



Privately Speaking

Insights on private company growth
from private company insiders

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The world is shrinking with more companies expanding abroad

Expanding your business into high growth markets has its risks but also can hold great potential for growth and profit

Businesses, including startups, are constantly looking for opportunities to grow and in many cases, that means expanding abroad. This issue of *Privately Speaking* offers insights on business opportunities and challenges for private company leaders to consider when expanding into high growth markets (HGMs).

China

China is trying to shift from a high-growth, manufacturing-based economy to one powered by consumer spending. Many U.S. technology startups have the know-how to help China achieve its ambitious goals, but they face significant competition from Chinese domestic companies, which have been quick to embrace e-commerce and are increasingly globalizing.



to operate in those areas without restriction. While Indonesia can be one of the most rewarding and profitable countries in which to operate in Southeast Asia, there still can be regulatory hurdles that need to be overcome and a risk that local businesses could demand the government reinstate some restrictions.

India

India offers extremes of opportunity and challenge. On one hand, it's the fastest-growing major economy, with strong forex reserves, a rising middle class, and a young, educated English-speaking workforce. Before a business makes a direct investment in India, it should understand ground-level impediments—such as red tape, lack of infrastructure, and changing tax and regulatory rules—and formulate a long-term strategy for dealing with them.



Nigeria

Nigeria has the largest economy in Africa, with oil representing 70 percent of revenue. The fall in crude oil prices resulted in the projected growth rate dropping to 2.3 percent in 2016, the lowest rate in 15 years. Still, the government is committed to going ahead with plans to increase capital spending by 30 percent and plans to make the country less dependent on oil. Foreign companies planning on investing in Nigeria stand to benefit from these moves.



Indonesia

This historically protectionist country recently removed 45 business lines from the Negative Investment List and began allowing foreign companies



South Africa

South Africa has plenty of challenges: political uncertainty, electricity shortages, skills gaps, labor unrest, and economic and social disparities. Yet the country also provides lucrative opportunities for foreign companies. Still, South Africa has a host of complex laws and regulatory measures that must be accounted for.



Saudi Arabia

The fall in oil prices has forced Saudi Arabia to confront this issue and the government is encouraging foreign investment in nearly all economic sectors, with priority given to transportation, education, health, information and communications technology, life sciences, and energy.



Vietnam

With Vietnam's participation in recent trade agreements, the country is tilting decisively toward the United States. Vietnam is becoming the go-to place for manufacturing, particularly in textiles and electronics.



"More than half of the \$600 billion invested in high growth markets each year by U.S. companies goes to just five countries (Mexico, Brazil, Chile, India, and South Korea). Companies are typically hesitant to invest in other developing countries, despite likely growth potential, due to higher risks of corruption as well as economic and/or political instability."

—**Phil Isom**
KPMG's Global Head of M&A

12 tips for investment success in HGMs

Before a company makes an investment in a potentially high growth market, there are a number of factors to consider and steps to take that can increase the likelihood of success.

1 Understand the business environment



7 See the local country through HGM eyes



2 Retain a local trusted adviser



8 Blend local and U.S. leadership



3 Learn how to deal with government



9 Raise capital for the long term



4 Establish a robust anticorruption policy



10 Be patient



5 Spend time observing foreign operations



11 Build a flexible business model



6 Establish an exit strategy up front



12 Develop a strong employee retention program



Source: Hughes, Barnes, and Isom. "Chapter 26: Going Global in High Growth Markets." *The Entrepreneur's Roadmap: From Concept to IPO*

Learn more...

If your firm is considering expanding abroad, you have some choices. For a deeper dive, including examples illustrating challenges that multinational firms have encountered while expanding into HGMs, and how they've successfully addressed these issues please download the electronic version of chapter 26 'Going Global in High Growth Markets' in *The Entrepreneur's Roadmap: from concept to IPO*.



Download *The Entrepreneur's Roadmap: From Concept to IPO*



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Contacts

Brian Hughes
Partner
National Private Markets Group (PMG) Leader
National Venture Capital Coleader
T: 267-256-1820
E: bfhughes@kpmg.com

Conor Moore
Partner
National Venture Capital Coleader
T: 415-963-7559
E: conormoore@kpmg.com

Sal Melilli
Partner
National PMG Audit Leader
T: 212-872-6030
E: smelilli@kpmg.com

Bill Jackson
Partner
National PMG Tax Leader
T: 214-840-6040
E: wmjackson@kpmg.com