



Langdowns DFK

# BEYOND OUR SHORES

While there is plenty of information relating to exporting, by comparison little is available on how companies can achieve a global footprint.

International acquisition, joint-ventures, setting up factories overseas were previously the preserve of larger enterprises. But today, globalisation brought about by technology, low-cost offshore manufacturing, and emerging mega-markets have meant that SMEs have now got to address (and embrace) the issues as well.

As this report, commissioned by chartered accountants and business advisors Langdowns DFK, reveals.



Martin Hennessey

## What to expect from staff and customers

"There's a real advantage that an SME with an international dimension has over the competition which doesn't. It's being able to attract quality staff. It's also one of the mechanisms to keep them."

That's the view of Martin Hennessey, managing director, of Austin Hughes, a design and manufacturing group which specialises in everything to do with high density server installations - typically data centres - such as the power management, environmental controls, specialist screens and display panels.

"We know the physical infrastructure of a data centre - the access control systems, power management, the cabinets themselves - and realised that one area which suppliers weren't strong on was integration," he explains. "We look at a potential market, identify how much it is worth, where the price point is, and ask ourselves whether we can make a difference. That applies to consideration of a new overseas market as well."

"Interestingly, what we have found is that a quality British branded product achieves a better price point in export markets than it does in domestically."

"Globally we sell through distribution, ideally with two or three distributors covering each country, and it is essential that a distributor or an agent is a good English speaker. Today one of the issues is that distributors are less willing to hold stock, and in particular different configurations of a product. As the economy became more vendor driven, we had to supply on very short lead times internationally. So we've had to do exactly what we didn't want to do, which is to hold stock ourselves, albeit in component parts. Today, for example, we assemble in the UK and ship directly to the distributor's customer. Before, the distributor would have been expected to hold and dispatch configured the stock locally."

"You also have to be prepared to go to the customer whether in Leicester or Leipzig and then expect them

to request their own configuration of what you have to offer. A data centre for a global bank in Hong Kong was bespoke down to the actual colour of the cabinets. Interestingly, back-end operations are now looking much smarter. Aesthetics matter now; data centre cabinets always used to be black, but now they are in lighter colours to keep the heat down. But to succeed internationally, we have to provide the customer with what they want, not what we would like to supply them.

"To begin with we looked at the European market, and in reality, The Netherlands would probably be a better location for us logistically. But the reality was, after ten years' working and living in the Middle East for a large corporate, I wanted to start the business in the UK. The advantages are that we can freight to any city in Europe from the UK in two days, and when we talk to other European customers, they like the fact we are a UK company because this country has a strong technology brand.

"Another big advantage is that my corporate background meant I never considered geography as a restriction or a potential problem - the criterion has always been cost against opportunity, not the location of the customer."

According to Hennessey, innovation has to be high on the agenda if a company is going to make any kind of impact internationally. "Everyone in the company should be focused on R&D in the broadest sense of the term because every time we talk to a customer it's about what they want to achieve," he says. "Which is why face-to-face contact is even more essential in this digital age, to enable us to pick up on those opportunities. It means we can invest in the design of the next generation of product rather than wait to see what is being created elsewhere; the end result is a reason why our products will be in demand regardless of the geography of the customer."

That said, Hennessey flags up a perennial problem from which no SME is ever completely immune. He explains: "Even if we present an idea which is cost saving, because what we do is mission critical, companies might not want to take a risk with a relatively small independent, which means they can perpetuate the 'nobody got fired for specifying IBM' syndrome."

"The obvious benefit of being international," he says, "is that if one country or part of the world is down, there will be another which is moving in the right direction. My advice would be to sell in as many countries as possible rather than worrying about your market share in each one. We've never said we should

be selling x amount in any one country - only that we should be in a position to be able to take on the right type of work. Technology has helped to level the playing field. SAP for example means we can manage each of our sites in the UK, Hong Kong, China, and the USA from a mobile phone."

## Springboard to new opportunities

Like many entrepreneurs, Andy Cordial believes the best way to learn is through making mistakes, although if it relates to a jurisdiction overseas they can be expensive. One major for the managing director of Origin Storage was recognising the company should have taken out insurance to cover the long term sickness of one key employee in Europe who was off work for two years. Origin had to continue to pay her salary.

Origin started by providing data storage upgrades to Dell computers. "There was an opportunity within the supply chain to supply storage products for systems at the end of their life," Cordial explains. "If a Dell customer wanted to upgrade servers, desktops, or notebooks of a certain age, they'd go back to the manufacturer, but Dell wouldn't have the product anymore so we'd step in. So the customer would get the upgrade from Origin and simply plug it in to go. It was a value add for Dell so they could make a margin on it and we were able to build a business on the back of it.

"And we were able to leverage off Dell, which then gave us the opportunity to provide product for other PCs through a main distributor, which gives us real bandwidth."

For Cordial, expanding the business internationally was the way to address a dilemma. "While we were committed to Dell we wanted to get away from reliance, so we looked to expand our customer base in the UK and out into Europe.

Dealing with large multinationals made him think whether Origin could become a bigger entity by expanding into Europe.

"Having Dell and a major distributor on board made us realise if we could supply into their international areas, that it would be possible to make transitions into Europe by replicating what we have in the UK," Cordial reasoned. "To be creditable, having an office in Europe and employing local speaking nationals there is

vital. Finding experienced people who can motivate and manage themselves is vital too. Our growth over the last five years is the same in the UK as in Europe, which helps me look objectively to see where the opportunities are and take a pragmatic view, without being restricted to looking at just one country and one marketplace."

Emerging markets are most suited to Origin's products as they tend to use equipment which is two to three years old.

Cordial had set-up his first company, XL Distribution, in 1989, merging it with Datrontech in 1992 which he helped see through flotation before leaving to set up Upgrade Options plc in 1996. He went on to sell the company seven years later and invested in Origin Storage, now with a turnover north of £6million. Cordial bought his partner out five years ago.

"There are other companies doing what we do but our advantage is that we have the complete portfolio, from the hard drive in the servers through to the recovery solution replicating data and encryption," he points out. "We can provide everything from a memory key to a managed secure environment."

Cordial is sanguine about the impact of cloud computing. "Cloud gives another option to organisations in how they manage their data storage. Nevertheless there's still a security concern based around the fact they're no longer master of their own data," he says. "Big organisations like Google will guarantee your data is safe, but there'll come a time when hackers are cleverer than large multinational service providers."

One of the main challenges for big organisations is the increasing numbers of people who bring (and use) their ipads and smartphones into work. Companies have to keep those devices secure and that's where Origin comes in.

"We're in a position to help with compliance," says Cordial. "We work with IT security specialists in organisations to identify the encryption level they need. They can be fined for loss of data though often it's more about the PR disaster. We've seen that with high profile cases where it's not the data loss that's the problem or even the fine, but the impact on the company's reputation. When prisoners' records were lost recently, the company concerned lost a contract worth many millions of pounds. You can't stop people from leaving their laptop or tablet on a train but you can encrypt data and prevent PR disasters."

Although the company's international dimension

came about as a means of reducing the exposure of having one channel to market, the relationship with Dell has provided a springboard as well.

"There are also opportunities in the Middle East and Africa," explains Cordial, "but rather than take a scattergun approach I consider what market and presence Dell have, and whether there is a company out there already doing what we do. Then we research to identify businesses we want to make contact with and look for people in our existing network who have access to those markets and can introduce us. We recently made contact with a distributor, and a conference call with their management went well, though it took a month of manoeuvring to set up the call. The next stage is to confirm the actions, send out samples and make sure they're happy with the range. We have 4500 products so narrowing that down to what they want could take six months, which is an investment of time and effort."

## Simplify – the real sign of success

When LED Synergy won the contract to design the prayer time signs for a new mosque being built in Abu Dhabi, managing director Jeremy Harwood was surprised when two clerics turned up on his doorstep. The prayer boards needed to display constantly changing information to call the followers to prayer and they had arrived in person to explain how it worked.

For the past thirty years or so the company has been making bespoke signs for a host of clients, with applications from toll booths on the private section of the M6 to dealing rooms. "We're always trying to simplify. What sets us apart is not only our experience but that we're happy to use it to argue with customers," says Harwood mischievously. "We always ask them what they want the signage to achieve, because if they aren't interested in taking advice, then we'd rather the customer went away to be hacked off with someone else when what they get doesn't deliver what they want."

The company started out by hiring and selling stock signs and when it moved into the bespoke business, initially used UK manufacturers before checking out the market in China and opening an office in Hong Kong.

"It's cheaper in China," says Harwood, "but now they're having problems there with labour rates and the quality isn't as reliable as in the UK. We would order something and then have to tell them it didn't work. But the main disadvantage is shipping. They'd use large steel boxes, which were sent by air because of the time factor, and it would cost a lot. Three tons of equipment cost £13,000 to bring over. We can take much of that sum out of the equation now by manufacturing ourselves using UK sub-contractors.

"Today, 50% of our turnover is with British manufactured products, which has a major impact on our carbon footprint, and we're striving to increase that figure."

Harwood is convinced that in terms of sales, being an Englishman abroad has huge advantages and he's used that to enable his company to develop an international reputation.

"Lots of the world love our country," he proclaims. "Companies overseas want to deal with British business because they believe we'll do the job properly. My one bit of advice is to be more careful with the details than you might in dealing with a UK customer. Although English is a global language for business, perception which can be a problem. I say something and we appear to understand each other but much can be lost in translation; so everything needs to be clarified.

"You have to be really careful not to assume that just because people speak English in another country they will understand the nuances. Because English is our main, often only language, we can have a tendency to speak in shorthand sometimes."

And the secret to the financial arrangements is best explained in one word - simplicity. "We give a quote, the customer gives us an order and then they pay us," says Harwood. "And usually we bill and invoice in sterling."

## World is smaller but not the same



Nigel Verity

The world might have become a smaller place because of the internet, but that doesn't mean that markets have become the same as a consequence. A point not lost on Nigel Verity. Tap in the name of his company and in addition to the UK, different website options pop up for China (two), France, Germany, Italy, Spain, each in their own language, plus the USA.

Verity Medical develop and manufacture healthcare devices, primarily those which relieve pain and help patients to recover or improve muscle control and tone after accident or illness.

The devices, which are sold under Verity's NeuroTrac brand have multiple programmes, multi-lingual voice prompts LCD screens, and with Bluetooth connectivity

can send data to a clinician as well as providing the user with a progress report.

The circuit boards and probes are manufactured in China where Verity indirectly employs fifteen people to do the final assembly work. But his association with the Far East has had, let's say, an intense history.

"You can be ripped you off in ways which just wouldn't happen at home," he says frankly. "There is bribery and factories which will steal your ideas and market your products before you do. We have lost money because of China but it's not a country to be underestimated. It's a dynamo. If I want something made in China, I've got it wrapped up in an instant, and we can get full colour graphic displays there that just aren't made in Britain. But costs are going up and salaries have been rising by as much as twenty per cent a year."

Verity has worked out that a third of his budget and manpower goes on the systems and paperwork needed to comply with medical standards and certifications of quality. He describes them as 'exhaustive' in both China and the UK, as well as in Australia where the company has to complete the 500 or so pages which make up a standard regulatory document.

Verity employs a man in China who has what he describes as "an MSc in quality control," to negotiate the tightrope of international medical regulations. "If I had my way," he says, "I would have a minister of simplicity in every country and make unnecessary complexity an offence. Unfortunately bureaucratic complexity is a great money maker."

## Greenfield less risk than acquisitions

Phil Simmonds knew he had to get off the treadmill that most companies which are growing find themselves on.

"The problem with increasing the volume of manufacturing was that we then needed more work just to feed the growing cost of the operation," recalls the managing director of EC Electronics Group. "Something had to happen, because we were as cost-effective as we could have been; we were working all the hours, for no improvement in return. We wouldn't have considered China because the red tape is too much for a company

at our level then. But we decided to set up a factory in Romania because of their skill-set. We avoided the option of making an acquisition because a greenfield approach meant less risk, as we wanted to establish a production facility in that country, not a market.

"Quality wasn't an issue because we trained people properly, invested in the right equipment as we would have in the UK. We have higher first time pass rates in Romania than when our volume work was undertaken in the UK. One thing which we learnt is that you need local people, and not just in production. Our general manager is Romanian, and so is all the management.

"We procure components in south-east Asia, with 90% of our manufacturing now taking place at our factory in eastern Europe, with the balanced being sensitive work for military applications which we manufacture in the UK. Why are we still actually based in the UK? Because that is where our customers are.

"Once you've made a move internationally, whether it's selling overseas or in our case, setting up a factory and then a procurement business, then nothing frightens you about taking another step in that direction.

"What helps is if you employ people who can do their tasks better than you as the owner-director could do them. If you can't recognise that, the business isn't going to get close to its true potential, regardless of whether you are looking to expand to Manchester or Munich. If you have better people it means you can move away from operational matters; you won't need to micro-manage."

Internationalising the group has seen turnover increase from £5million to nearly £8million in the last three years, with a staff complement of more than 130, and Simmonds has a definite view on managing future growth: "Either you can bring in new business and then flex the resource, or you have a growth strategy and put in the resource to make it happen," he says. "We do the latter, because the alternative could be back-breaking for the company, and that can have quality and service implications."

To make the point, Simmonds reveals that EC Electronics made the investment to make five key hires - including new production engineer and production control administrative posts - before they were "strictly necessary."

But Romania wasn't the only international frontier that EC Electronics have crossed. It was when Simmonds

realised that UK component manufacturers were in fact procuring product from the Far East rather than making it, acting in effect as distributors, that he thought EC Electronics might as well as do that themselves and cut out the middle man.

That's why EC Supply Chain Solutions was set up four years ago, which in addition to supplying the group sells to other UK companies. Quite simply, Simmonds transferred his buyer from Basingstoke to Hong Kong, where the company is based.

Getting components and product around the UK, Romania, Far East triangle is a challenge which the group has managed to effectively address. Explains Simmonds: "Hong Kong to the UK by ship is quicker and more frequent than from Hong Kong to Romania, so the components are brought over to this country first and then taken by road to Romania in EC Electronics' own truck, which then transports completed product to the UK on the return journey.

"We use a foreign exchange company rather than a bank, and we have tried to offset risk by having one of our two larger customers paying in dollars and the other in euros."

The sweet spot for EC Electronics is mid-volume, focusing on new products where the group can add value by assembling the product or system, testing it, and then dispatching to the client's customer. The automatic sensor above most urinals? EC Electronics make 1000 a month. A device fitted to a cow's leg which tells the farmer when the animal is ready for milking or making? EC Electronics were also involved at the design stage to identify how the product could be made at the lowest possible cost.

"We're not looking for a further manufacturing facility in another country," says Simmonds. "Our intention is to sell more internationally, because now we have the right mind-set and it won't seem like we're taking a plunge."

## When remote buyers can be a problem

"There is no reason why we shouldn't be doing more internationally because the language of the technical world, at least in Europe, is English," says Gary Livingstone, managing director of LG Motion - who then manages to come up with some very good ones why they aren't.

Essentially the company designs and manufactures motion technology products, integrating lasers, sensors, scanners, and optics which are so extremely accurate at both high and low speeds and can move so minutely, they enable a single human hair to be sliced fifty times.

Watch Wallace and Gromit, or The Pirates! and the cameras operated by Aardman Animation are mounted to LG Motion slides. "They are so accurate in terms of positioning that if there's a mistake in filming, it can be re-shot easily," says Livingstone, who had to sign a commercial equivalent of the Official Secrets Act to install the kit.

It's that additional layer of confidentiality which he believes is a reason why the company is trusted to work on commercially sensitive projects as well as for the nuclear industry and the Ministry of Defence. "Some of our work, for the development of precision engine turbine blades, or medical research into non-invasive surgery for example, won't result in a product for maybe as long as a decade," he explains. "Our core engineering skills are applied to niches such as science and R&D purchasers who value the personal attention and relationship with us. We don't compete against the Chinese because we're not a volume producer.

"Some 20% of what we produce is exported, and what can happen is that a student at say, Oxford, Cambridge, or Imperial College will be used to our products during these thesis and when they go home and take posts in their universities, they specify them.

"But the best way to open up new markets is to sell to UK organisations which have overseas interests. So for example, for a UK multi-national we installed systems in Vietnam, and New Zealand. But our client was UK-based. It took us two years to get paid from Brazil, and the paperwork, tax regime, and protectionism were difficult barriers to overcome to get to that position! We were meant to do the installation work, but that required a tortuous visa application which would have taken nine months. We had to go over as trainers, but to be caught with a screwdriver in our hands would have been an offence. If we were to attempt to move into the US market, our insurance premiums would increase tenfold because of their more litigious climate. We have completed one contract in Chicago, and the only reason we could get insurance cover at the right figure was because we had previously installed a carbon copy of the system at the client's Slough-based division.

"We have talked to potential distributors overseas, but they look at a 30-40% discount, and it is more difficult to find the right partner because of the

technical nature of what we do; we're not a commodity sale. We looked at the Middle East, in particular Qatar, because of their investment in higher education, but other opportunities came up in the UK, and they were easier logistically. If we produced more standardised product then it might be easier to sell, although that would mean we'd face more competition. Our integration ability is the clever bit.

"We've looked at on-line ordering to build international sales, but even our more standard products have a higher specification and ordering would be difficult because the potential purchaser would want to have a discussion with us first. But we're commercial realists, and to make it easier to sell in Europe for example, we would have to make a simpler product.

"One of the problems with globalisation is that increasingly we're dealing with remote buyers at large organisations, who aren't necessarily based in the UK, when before our port of call would have been the engineers.

And Livingstone permits himself a wry smile. "Nerdiness is a key characteristic of ours," he says, "an ability to understand what needs to be achieved with motion controls, not to see them simply as components."

## Success is more than just the ticket

Arguably Harry Clarke started on the road to success because of a parking ticket. It was early one morning in Lime Grove some eighteen years ago when he found one on his car. "I looked at the ticket," recalls Clarke, "and it said I had to go to the town hall between nine and five to pay it. I remember thinking at the time that it would be really difficult for most people to get to the town hall between those times and I realised what was needed was an automated service so they could pay over the telephone.

"My company had just begun to run a credit card processing business and so I went to see the council's car parking manager and we gained our first contract. Cobalt Telephone Technologies went from a £400,000 company to £4million. "Really successful companies dominate micro niches," suggests Clarke. "I'd been

looking for a micro niche with our name on it and I'd finally found it."

Clarke believes it's a brilliant business model with computers doing all the work and the public simply picking up a telephone.

"We created a matrix which guides the caller through the process of payment," he explains, "and we now also run phone parking which sits on a hosted computer environment and uses telecoms platforms to access payment. We then beam the information down to wardens who have hand-held devices. They'll then have a list of cars parked and they simply scroll down to find each one and how long they are entitled to be parked in an instant."

But exporting the model to the USA was unexpectedly less straightforward. Clarke knows why - now.

"We simply didn't appreciate America's vastness," he says. "Just before leaving for Morocco I spoke to a sales manager in the USA. She was based in Florida and was on her way to see a client in Denver. It took her longer to get there than it took me to get from the UK to north Africa. And the sheer cost involved was enormous. She flew for four hours and had to stay over just to have one meeting in her own country!"

And sometimes an assumption (no matter how understandable in the making) turns out to be well, just that.

"Initially, trying to sell parking ideas into America was really more difficult than we could have imagined," Clarke muses. "There's so much space there that the sheer scale of the place means they don't necessarily pay much for parking compared to the UK; and the Americans don't always have unique number plates which also causes a problem because that's part of the recognition service."

Eventually Clarke felt that taking a bite of the big apple was more than he could chew. "One thing you have to do is hire a good country manager," he advises. "So we acquired an American company complete with sales force so I could hit the ground running."

Clarke started his working life at Sandhurst, spent his military career as an officer in the Royal Engineers and fought in the first Gulf war. But even he can't think on his feet to explain away a faux pas which could have cost Cobalt their most famous client.

"I took a call from the IT department of Manchester United, who said they wanted to meet me to discuss

a payment system. Now I'm not a football fan and at the time I didn't know big they are. Eventually they had to call me again before I made it over there," he says ruefully. "They gave us a contract worth a quarter of a million pounds on the basis that they believed small, passionate companies would deliver more attention to detail. They had a 52,000 seater stadium then and with some cup games only had two week's notice of the fixture, which meant they experienced a gigantic operational challenge in terms of ticketing. We won the contract against BT and IBM to set up an automated system for them so fans could pay for their seats over the phone."

Clarke sold Cobalt to The Netherlands' based Parkmobile at a time when phone parking has become more about big data opportunities rather than just

providing drivers with the ease of buying a ticket without having to carry cash. The 'computer in the sky' records the vehicle registration, reads credit card details and can tie up with organisations like restaurants which can then offer the driver lunch nearby and charge it to their account," explains Clarke.

It's an opportunity for what he refers to as 'geo-locational marketing' to click in. "Parking is usually a pre-cursor to spending," he explains. "People park their cars to go shopping and marketers can kick in from the moment they stop driving. Parking is really an integral part of the journey. Sat navs can direct drivers to the cheapest or nearest car park to their destination, which can then be pre-booked and paid for. Some of the biggest car manufacturers are now making a big pitch for parking. Now that does have global possibilities."



Harry Clarke

## Why presence is so essential

What they make holds together car panels, mattresses, packets of Earl Grey tea, even fridges. Sealock are manufacturers of industrial adhesives and they believe that every single week of your life, you'll touch something that has incorporated their products.

Explains managing director Chris Young: "From opening the packet of muesli in the morning, the envelope that comes through your mailbox, the paper coffee cup which contains your Americano on the train, the bags for your pastries, through to the label on the bottle when you pour a glass of wine or beer when you get home; they all use our adhesives."

Sealock was started by his father, John Young, in 1983, now has a group turnover of £13million, and exports around the world.

"Our first overseas market was France in the 1990's," recalls Young. "We sold through an agent initially, but growth plateau'd, and we jointly decided we would be more successful if we were to manufacture in France for the local market." So in 1996, with their agent, Sealock set up a joint French company, built a factory, and now sell (successfully) French-manufactured adhesives in France.

Next came the acquisition of a manufacturing business in Poland - several customers from the UK had moved their production there. And with a manufacturing facility and sales office in eastern Europe, Sealock found themselves selling into Russia.

The amount of bureaucracy and paper work involved in operating in the Russian market prompted Sealock to realise that they couldn't continue to supply from outside and so in 2011 they took a major stake in a Russian adhesive manufacturer.

"What we have found is that it's essential to have sales and technical people with expertise in the countries you are operating in," says Young. "We are competing against huge global companies so our approach is to provide the best available, and I use that word advisedly, service and support locally for our customers. We sometimes compare ourselves to a group of corner shops offering the best service and quality goods."

## From multi-national to international

Big Brother, it seems, is particularly mobile nowadays. Especially in the form of a small device with six cameras in it, which can fit into the back of a police car. Two are for number plate recognition, while the others record the driving performance of the motorist in question. The officer can then set the cameras to playback with another camera then watching the motorist's reaction to it.

The embedded computers that power it are supplied by BVM, who also make the boards which control nuclear reactors, power the readout displays at train stations, control lights and radios used by American coastguards, and operate in GPS trackers.

"We're the hardware partners that the OEMs and systems integrators need," explains BVM chairman, Rod Clarke. The company was part of a multi-national until a management buy-out in 1989 and started to make its own boards for computers in 1990, which their clients would then put their own brand names to.

Clarke makes an annual foray to Taiwan and he's learned the psyche of their culture. "The Asian mentality is to never say no or admit they can't do something. If I ask if a board has a certain feature, and it turns out not to be included, then it's likely they'll respond by telling me that I don't need it. But the quality is good anywhere in the world as long as you deal with reputable suppliers.

According to Clarke, one of the key moments for the company was getting into the USA - the right way. "We took on someone in the States because we thought they'd fit well. To get credibility we felt we needed a presence in the USA and we looked at setting up our own business there but it was too costly. We saw other companies which had made that kind of investment and made some big mistakes with some huge expense implications."

"If companies are daunted by overseas shipping, currencies and the risk of the goods not arriving, then they will always find a reason for not looking beyond these shores. To make things as easy for the customer, we deal in euros, dollars and sterling and sell in all three currencies. It means we have to watch the exchange rates on a daily basis, but that just has to be done."



If you are thinking of going international with your business, then the Langdowns DFK International Team are here to help you navigate this exciting time in your business journey.

As a DFK firm, we are ideally positioned within a global association to give you the support, advice, information and connections your business needs to successfully take your business abroad.

With nearly 400 offices included within our association across the globe, we can help you enter new markets within 80 countries across all 7 continents. So no matter where you are looking to do business, the Langdowns DFK International team, will help make it as smooth, enjoyable and productive an experience as possible.

If you're looking to open a new branch or company in the UK, Langdowns DFK can support you by taking care of all the requirements typically associated with opening a new office. We know how hard it can be to get things done from a remote location, so we take the hassle out of the process.

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Once you're set up and ready to go our Outsourcing Department will take care of all your bookkeeping and management account requirements. We offer a comprehensive service that is tailored to your precise requirements and reporting needs.

Contact Neil Raynsford ([nraynsford@langdownsdfk.com](mailto:nraynsford@langdownsdfk.com)) the firm's Director of International Business for a chat and a coffee to see how we can help take your business journey global. [www.langdownsdfk.com](http://www.langdownsdfk.com)

We can help you in a wide variety of ways, including:

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#### INTERNATIONAL ASSISTANCE SOME EXAMPLES OF HOW WE'VE HELPED CLIENTS

- Providing an introduction to new Channel Island trustees, in respect of an Employee Benefit Trust structure.
- Implementing an exchange of shares in a UK trading company for shares in a new Gibraltar Holding Company, to mitigate tax on the growth of value in intellectual property.
- Liaising with a New Zealand accountant, in respect of optimising the tax position of a UK citizen moving to Wellington.
- Making an introduction to a French inheritance tax adviser, regarding a UK couple with several ski apartments in Tignes, France.
- Helping Canadian Company with VAT Registration issues in Spain and France.
- Dealing with all UK VAT filings for a German company supplying a product to the UK.
- Helping Australian families with UK based Parents and Grandparents with Inheritance Tax advice.
- Operating UK payroll for overseas companies with UK Employees.
- Arranging UK based Financial Advisers to help set up Employee Benefit Packages for companies based overseas.
- Helped German Parent and UK Subsidiary with thin capitalisation and transfer pricing calculations.
- Operating an entirely outsourced finance department for the UK Subsidiary of a German Parent Company.
- Advice to a Norwegian individual, whose employer had miscalculated his UK Tax and incorrectly dealt with residency issues.
- Prepare Management accounts and "report pack" for a subsidiary of a Dutch Parent.
- Helped a client undertake construction related projects in Ireland and Germany, to include employment issues as well as VAT and payroll.
- Advised an Irish Company on their business plan to expand and sell their products into the UK.
- Advised a client on emigrating to Morocco.
- Liaison with UK Lawyers for a US based client with contractual problems in the UK.
- Formation of a UK Subsidiary for a Japanese Company, to include all tax registrations.
- Liaising with local Bank Managers to help clients from various countries establish banking facilities in the UK.
- Advice to a client returning to the UK after 20 years of living in Canada.
- Dealing with Icelandic investors in a locally based client.
- Providing credit rating reports for a Norwegian Company's prospective new clients.
- Helping a Swiss based company with employing management staff in the UK.
- Liaising with a Canadian Accountant to restructure a UK/Canadian Group to maximise tax efficiency.
- Sourcing an introduction to an accountant in Sweden, to assist with the acquisition of 100% of the shares in a Swedish registered/resident company, followed by moving up its activities to the UK parent, and subsequent liquidation.
- Helping a client source a more reactive accountant in Spain, to assist with local tax matters concerning a privately-owned villa in Mallorca.
- Establish the values of London property owned by a Liechtenstein based company registered in Switzerland, to calculate the new 'Annual Tax on Enveloped Dwellings' and deal with the UK 'Non-Resident Landlord Scheme' tax rules.

"If language is a perceived barrier, then look to markets where everyone speaks English such as the Middle East, but even then, knowing when to appoint a local agent is a judgment call which can pay real dividends."

The local customs, though, can be a little baffling when cultures collide. "When we first went out to

Taiwan we used to have to exchange presents," recalls Clarke, "but not so much now. I still have a red and old embroidered dragon picture that was given to me which is really rather ghastly. The problem for us was that they love collector's items but so many so called English items were actually made in Taiwan!"

## What happens after the first serious step?



Neil Raynsford

"Whenever you see a successful business, someone once made a courageous decision." Peter F. Drucker (management consultant and educator).

Which is what has to happen when a company takes its first serious step overseas. Neil Raynsford, international director at Langdowns DFK looks at how that might come about - and what happens next.

**What tends to lead companies to embark on taking their business overseas? Is the international dimension a bolt-on: in other words, is strategy initially about the UK, and overseas comes as a consequence of unexpected opportunity or enquiry?**

"In my experience, most small businesses are set up because of the founder's expertise in a particular field.

In the first instance they have to develop a local market place for their offering because that is what they know best. It is the evolution of the business over time that creates the opportunity to expand overseas. The most important thing is that no matter how well they know their product, they need to learn about the market, and initially, the easiest way to do that is as close to home as possible.

"Getting it right means you gain a reputation for quality and service, and one of the best ways to develop new business is by referral. This can lead to enquiries and opportunities from overseas if your UK customers are working internationally.

"You have to have supreme confidence in your product and couple that with a willingness to go anywhere and everywhere where it can be sold at the right price. The need to be brave enough to take that flight to the USA for example to show the product to prospective customers for the first time cannot be overstated.

#### **As a consequence of their international dimension, does a company's horizons expand, say in terms of openness to new ideas for example?**

"What I would say is that everything scales upwards and companies have to think bigger. If you are making a move into China or India, because those countries are likely to be so much larger than your existing market, if your product takes off then demand is bound to be greater than anything you have been used to.

"So looking overseas means having to be prepared to scale up the business and to have plans in place to address capacity - otherwise quality and service levels could be compromised, not just for the new international customers but for your existing domestic ones. Everyone talks about the opportunity to become more profitable with scale, but at the end of the day, it's hard to know what demand in a new market is going to be with any certainty, and thinking too small means you can be caught out as much as if you haven't given capacity any thought at all. You need a plan A and a plan B.

#### **What would you say are the most pressing challenges or impediments face in developing a company internationally?**

"Definitely bureaucracy, culture, and to a certain degree, issues of trust. Let's take the first on the list. There's a particular company which has opportunities in France and Spain, and all they want to do is sell their product. Now VAT is a European tax and should

be applied the same way in each member state. The problem is that it isn't. So any company looking to have an overseas presence or market needs to find people they can rely on, because it is the only way to deal with the regulations.

"Language in northern Europe shouldn't be a problem because English is spoken much more there compared to southern Europe, although it's a sad fact of life that we're so poor at languages compared to our counterparts in other countries that it should even be an issue.

"Culture is, and should be a critical factor. It's interesting that you can buy a Big Mac anywhere in the world and it will taste the same, but when McDonalds wanted to tap into the market of one billion people in India, they could only do so by re-writing the menu because of the sacred position of the cow in that country. To succeed internationally means being prepared to adapt in a way which just wouldn't be necessary in the domestic market.

"Also in the domestic market a company can adjust the flow of its marketing tap for example, and can even decide to turn it off for a while. They won't have that degree of flexibility when they have a presence in another country - you're either there or you aren't.

"But the biggest challenge is having the courage to look overseas. You'll always have knock-backs and come across difficulties, which of course applies to every area of business anyway when you think about it. But that shouldn't be a reason for not doing it."

#### **Reference**

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