

International business: From the abstract to your backyard

Help clients navigate global business

By Chad R. Koebnick, partner, and Thomas G. Murphy, senior advisor, L. Harris Partners, LLC.

Globalization, internationalization, multinational – these terms are ubiquitous in the American vernacular of owner-managed business. In the not-too-distant past, such terms were reserved for far-flung, global conglomerates. But the rapid acceleration of computing, transportation and communication has created a world market accessible to all with little more than the stroke of a key.

The media may paint “globalization” or “internationalization” as a coordinated effort between governments and entrepreneurs. The truth, however, is much more mundane and risky. The experience of every enterprise is unique. Though the potential rewards are many, each business must define a custom-tailored global strategy and prepare to handle what is often a wild ride.

As a CPA, you can play a vital role in helping businesses achieve success in the global economy.

Accessibility: What changed?

Today’s entrepreneurs have the world at their fingertips, thanks to high-speed Internet. Customers can purchase and download digital material from around the world in a matter of seconds or purchase goods for next-day delivery. Outstanding computing power, reasonable fees and a multi-modal delivery system combine to put almost any product in a purchaser’s hands within hours.

In addition, owner-managed businesses benefit greatly from the elimination of prior obstacles. Free trade agreements such as NAFTA, CAFTA, Mercosur, and ASEAN, among others, have removed trade barriers that previously added cost prohibitive impediments to owner-managed businesses wishing to engage in the world market.

The easing of trade restrictions, the opening of Asian and Eastern European markets, and the further progression of the European Union to a single trading partner renders participation in international trade more accessible than ever for the owner-managed business.



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How does globalization affect the CPA?

Whether one serves external clients in public practice or works with internal clients in industry, the allure of international business will (or already has) smitten those we CPAs advise. The 2009-2010 Small Business Administration statistics indicate that the value of goods exported by small- and medium-sized businesses (up to 500 employees) increased almost 24 percent in the midst of a significant recession. Indicators from 2011 and 2012 point to the trend continuing to rise.

It is hardly a question that external and internal clients are considering global business. Whether as an inside or outside advisor, the CPA plays a vital role in helping the business to plan, prepare and participate successfully in the global economy.

Meeting the challenges

How many times has the phrase “It’s not my job” been uttered in the American workplace? For the owner-manager, “It’s not my job” is not an option.

However, undertaking a venture into international business requires significant study and application in order to capitalize on the opportunity. The resources necessary to enter a new domestic market are many and include:

- Desirability of products
- Sales and marketing support
- Physical locations (if necessary)
- Additional service personnel
- Communication and IT system improvements

Now consider an international expansion. Not only do the items above need attention, additional attention must be given to:

- Cultural differences in the sales market
- Managerial differences vis-à-vis staff recruitment and retention
- Added financial responsibilities
- Foreign tax differences
- Foreign currency fluctuations
- Heightened product control requirements
- Negotiation of unfamiliar business practices

Lack of information, experience, expertise and under-planning can quickly spell the end of any foreign venture.

Planning and experience are the critical tools for success

All too often, businesses attempting the do-it-yourself approach to international business end up horribly disappointed. The investment and risk are just too great for businesses to gamble on a make-to-order of one.

As CPAs, we need to help our clients plan for success through the use of dependable tools and tested resources. Those counting on short- and long-term success in the international marketplace must:

- Devise a solid business plan that draws on information, skill, experience and the expertise of others who have successfully undertaken a foreign venture
- Develop a target market
- Ascertain how the product or service will be viewed in the foreign country. If different from in the United States, how will it be marketed?
- Determine which resources will be harnessed to enter the foreign market
- Locate information to help grow and develop existing company staff or find people with the know-how to enter and grow the market
- Commit to the project and do not waver. Financial and management support are critical to success. For a variety of reasons, international projects require greater financial, management and oversight resources. Utilize the financial and market analysis tools available to closely monitor success.
- Always remember that cultural differences exist in almost every facet of business. Utilize tried and tested resources in the legal, employment and tax aspects of the business. Far too many entrepreneurs have made assumptions about how to structure an investment or a contract only to suffer serious financial and legal consequences later.
- Change perspectives; harness resources and personnel with experience in the global market to help broaden the business’ perspective to include the worldview.
- Find others with experience. Check out the MNCPA referral service at www.mncpa.org/referral. Look to trade

associations, business acquaintances, and consultants who can provide valuable relationships and help guide you into the global market.

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The perfect combination: Global business and CPA expertise

Participation in the global economy has become less costly, and it provides greater profit potential to an owner-managed business. However, from a CPA perspective, it also requires great care and planning to ensure clients don't get trapped by the promise of riches. CPAs have a great opportunity to help clients navigate the international landscape and provide the true value that we all strive to contribute to the vendor-client relationship. ■

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Guarantee cross-border success for your company or client

Learn more about the myriad implications of conducting business internationally. These new seminars will help you understand the tax issues, challenges and opportunities of global business so you can point your company or client in the right direction.

International Tax — Intermediate Transfer Pricing

Dec. 7 (TPPR4) | 8:30 a.m. - noon | MNCPA, Bloomington
4 CPE | Jason Fritts and Jerome Martin, MBT, CPA

International Tax — Intermediate Accounting for Income Taxes

Dec. 7 (ITAX4) | 1 - 4:30 p.m. | MNCPA, Bloomington
4 CPE | Adam Tritabaugh, CPA, MBT

Visit www.mncpa.org/cpe for details and registration.

MNCPA Tax Campaign enters third year

Campaign promotes the CPA brand

As CPAs gear up for busy season, the MNCPA's annual Tax Campaign is heating up. Now in its third year, the Tax Campaign promotes the value of hiring a CPA for tax preparation.

Building on its success during the past two tax seasons, the campaign again includes advertising and public relations efforts emphasizing the overarching message that taxes are complicated, but a CPA can help. Materials focus on that theme, highlighting the value CPAs can bring to small-business owners and individuals in making informed decisions about taxes.

This year's campaign includes:

- Print and online advertising in Greater Minnesota and the Twin Cities
- News releases focused on topics important this year
- Media interviews with leading print and broadcast media throughout Minnesota
- A freshly updated brochure for members to use to promoting the value CPAs bring in tax preparation
- Surveys asking MNCPA members to share strange or unusual tax deductions proposed by clients and mistakes commonly made by tax filers

Last year's campaign proved highly successful, with coverage throughout Minnesota and in several national media outlets. Visits to the MNCPA's CPA Referral Service increased to more than 10,000 clickthroughs during tax season. In addition, more than a dozen MNCPA members served as spokespersons on tax-related issues in media interviews, press releases and articles.

"We see the Tax Campaign as an important contribution to the profession and, particularly, to our members' efforts," said MNCPA President Betsy Adrian. "With the possibility of public confusion over the difference between the qualifications of a CPA versus other tax preparers, we are especially interested in highlighting the expertise and value CPAs bring to tax preparation during busy season and throughout the year."

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