

# Why and where are companies expanding overseas? And what are the HR and payroll challenges?



Despite global uncertainty and supply chain disruptions, many companies are looking to expand internationally — but which countries to consider is a difficult question. So many things will affect that decision, such as industry sector, current locations and size of the company.

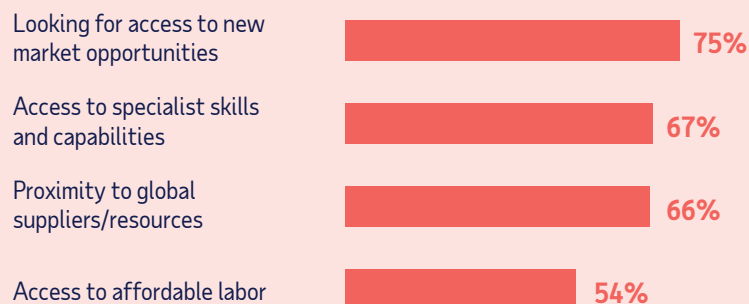
Shifts in global marketplaces and rapid acceleration of new technology adoption mean that opportunities are ripe for the picking for companies with an appetite for growth.

So where are these opportunities? And what does business expansion mean for payroll and HR?

## Where, how and why companies are expanding

The Economist Intelligence Unit's research found that companies tend to expand within their own region.<sup>1</sup> Beyond that, the United States and Canada were popular destinations, with over half of respondents from Europe, Asia-Pacific and Brazil having grown there in recent years.<sup>1</sup> One interesting point here is that companies certainly don't choose where to expand according to a market's ease of payroll and HR compliance.

Larger companies — those with more than 5,000 employees — are more likely to expand through mergers and acquisitions, while those with fewer employees are most likely to be opening regional offices. According to the Economist Intelligence Unit the top reasons for expansion are:



And of course, there are still plenty of tax deals and incentives offered by governments that want to attract certain types of companies, such as green companies in the EU,<sup>2</sup> manufacturing, electronics and pharmaceuticals in India,<sup>2</sup> and research and development in Brazil.<sup>3</sup>



Download **Payroll and HR compliance challenges around the world**



Download **Payroll legislation: how ADP takes the stress out of compliance**

# 51%

of global payroll leaders have limited confidence in their payroll compliance.<sup>4</sup>



Download our **free** guide to payroll and HR compliance challenges around the world for further information

1. The Economist Intelligence Unit (sponsored by ADP), Growing pains: The HR challenges of international expansion, 2020
2. EY, How Europe, India and Africa are incentivizing foreign investment, 2021
3. EY, How countries in the Americas are inviting business and driving growth, 2021
4. ADP, The potential of payroll: Global payroll survey 2021
5. Global Payroll Management Institute, 12 Global Payroll Traps to Avoid, 2018

## And the payroll and HR challenges?

Each market presents its challenges, but any organization considering setting up business in a new country will have to consider:

- Labor laws, tax regulations and government incentives
- Economic outlook and political stability
- Ease of registering a business
- Access to the right talent
- Cultural considerations

Chief concerns for HR executives entering new markets are recruiting suitably skilled staff and management (46 percent) and compliance with employment laws and customs (43 percent). These concerns may be holding back the pace of international expansion,<sup>1</sup> but there are other challenges that companies only discover when it's too late — complications that arise because they're not ready to go into a new market.

**There tend to be two categories of payroll pitfalls to avoid when expanding overseas: systems and preparation.**<sup>5</sup> These are easy to avoid if you have the right technology and payroll partner.

### 1 Ensure you have the right payroll and HR systems

- **Maintaining systems from multiple providers** increases the chance of payroll inaccuracy and makes it more difficult to access usable data
- **Check your data security** — as hackers grow increasingly sophisticated you need to review how sensitive information is stored and transferred
- **Some companies still use spreadsheets** that are not secure and have no automatic versioning control

### 2 Never underestimate the importance of knowledge and preparation

- **You need to determine your legal structure** and possibly apply for a specific legal, taxable status in the country (this could be done by registering a subsidiary, branch or holding company, or by using an employer of record), without which you may incur higher taxes and face significant liabilities
- **You should conduct a comprehensive requirements review** to ensure your HR teams have a full understanding of the new country's labor laws and additional requirements (anything from visa classifications to meal vouchers)
- **Check that employees' contracts are drafted correctly**, not forgetting to ensure that they're in line with a country's collective bargaining and union expectations

Careful preparation and research, including finding a payroll provider with a combination of global coverage and a deep understanding of local laws, will smooth your way into new markets and help avoid any pitfalls. Once you've done your homework, assuming you've also standardized your processes and systems, you should be set for success.



Always Designing  
for People®

ADP and the ADP logo are registered trademarks of ADP, Inc. All other marks are the property of their respective owners. Copyright © 2022 ADP, Inc.

WF 1290054 LA