

Key strategies for successful international SME expansion

South African business owners with growth potential should consider expanding into offshore markets.



Roné Silke | image supplied

This is according to Roné Silke, business development manager at Sovereign Trust SA.

“Expanding internationally provides access to new markets and customers, which can in turn drive higher volumes, and increase revenue and profit. Moving offshore can also help to diversify your business risk, reduce your dependency on a single revenue source, and introduce you to new ideas and technologies.”

However, Silke warns that global expansion can be complex:

“Moving your business offshore will inevitably involve unfamiliar legislation and processes, and jurisdiction-specific legal and tax considerations.

“Success depends on careful planning, a deep understanding of the destination country’s regulatory environment, and strategic risk management – and partnering with an expert in these fields is key.”

These are some of the key factors to consider before expanding a business internationally:

1. **Selecting a suitable jurisdiction:** One has to consider the ease of doing business, available corporate structures, licence and permit requirements, and access to essential infrastructure and talent.

2. **Cultural challenges:** An understanding of local customs, language nuances, and business practices is critical for building trust and avoiding costly missteps.
3. **Legal and regulatory compliance:** Business owners must target jurisdictions with a robust legal system, high-quality regulation, a stable political and economic environment, and a strong reputation in the global financial community.
4. **Financial challenges:** Local financial systems and banking capabilities should be evaluated, and the availability of financing options should be investigated, while currency risks, operational costs, and investment protection mechanisms also require scrutiny.
5. **Risk management:** Identify and analyse potential threats or uncertainties by assessing the economic, political, technological, environmental and competitive factors that could affect your business. Organisations that embrace strategic risk management are more likely to deliver stakeholder confidence, better business outcomes and revenue growth.
6. **New business model:** Redefine your business model for specific markets to enable more effective decision-making and ensure alignment with long-term growth objectives.
7. **Tax benefits:** Some international structures offer significant tax efficiency through lower corporate and personal income tax rates, reduced withholding taxes and import duties, incentives and exemptions, and double taxation treaties. In addition, certain jurisdictions have favourable capital gains and inheritance tax frameworks, offering further advantages for wealth preservation.

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