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ESSENTIAL COMPLIANCE INSIGHTS

PURSUING GLOBAL EXPANSION? CONSIDER THESE KEY LEGAL AND COMPLIANCE CHALLENGES

WRITTEN IN CONJUNCTION WITH TMF GROUP

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Pursuing a strategy of global expansion is an exciting scenario for any business. Access to new markets provides companies with the opportunity to significantly enhance profits and strengthen their worldwide brand.

Yet with great opportunity often comes considerable risk. Without proper planning, legal and compliance issues can exact a serious toll on any expansion effort—and diminish the odds of a successful market entry.

A recent report by *The Economist Intelligence Unit* (EIU), sponsored by TMF Group, delved into these issues, offering some compelling information about expansion concerns.

In this part of our series on global expansion, let's review some of the key legal and compliance issues accompanying international growth.

WHAT ARE THE PRIMARY LEGAL AND COMPLIANCE CHALLENGES OF OVERSEAS EXPANSION?

According to a survey of 160 global business leaders conducted by EIU, data protection and data privacy laws rank first among all legal and compliance expansion concerns. In the survey, respondents were asked to rate (on a one-to-five scale rising in severity) the importance of a variety of issues. Twenty-one percent rated data protection and data privacy either a four or a five.

The EIU report points out that there is a considerable degree of regulatory inconsistency between nations; this is a problem that's particularly acute for European countries. Contradictory data regimes mean that what's considered extremely confidential in one nation may be considered fit for public distribution in another. Because of this, companies must often tailor their privacy policies to individual markets to satisfy diverging local standards.

Other key concerns cited by survey respondents include the prevalence of corruption and fraud (17 percent), effective rule of law and law enforcement (17 percent) and the ability to understand the local legal system (17 percent).

Categories where business leaders have seen fewer problems include real estate, building and planning laws and intellectual property rights.

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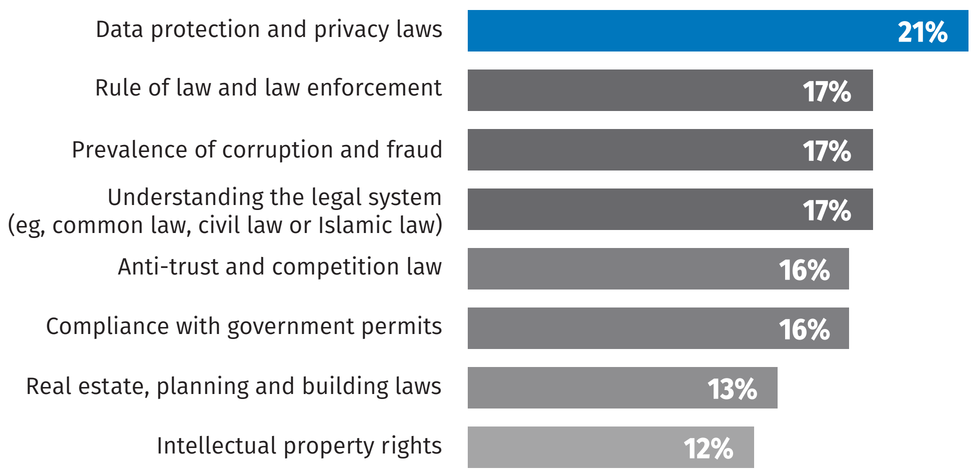
Chart 3: Legal/compliance issues

Q Please think again about the legal/compliance issues in your company's recent/current/planned major expansion project into foreign markets. On a scale of 1 [no problems] to 5 [significant problems], please indicate the severity of problems your company has encountered with each of the following.

Chart shows the combined total of those responding either 4 or 5
(% respondents)



Source: Economist Intelligence Unit survey, August-September 2015.

There is broad agreement on one thing: Successful expansion requires a talented team with strong leaders who are dedicated to realizing their firm's strategic goals. The precise mix of in-house and external team members often depends on the scope and the particular demands of project in question.

THE TAKEAWAY

Overseeing a successful global expansion push requires careful negotiation of a variety of legal and compliance issues. By assembling a strong team with superior project management skills, business leaders place their firms in the best possible position to thrive.

WHAT ABOUT PREFERENCES FOR IN-HOUSE OR EXTERNAL GUIDANCE?

Another interesting finding illustrated by the EIU report involves the use of in-house and external guidance for overseas expansion projects. The survey showed that most firms use a blend of both, yet with diverging preferences. General counsels and CLOs are more prone to favor in-house control over all legal and compliance functions related to an expansion, while COOs reported a preference for external guidance.

Around 15 percent of survey respondents reported outsourcing all legal and compliance functions during an expansion, while 37 percent reported using in-house and external guidance in equal measure. A total of 45 percent of respondents reported handling the entire expansion process in-house.

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