employer of record works—and how it can be the key to helping organizations like your clientele navigate global expansion successfully.

Contact us at hello@safeguardglobal.com or 737-704-2200.

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