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A FINANCE DIRECTOR'S GUIDE TO INTERNATIONAL EXPANSION FOR HIGH-GROWTH COMPANIES

Going global: Overcoming new challenges in new territories

Once a business has experienced success at home and begun to build a loyal customer base there, international expansion is often seen as the logical next step.

It might be to simply expand the potential market, to gain market share quickly before someone else copies your success, or to support your customers' operations in other countries.

Entering foreign markets can be an opportunity to diversify operations and to tap into new sources of talent and raw materials.

But international expansion comes with some very specific challenges, not least cultural differences, language barriers and competition from home-grown players in a new region. This can be particularly challenging for high-growth organisations that often find themselves expanding rapidly without established structures and processes, lack of experienced staff, stretched resources and a strategy that is also evolving as they grow.

For finance teams in particular, there will be unfamiliar legal and regulatory regimes to navigate, local tax obligations to observe and the effects of currency fluctuations to manage. A slip-up in any of these areas can have serious consequences.

There's no two ways about it: going global can be a risky business, even if the potential rewards are high.

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Getting up and running in new markets

For many businesses that have successfully conquered new markets overseas, cloud technologies have provided a way to get up to speed rapidly, enabling them to focus their efforts on taking advantage of the fresh opportunities that fast-growing international economies offer.

From a financial point of view, running a business on a global, cloud-based platform is a good way to avoid the upfront costs and delays associated with implementing new software and servers in local data centres, since applications are accessed via a web browser on a pay-as-you-go basis. In other words, much of the IT investment needed to start a foreign subsidiary can be made in the form of Operational Expenditure (OPEX) and switched on, ramped up or scaled down as needed.

It also means that finance and operational teams in newly established overseas outposts can quickly get access over the internet, to the same shared platform as their colleagues in the company's home country. Information is handled in the same consistent shared format and finance leaders at company headquarters get the benefit of real-time oversight across international operations.

Simpler consolidation

As a company expands internationally, there will always be a need for finance staff at HQ to consolidate and reconcile data from overseas operations in order to provide a complete and accurate picture of the state of the business across all the markets in which it operates.

Where companies have allowed local teams to implement their own local finance systems, this can be a real headache. By contrast, where they have extended use of the company's global, cloud-based ERP system to new outposts, it's vastly simplified.

Plus, automation can take much of the strain when it comes to consolidation, intercompany accounting, auditing and bank reconciliations across multiple countries, when operations in those countries use the same system.

Global oversight

With simpler consolidation comes more oversight, in the form of global reporting and analysis. Finance leaders have better insight into the performance of individual regional subsidiaries and the ability to see how they are performing against other regions, based on enterprise-wide Key Performance Indicators (KPIs) displayed in real-time on dashboards, for example.

Management teams and investors get better, timelier and more reliable information. In this way, it's possible to judge how a global expansion strategy is working out, providing vital opportunities to reassess or rethink that strategy, if needed.

Eliminating audit angst

Around the world, tax requirements—particularly indirect tax requirements—are always changing. Keeping up with VAT changes, for example, can place a considerable burden on finance teams. So a multinational ERP system should provide an audit trail of tax compliance, offer automated configuration of tax codes and enforce standardised workflows to ensure requirements are met.

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Standardisation, but with local customisation

While standardisation is the goal, that's not to say that an expanding business should enforce a 'one-size-fits-all' approach across international operations. Accommodating different business cultures is important across markets.

In fact, when it comes to choosing an ERP solution, any business with global expansion ambitions should ensure that the system is able to handle multiple currencies, tax regimes and legal frameworks.

Local employees may expect to use applications in their own language and local workflows may be required to fit with 'the way business is done' in a particular jurisdiction.

In other words, a global ERP system must be able to support local configurations within the shared system so that subsidiaries can comply with their own market needs and regulations, but also continue to meet the consolidation and roll-up requirements of the wider business to which they belong.

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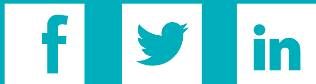

info@netsuite.com

+44-0-1628-774400