



## Going International

By: Kevin McKervey, Shareholder of International Services

As a result of domestic and worldwide macro-economic factors, more and more mid-sized companies are venturing into international trade. As the dollar declines in value relative to other currencies, the price of U.S. companies' products also falls, making U.S.-made goods more attractive to foreign buyers.

What's more, there is tremendous receptivity overseas right now for U.S.-made goods and services. Foreign demand for our consumer products is stronger than ever as many of the most recognized U.S. brands have become fixtures in other countries.

### The Benefits of Going Global

"Global trade offers a number of potential benefits, including new markets, increased business exposure and prestige, higher sales and profits, and the leveling of seasonal fluctuations in the sales cycle," says Kevin McKervey, Shareholder in Charge of International Services at Clayton & McKervey, P.C., an accounting firm in Southfield, Michigan. "However, succeeding in global markets requires a major commitment of time, energy, and resources on the part of business decision-makers," he says.

For over 25 years, Clayton & McKervey's unique accounting and tax practice has focused on privately held middle market companies expanding globally. McKervey suggests any company thinking about testing the international waters should note these five key considerations before taking the plunge:

- 1. Consider all of your alternatives.** Sometimes, companies feel pressured to "go global" whether they're ready to or not. If your goal is simply to increase sales, first look into potentially untapped domestic markets, subcontracting to another company already established in a foreign country, or partnering with a foreign-based firm.
- 2. Plan your budget carefully.** There will be significant costs involved in any effort to expand overseas. Plan a rough budget of anticipated expenses, even if this is only a starting point, and determine how you will fund the effort. The mere process of doing so will force you to think through your plans carefully and anticipate many hurdles and roadblocks early.
- 3. Evaluate your management depth.** Don't forget that while your overseas efforts are ramping up, someone needs to be minding the store back home. Therefore, you need to have a strong management team to ensure your core business doesn't suffer while you (or key managers) focus on international expansion.



**4. *Recognize and embrace cultural differences.*** “When in Rome...” the old saying goes. Going global requires putting this into practice. Don’t assume everyone all over the world does things like we do in America. The best way to understand the culture and business practices in foreign countries is to spend time “on the ground” there.

**5. *Don’t discount potential financing and pricing challenges.*** U.S. banks generally cannot finance assets and collateral located overseas, so you will likely need significant liquid assets to support international expansion. Carefully consider transfer pricing principles, including how you will price your products and services overseas given foreign taxes, regulations, currency exchange rates, and other factors that may distinguish overseas from domestic sales.

Doing business internationally offers tremendous potential rewards, but tremendous risks as well. The best way to hedge these risks is by investing the time and resources necessary to conduct thorough market research and lay the foundation for success.

To explore whether your company should go global, contact Kevin McKerverve at [kmckerverve@claytonmckerverve.com](mailto:kmckerverve@claytonmckerverve.com) or 248.208.8860.