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Use careful strategy to manage team for international business

U.S.-based companies that want to expand their businesses into other parts of the world can face enormous challenges getting a transaction executed.

Dealing with different cultures, languages, customs and practices, different legal and tax systems, currencies and banking systems can be intimidating to even the most sophisticated executives. For middle market companies without worldwide presence and a network of local relationships, this is even more challenging, and, if managed ineffectively, can be very expensive.

INTERNATIONAL TEAMS

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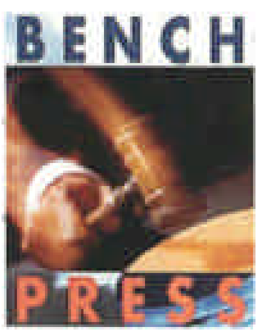
Most middle-market companies do not have in-house legal staffs experienced in managing international transactions. These companies look to outside advisers for guidance. Several factors should be considered by companies considering pursuing an international strategy.

TEAM LEADER

The first step in managing the process is to assemble a team of competent professionals -- lawyers, accountants and tax advisers.

The team should consist of a strong U.S.-based (domestic) lawyer to function as the team leader. The team leader needs to understand the company's business model, strategies and culture and have experience in managing acquisitions and working internationally.



The team leader should be responsible for helping the company identify its overall needs for professional support for the transaction. The team leader must be someone who can drive the entire transaction process, from the legal end, including negotiating the acquisition and shepherding the due diligence, to the capital formation and closing process.

KEY PLAYERS

The key players on the team should be senior domestic accounting and tax advisers as well as in-country legal, tax and accounting professionals. The most critical decision is the selection of the in-country advisers.

There are two very different schools of thought. One is to hire major global firms that have a presence in many different markets. This approach seems to work best for large, multinational firms that have needs in many different countries at the same time and large transactions to support the global firm fee structures.

The other school of thought is to hire the best available in-country local talent. This approach seems to best serve middle-market companies. Local professionals who have experience with in-bound investment and international acquisitions and financing will have a better feel for culture and local custom. They are also likely to have a better local network among the professionals, have a more efficient process and be better able to manage costs.

LOCAL ADVISERS

In selecting local advisers, there are several key questions to consider.

Does the firm have compatible technology and does the firm use its technology in the same manner that the company and its professionals use technology? Are the professionals who will be working on the transactions fluent in English and accustomed to working with documents in English? Are these professionals experienced in working with Americans? To answer these questions, it takes research, networking and being "on the ground."

The most effective way to navigate this stage of the process is to have the team leader do the groundwork via telephone and e-mail, select several candidates and then travel to interview the candidates and visit their facilities. These very important personal relationships need to be created face-to-face on the ground in-country.

THE PROCESS

The next critical challenge is to manage the process.

Who should drive the negotiations? Who should initiate the key transaction documents? In what language should the negotiations be conducted and the key transaction documents drafted? What's the role of the local professionals? How much does the team leader need to travel to supervise the local team? What communications and decision-making protocols will be followed?

With a strong team leader, the process can be effectively managed from the U.S. The lead lawyer can supervise the preparation of key transaction documents, coordinate deal structuring and tax planning, and manage various complex communications that inevitably occur.

In most situations, English is the common language of sophisticated business transactions. For a U.S.-based company, wherever possible, key transaction documents should be in English. This will facilitate review and negotiations. It will also facilitate financing in those instances where international banks may provide financing.

However, local country customs and practices must be respected. Local country professionals are the key resource for addressing local laws, tax and accounting issues and for navigating through local custom and practice. Local advisers often provide translation and facilitate communication. They facilitate important relationships with the principals and advisers on the other side of the transaction.

MANAGING COSTS

The key to effective cost management in international transactions is to insist on project budgets and manage the transactions against the budgets. The team leader working in tandem with the company executive team should be accountable for cost management, both domestically and internationally. This requires disciplined project management and good communication between the team leader and all of the professionals.

In an increasingly global society that is economically integrated, but culturally diverse, a carefully thought-out strategy is critical to the success of middle-market companies venturing out of the comfort zone of domestic transactions.

BILL BOYAR, *chairman of Boyar & Miller, represents parties involved in the acquisition, disposition, capitalization and financing of assets and businesses on a national and international level.*