

# IBC Newsletter



## OVERVIEW

### 1.0

#### **NORTH AMERICA**

One of the world's most important growth markets

### 1.1

#### **RESOURCES**

Plan your resource allocation

### 1.2

#### **MARKET SIZE**

Understand the true size of the North American market

### 1.3

#### **MARKET RESEARCH**

Invest in thorough market research

### 1.4

#### **CORPORATE STRUCTURE**

Choose the right corporate structure

### 1.5

#### **LEGAL PREPARATION**

Cover your legal base

### 1.6

#### **INTELLECTUAL PROPERTY**

Protect your intellectual rights

### 1.7

#### **IMMIGRATION**

Visa and work permits

### 1.8

#### **LOCAL HIRING PROCESS**

American job interviews

### 1.9

#### **CULTURAL DIFFERENCES**

Dealing with cultural sensibilities

### 2.0

#### **MANAGING DISTANCE**

Communication and leadership

## INVESTING IN NORTH AMERICA

After a period of economic stagnation in the USA many are wondering whether it still makes sense to invest in this market and this region. However, for Canada that question does not apply; growth in this country has continued unabated since 2009.

The majority of European companies - not only giants like Novartis, Siemens, Daimler, and Aventis but also midsize companies such as Miele, Hess Machinery and Stihl - answer the question with an unequivocal "Yes!". They are even planning to increase their investment here in the forthcoming years.

There are many good reasons for this commitment:

North America

- ◆ is, with 310 million mostly English speaking people and a high average income, still one of the world's most important growth markets
- ◆ enjoys a well-functioning and independent juridical system where the freedom of people and of their economic pursuits are upheld and constitutionally guaranteed, which is not always the case in some of the other growing markets
- ◆ is a market whose consumers are distinguished by their great openness towards foreign products and ideas
- ◆ continues to enjoy very competitive production costs and tax rates.

The adage is still valid: Whoever wants to be a global player needs to be present in North America and in close proximity to its consumers. Thanks to the NAFTA-treaties of the 90s, Mexico, the USA and Canada are forming a single, giant Free Trade area with an unimpeded flow of goods between them and 450 million people waiting to be served.

Rarely have the conditions been so conducive for investing in this part of the world:

- ◆ Tax incentives, economic inducements and "fast track" permitting processes generate a strong tail wind for those wanting to undertake new investments or project expansions now.

Notwithstanding these excellent conditions, it is important not to proceed with such an undertaking in a "blue-eyed" manner. A realistic, well thought-out plan of action, put together with knowledgeable advisors, helps to avoid initial, sometimes costly, mistakes. "An ounce of prevention is worth a pound of cure".



## ABOUT THE AUTHOR

### BERND A. ANDREAS

He is the Managing Partner of IBC - International Business Consultants, Inc. With his international background, education and long standing experience as CEO of internationally active manufacturing and trading companies, he is intimately familiar, and equally at ease with, both the European and American / Latin American cultures and business practices.

## Here are 10 important points you want to keep in mind before proceeding:

### 1.1 Resources

- Plan your resource allocation
- Plan the allocation of your resources
- Ensure that the resources at your disposal, both financial as well as your manpower are adequate to attend to, and accompany, your investment over the long haul.

### 1.2 Size and diversity

- America is huge
- Do not try to cover and service the whole continent right from the beginning. Proceed step-by-step and start in one or two regions such as New England, Greater Toronto or the Mid-Atlantic States to better understand the nature of the market.
- Beware of agents representing to you that they can cover the whole market.

### 1.3 Market research is important

- Do your market research before you get established  
Investigate the market up front; attend fairs and trade shows to find out who are your competitors, how they package their product and how their clients use it.
- Ensure that your product is affordable, easy to use and to service. European producers like to offer nifty products with special features; they have skilled personnel to service them. In America this is not so much the case.

### 1.4 Pick the right corporate structure

- Pick the right corporate structure for your needs
- Make certain that the corporate structure of your legal entity conforms to your requirements from a legal and fiscal point of view (limitation of your liability, double taxation etc.).
- To correct errors committed at the outset can be time consuming and expensive at a later stage.

### 1.5 Do your legal homework

- Do your legal Homework /Cover your legal base
- Law suits in America typically are lengthy and expensive.
- For the wording of your quotations, confirmations, product literature etc., be mindful of the different legal systems (Anglo-Saxon “case” law vs. European “positive” law).
- Standardized “Terms of Business”, widely used in Europe, are not legally binding in America; shipping terms like “FOB” have different meanings on the two continents.

### 1.6 Protect your intellectual property rights

- Protect your intellectual property
- Protect your intellectual rights to brand names, trade marks, patents etc.
- A European registration does not protect your rights in America.



#### 1.7 Know about visa and work permit regulations

- Pick the right visa when sending your employees to work in America. Certain types of visa can only be renewed a finite number of times. Others allow social security contributions to be made in the home country of the expatriate. The latter is especially important when an expatriate's stay in America is for a short duration only.

#### 1.8 Familiarize yourself with the American way of doing job interviews

- Familiarize yourself with the American way of doing job interviews. In America certain questions may not be asked when interviewing an applicant (such as about age, religion, race etc.). Others must be asked if you want to hire the best qualified person for the job.
- Employment contracts, which are customary in Europe, are not widely used. Instead, properly worded job application forms and company handbooks clearly define mutual rights and responsibilities and go a long way towards eliminating potential and costly lawsuits.

#### 1.9 Cultural differences matter

- How to treat your employees, woo potential clients and steer clear of legal trouble is in America an art for itself. Therefore, do not necessarily pick the technically best person for a senior position but someone who has the ability to deal with cultural differences and sensibilities.

#### 2.0 Controlling from a distance

- Clear communication and leadership avoid crises
- Clarity in communication and leadership prevent crisis
- Distance matters; especially during the start-up phase of a new venture. Make certain that your lieutenant in America has internalized the "House Philosophy" and that there is mutual clarity and understanding about the goals, strategy and the means at disposal. Same goes concerning format and extent of the reporting and the controlling criteria to be applied.
- Keep in contact and communicate regularly to detect developing problems early. Once a crisis has surfaced, it can oftentimes only be defused with great difficulty and at high cost.

Last, but not least: Benefit from the experience of others. Ask Questions!  
Good advice, even when it is precious, need not be expensive.

Welcome to America! And good luck with your venture.  
The better you are prepared, the more successful it will be!

*Bernd A. Andreas*

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### JANUARY

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Market Research

### MAY

Visa and Work Permits

### JULY

Communication and Leadership

### SEPTEMBER

Corporate Structure

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