

Setting up and Managing an Overseas Operation

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Many companies find that export demand in a market warrants setting up a presence in that market. Some tenders now stipulate that a company must have a registered office in the clients country. Whatever the reason is, more companies are setting up overseas and it isn't easy to do. The following bullet points are a guide to help you make the right decisions when setting up an overseas office.

- Do background research – market opportunities, business climate, competition etc. Understand the business culture and politics.
- Company structure – directly owned operational subsidiary, operate through local partner, or joint venture.
- Direct subsidiary benefits – Local presence a requirement if selling to Government agencies and major corporates, control from HQ.
- Direct subsidiary disadvantages – Expensive to set up, cost of sales people, technical back up.
- Local partner or Joint venture pro's – less risk, local knowledge of market.
- Local partner or Joint venture con's – differing goals and objectives, needs clear structure, incentives for both parties, limited control from HQ, unwinding can be difficult.
- Setting up the subsidiary – use a good local lawyer, lots of red tape, may need local Directors.
- Check the name can be used. Some countries very strict on similar names.
- Use a good local recruiter who knows your market.
- Recruit the right people with the right background. No good having someone with twenty years in a large company running a small start up.
- Use a local lawyer to advise on employment law. Probation periods are common and should be used.
- Use a good local accountant with international experience to help get your tax structure right and to document it. Options maybe subsidiary buying product from its parent and selling on to its customers, commissionaire agreement (common in some countries), or local agency.
- Clarify local powers from both a management and legal point of view. What can they do and what can't they do.
- Set clear goals and objectives to your local management and review regularly.



- Ensure access to marketing information and materials.
- Ensure proper infrastructure support from head office including financial, HR, technical and systems support.
- Localise your licence and service agreements. Corporates and government agencies prefer local law.

- Work with a recommended local bank, preferably with English speakers. Electronic international banking coming slowly.
- Keep the company legally solvent. Directors are often personally liable.
- When things go wrong take early action. Document your meetings and when you need to, consult your local lawyer, and take appropriate action.

Good luck!