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HOW TO GROW YOUR BUSINESS

BUSINESS

THE EXPORT EQUATION AND ELEMENTS FOR CONSIDERATION

At some point, entrepreneurs decide the time is right to begin scaling their business. Perhaps, there are opportunities that can only be exploited by reaching new targets or markets. What does that look like? How does one keep a foot in the door with its existing markets while testing the waters to determine whether there are other viable opportunities with exciting potential? There are some tips and traps that can befall the un-savvy. On the next pages, we seek to set out the prime considerations.





ELEMENTS

JURISDICTION

First, congratulations on having the wherewithal to seek new opportunities and grow your business! That means your existing business is doing well, people want your product and service, and you have the capacity to think about expansion. The first question is to assess the market where the expansion should logically occur. Knowing where you will have a strong customer base is key as is understanding how to open a branch in that jurisdiction. Finding local talent to assist with that process and the logistics of opening a new location are fundamental. Each jurisdiction has different requirements to consider. It's not necessary in all cases to jump in too deep. In many cases, it is not necessary to establish a formal branch; rather, it might be possible to partner with a local company to act as an exclusive distributor in a particular location in early days. If traction is obtained quickly in the jurisdiction, it might make sense to consider opening a physical location. In some cases, the type of product or service being distributed lends itself more easily than others.

TAX CONSIDERATIONS

In a distribution model, once traction is obtained, larger questions often arise around sustainability of that business model from a tax perspective. If products are being sold in another country, there can be transfer pricing questions that arise in respect of getting profits back across the border to the home jurisdiction of the business. These issues may differ based on the chosen location, and tax/accounting advice is critical in that respect.

BANKING CONSIDERATIONS

Most expansions require capital in order to fund the growth. Determining in advance the plan for how to access capital is a critical

element to consider, because it may require collaboration and/or coordination or cooperation with banks on both sides of the border. If a company is going to be incorporated in a new jurisdiction, it's important to understand any specific requirements that a financial institution or other lender may impose in respect of accessing capital. The legal structure ultimately chosen for the expansion needs to consider the practical implications of funding and operating the business in the chosen location.

REGULATORY MATTERS

Depending on the industry and type of product being exported, it is possible a particular regulator may necessitate specific requirements in respect of a physical branch or location. Obviously depending on the type of product or service being exported, those regulatory considerations would need to be handled. As stated above, it may be possible, especially in early days, to piggyback on the established presence of a local operator who can act as a distributor in that location. In that case, a strong contract to outline the potential relationship is critical to protect the company.

EMPLOYMENT MATTERS

One of the final considerations that often presents a way to consider moving forward is how the operation can be staffed in the new jurisdiction. Can the existing team at home continue to provide services to the expanded jurisdiction? Is it necessary to hire locals in the new jurisdiction to provide support, sales, training, etc.? If so, can the home jurisdiction be an appropriate employer? Will staff from the home jurisdiction need to spend time in the new jurisdiction to train staff, sell the product/service, and assist with operations? If so, it may raise immigration issues to be factored into the equation.

Knowing where you will have a strong customer base is key as is understanding how to open a branch in that jurisdiction.



CONCLUSION

There can be multiple factors to consider in determining how to grow your business. The prime elements will be weighted differently depending on the specific circumstance. Creating an exportation plan that is unique and customized to your circumstance requires careful thought and planning. It's best to involve, as early in the stage as possible, the players who can assist with planning and structuring advice, such as the tax advisors, accountants, bankers, and lawyers. Having access to professionals with expertise in both the home jurisdiction and reach into the new territory can greatly smooth the rough edges and answer the questions to help navigate a smooth transition. Dentons LLP, as the world's largest law firm, has locations in almost every territory where you can seek to



grow to, and we are pleased to provide the support to help you reach new heights.

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