

Podcast: How To Successfully Scale Your Business Overseas

- Audrey Siek** Welcome to the Breakfast Show expanding a business overseas presents a myriad of opportunities and challenges, particularly, for Singaporean companies aiming to broaden their global footprint with its strategic location, robust economy, and strong international trade relations.
- Singapore serves as an ideal launching pad for businesses seeking to scale beyond domestic borders. Now, on this guide, we'll delve into the key strategies and consideration tailored specifically for Singaporean businesses looking to successfully navigate the complexities of international expansion and achieve sustainable growth in foreign markets, joining us to share more for companies looking to diversify Australia, US and regional Asian markets is Boon Tan, Managing Director at CST and international tax and accountant practice headquarter here in Singapore.
- Boon, welcome to the studio and the breakfast show, how are you?
- Boon Tan** Good morning, I'm very well. Thank you, Audrey.
- Audrey Siek** Great to have you on and joining us today. There are some great lessons to learn from you when it comes to scaling and expanding our businesses globally. So first up, they always say that timing is key, right?
- Boon Tan** It is.
- Audrey Siek** So, is there a right time for business to expand internationally and how do you determine when it's time?
- Boon Tan** Everyone's a little bit different. I mean, the key thing is taking a step as regards to expanding overseas. Means that you're setting up a presidency in some way that you can't get to very quickly. So, if you're in Singapore, okay, I'm going to open another store, another shop front, fine. You know, it's a 30-minute taxi ride.
- Audrey Siek** Yeah.
- Boon Tan** But if you're looking, we're looking to expand to Australia, okay? It's a 7-hour flight, you know, so, it's very important. There's no real rule in terms of, okay, you've hit this milestone, right? Everyone's different. Okay, everyone's got look at where they are in the business life cycle and then determine and work together with advisors to work out, okay? Now is the right time to move forward.
- Audrey Siek** Yeah, so, nothing not a one-size-fits-all kind of.
- Boon Tan** Absolutely not. I mean, apart from that, from the fact that you've, you know, by expanding into another jurisdiction, the first step is, do I have the money to do it?

Audrey Siek

Yeah.

Boon Tan

What kind of capital do I need and one of the big things you know that a lot of businesses need to really think about is Singapore, in terms of compliance tax is quite low touch right? You know, you go to a jurisdiction like Australia where you've got States or America, you know, America's effectively got 52 different tax system.

Audrey Siek

That's right.

Boon Tan

Yeah, yeah right. You got your 50 states and you've got your federal and some cities have their own, and some municipalities have their own. So, you can't, you know, a lot of people take the risk of okay., well this works here in Singapore, we'll just pick it up, move it into another jurisdiction. It's definitely not as simple as that.

Audrey Siek

We're in business, typically like venture into first like any consistent top favorites, you've noticed and what factors would you say influence this decision?

Boon Tan

Yeah, obviously you know, Asian and Malaysia, all the Asian countries are certainly key markets that Singaporean businesses I've seen got into, but and that's obviously geographically based. But I'm seeing a lot more move into the UK, USA, Australia's always been a traditional market, you know, a lot of prestige owners may have studied in Australia and gone into uni in Australia, but the same applies also for the UK and USA.

So, they do feel a sense of affinity or connection with those markets and obviously those markets do bring a very wide or larger pool of potential customers for their services.

Audrey Siek

Yeah, I want to talk about these culturally diverse markets. What do you think are the main factors that Singaporean businesses need to consider when they're crafting an international expansion strategy, especially when it comes to these markets? They're a little bit you know, it's they're different from Singapore's market.

Boon Tan

Yeah, absolutely. I think in my own experience, you know, I'm Australia-born Chinese, my parents are from Malaysia and Singapore. I speak Mandarin and Hokkien. It's going to be a breeze for me to get into Singapore back 8 years ago, you know, there's no problem. Totally opposite for me, right? I've grown up and I've worked in an Australian work environment at that stage for 38 years, right? And suddenly I'm coming across Singapore, and I was very naïve obviously, and at the same applies to businesses looking to expand right?

These cultural issues, workplace norms, you know, when you go to a country like Australia or USA, where there might be unions involved, right? But they're very strong unions. You know, this is the minimum requirement workplace laws that are all focused-on employee's rights and things like that. If you don't think about those things before, and understand, okay, we'll know I've got GST that instead of dollar threshold at 75-thousand-dollar threshold, ok?

So, all these things you need to understand and when you put together your plan and your budget to relocate or to sorry to set up right? You need to realize that. Okay, well, instead of a million-dollar turnover, the GST rate in Australia is going to kick in at 75 grand. So, let's test 10% extra, I've got to charge my customers. That's additional compliance cost that I don't have in Singapore that I now need to factor in.

Audrey Siek

Yeah, let's talk about taxes. You did bring it up a couple of times now. So that's another really important aspect when it comes to business and expenses. So, we need to understand the obligations that we face, right? What should businesses expect on this front when entering new international markets? You talked about the US invest in this state tax and federal tax?

Boon Tan

Yeah, yeah. So, in terms of taxation specifically, all of your international market, especially America, UK and the USA, they're very much tax heavy. There are a lot more taxes that you need to think about. Yep. Pick America, you've got, ok, where do I set up a company? I'm going to incorporate in New York.

Audrey Siek

That's the most expensive state of all time.

Boon Tan

Okay. So, oh, there's a New York tax, there's a city tax, there's a state tax. Oh, hang on, what about federal tax, yeh, there's that too, right? And so, okay, what rate is that and then not just income tax, this sales tax is valued tax GST.

So, all these things that you know, in Singapore, we're not familiar with and not used to, okay? If you don't do the research and you go in it, in most cases, why does a company want to expand overseas? Because, hey, we're getting a great traction, we're getting 500 hits a day from this America or from Australia. We've got to go set up a shop there and you rush to capture that market and that's effectively your first mistake. The rush to capture that market.

If you have a product or a service which is garnering that level of engagement whether you're there tomorrow, next week, at the end of year, it doesn't really matter that engagement should always be there if you foster it and make sure, okay guys, hey guess what? We're planning to come out in 3 months' time, 6 months' time. You'll generate more interest.

Audrey Siek

So, we talked about taxes. We also spoke about employment-related aspects. So, what challenges should businesses anticipate on that from when establishing a physical presence abroad?

Boon Tan

There's a lot of the labor laws are probably the most important ones that a lot of businesses kind of overlook in a lot of jurisdictions, especially in Australia, America and UK. They're very stringent employment laws which are very different to what they are in Australia, in Singapore, pardon me.

So, things in regards that's to, you know, if I want to let someone go because they're not performing, okay, first time I'm firing someone, oh, I can't just let

them go. No, you've got to talk to them, you need to counsel them, you need to give them 3 warnings, you need to have you done that in writing. Did you document that? So, failure to understand and appreciate those things can actually cost you quite heavily. Because they are statutory, protection measures failure to execute in the way that the statute applies means potentially legal cost.

Oh, hang on, why are you suing me? You didn't perform, yeah ok, I didn't perform, that's your opinion. But the law says you needed to do steps A-B-C-D-E right? And you just let me go.

Audrey Siek

Laws are extremely specific but depending on where you are so it's important to like look up on that as well. Any other key considerations that Singaporean entrepreneurs really should keep in mind when locating to oversee a new market expansion?

Boon Tan

So, one of the main points I see when dealing with my clients is finding the right way to enter a new market. Some people will go, okay, look, I might engage a third party to someone I know to be a distributor or a partner on the ground. Sometimes taking that nick step of lay. Let's work together and build a local presence, changes the dynamic of a relationship and some and in a lot of cases I've seen that it turns out to negative impact.

Because they don't actually done business like this style with you before, and, you know, we've been working together in one capacity for the last 5 years successfully, doesn't mean that the next step of let's work together and set up a presence you know, people go, I've know you for 5 years, let's don't worry about, we'll get to the legals later when we get right. Again, big mistake, right?

Because the legals having that agreement up front sets the foundation, the boundaries, the parameters of the relationship that people miss out on.

And then the other thing that a lot of Singaporean that want to expand, might what to think about is okay? If I can't find someone to do it on the ground, do I need to move myself and what do I need to think about in those situations as an individual? Visas, you know, international taxation oh, my CPF is suddenly taxable and all these foreign jurisdictions. How much is that going to cost me.

Audrey Siek

Based on all experience that you have working with so many clients, have you seen any specific industries that Singaporean business possess? Maybe a more competitive advantage for international expansion.

Boon Tan

I think it's very much focused towards service industries, so service industry is not in sense of not necessarily just hospitality because I've seen a number of restaurants where, you know, we've seen success of the Hawk Center in New York for example, but also, you know, things like SAS products software and cutting edge technology in that regards that a lot of you know, develops locally here in Singapore and finding market overseas, whether it's data protection.

For example, I'm working with a group right now, looking at the global strategy, focused purely on data protection. Working with another group that is developing tiny homes, right?

Audrey Siek Well, tech is really big right now.

Boon Tan Yeah, absolutely, tech is huge.

Audrey Siek All right, a lot of moving parts there, you know expanding internationally can be both rewarding and challenging for Singaporean businesses, so, thanks for helping us navigate Boon and for joining us this morning.

Boon Tan Thank you, Audrey.

Audrey Siek We were speaking with Boon Tan, Managing Director at CST, stay with us on MoneyFM 89.3.