



5 Mistakes Companies Make During Their Global Expansion and How to Avoid Them

IRIS

A man with a beard and short hair, wearing a grey suit jacket over a light-colored button-down shirt, is sitting at a desk. He is looking off-camera with a thoughtful expression. His hands are resting on a laptop, and he is holding a pen. The background is blurred, showing an office setting. The image is partially covered by a dark blue geometric shape on the right and a purple shape at the top left.

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Expanding your company into a global market is a major milestone for any business. If done correctly, it can expand your market reach and jumpstart your growth. However, if you aren't prepared, you can fall victim to some pitfalls that can cause significant damage to your business both internationally and domestically.

To help you prepare for your international growth, here are five common mistakes people make as part of their global expansion and what you can do to avoid them.

1. Lack of Research

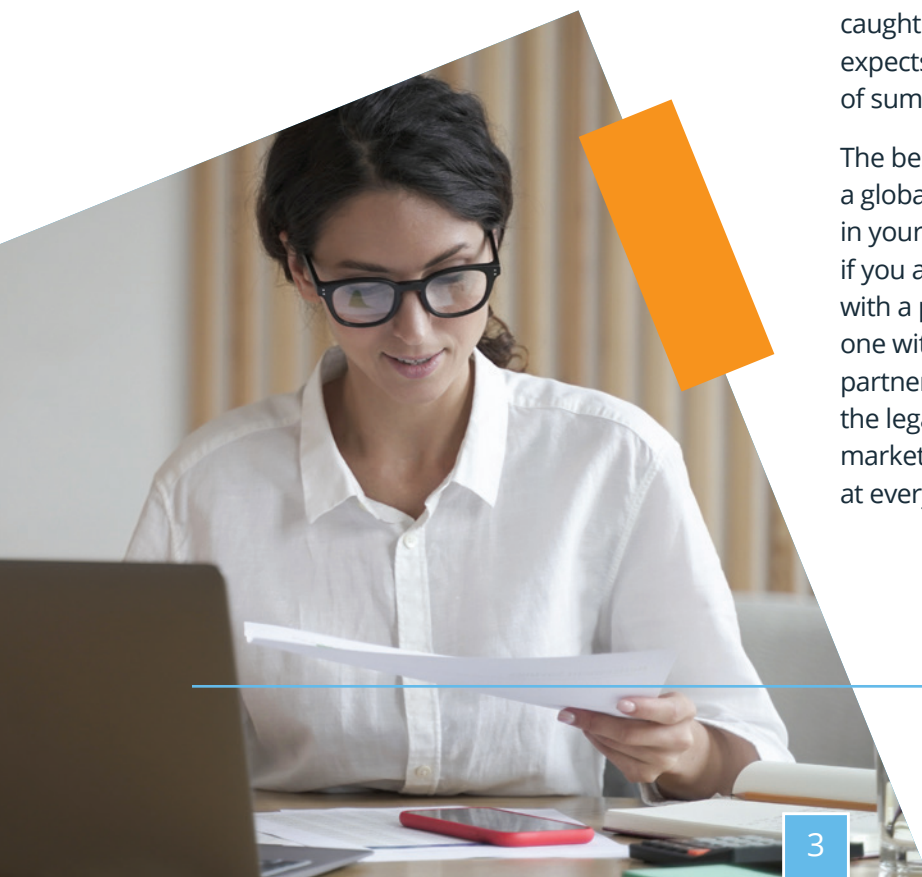
Expanding into a new market can be enticing, especially when industry trends point in that direction. However, one of the most common mistakes companies make is not doing their due diligence to understand their new market. When companies choose not to do their research and rush into a new market, they can make very large missteps that can damage their brand on a global scale.

Not doing your research while entering a new market puts you at a higher risk of non-compliance with national laws. Some countries require a legal entity to be set up to operate within their borders, while others require someone from their nation as part of the executive board of directors. These legal requirements are mandated, and if not followed correctly, they can lead to serious fines or being banned from doing business in the country. If you are testing out a new market or you've only got one or a handful of team members in a new region an [Employer of Record \(EOR service\)](#) can be beneficial.

When doing your research, it is important to remember that, just like in the United States, where legal requirements are established at multiple levels (federal, state, and local), the same standard will apply in other countries. For example, a company must comply with federal, provincial, and local legislation when expanding to Canada. Companies that have not done enough research before entering a new market often research federal requirements and forget to research the impact of any area or city legislation.

Blindly entering a new market can also be dangerous because there's more to work than just the legal requirements. In addition to the legal expectations of each country, you also need to research and consider the cultural expectations. For example, in Sweden, it's not law, but there is an accepted tradition for companies to slow down to a skeleton crew in July, allowing most of their staff a long summer holiday. This cultural tradition is in addition to the already generous vacation policy enforced by Swedish legislation. Companies who rush into the Swedish market understand the official rules and follow them to the letter but get caught off guard when most of their workforce expects to take weeks off from work in the middle of summer.

The best way to avoid this pitfall is to partner with a global workforce expansion expert with a history in your target market. It may seem obvious, but if you are expanding to Brazil, it's ideal to work with a partner with a history in Brazil rather than one with a history of only working in Japan. Your partner will be able to help you navigate both the legal and cultural expectations of your new market, ensuring you have the right information at every step.



2. Hiring the Right Global Talent

When you expand to your new market, are you going to relocate some of your existing workforce to a new country, are you going to hire local talent, or are you going to do a mix of both? Choosing the wrong option for your business can lead to costly mistakes.

If you choose to relocate existing employees, you have to consider travel costs, housing, passports, visas, and work permits. While it can be beneficial to have a trusted employee in a new market to help guide international growth, it can be costly.

If you plan to hire local employees, you must follow new-hire labor laws. Some governments require you to post job openings on official job boards and websites. You must also determine how compensation, PTO, health insurance,

pension plans, and leave need to be handled for citizens. Hiring local employees can be very cost-effective; however, it can lead to significant fines and legal fees if not done compliantly.

Some companies choose to blend both options. While this allows you to benefit from your experienced workers while also leveraging local talent, it is often the most complex because it exposes you to both complexities.

Depending on your company's international growth plan and the size and scope of your expansion, there is no single best option to avoid the risks and challenges of managing multinational employees. No matter how you go about it, it is always better to be proactive than reactive. Spend time researching and studying all local laws, regulations, and international standards so that when you finally need to hire employees for the international expansions of your company, you will be doing it correctly.



3. Non-Compliance with Local Laws

Imagine if an Australian company opened up a business in the U.S. and only followed Australian laws and regulations. They don't pay local or federal taxes, only follow Australia's minimum wage, and they only pay their employees in Australian Dollars (AUD) through Commonwealth Bank (a popular bank in Australia with over 11,000 branches in Australia, but only one branch in New York). What if that same company refused to recognize the 4th of July as a holiday but required all employees to celebrate the 26th of January (Australia Day)?

It seems obvious that a company should never do that. However, it is a common error companies make during their first expansion into another country where they entirely ignore local laws

and assume they can continue to work following their native structure. To avoid this pitfall, we recommend establishing a network of in-country experts.

This is a group of native citizens who can serve as the "boots on the ground" for your organization. Start with a professional staffing firm or recruitment agency native to the area you are expanding to. They will place job openings and help you find qualified talent while complying with all regulations.

Next, you should hire a local law firm specializing in business law. They can better guide you through the new market and help you avoid potential legal hazards.

4. Running Payroll through the Wrong Bank

Local credit unions and banks charge for international payments and transfers. These fees may even be small so that if you are vacationing or doing a short-term stay in a new country, you barely notice the additional charges. However, as your company grows, you need a bank built to handle your needs.

Search for a bank based in the new market with minimal or no additional fees or charges for international transfers or conversions between currencies. This will help you save money while streamlining your payroll process, ensuring that every employee is paid accurately and on time.



5. Thinking Global Expansion Is a DIY Project

It's theoretically possible to hike from California to Florida, but it's faster and easier to fly. In the same way, it's theoretically possible to manage your organization's global expansion without any external help, but that does not mean it is a good idea.

As a best practice, you should always partner with an expert in global HR, payroll and payments when embarking on your global expansion. An experienced global workforce management partner will help guide you through all the complex rules and regulations and can even take responsibility for some of the most frustrating and time-consuming processes, allowing you and your team to focus on your business growth.

When you work with a global workforce management partner, they simplify the complex process of building, paying and managing an international workforce. There's no need to engage a recruitment firm to source overseas talent, nor do you need to hire a law firm to navigate local labor laws because they handle it all. A trusted workforce management partner will handle critical elements, ensuring your business operates smoothly and compliantly in every market, allowing you to focus your efforts on strategy and operations rather than being bogged down by expansion.



Streamline Your Global Expansion with IRIS

IRIS Global Workforce Management is a trusted partner for your global expansion. We specialize in global expansions and can help you better manage yours to ensure compliance with all regulations. We can provide 'in-country' payroll and HR services to 90% of the potential global workforce across 135 countries.

See how [IRIS Global Workforce Management](#) can help streamline your processes and help you get the most from your global expansion.

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