Global expansion doesn't have to be high-risk, even in a recession

By Sergio Barbosa, issued by Global Kinetic

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One of the biggest conundrums facing businesses in a shrinking economy is how to diversify their operations and grow their customer base without overexposing the business to excessive risk. However, as global conversations turn to recession-proofing and consumer inflation puts the squeeze on disposable income, businesses must avoid the dangers of growth paralysis.

Rather than pumping the brakes, good planning and an iterative and incremental approach can help reduce risk for companies still hoping to take advantage of regional growth opportunities.


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New region, new rules, new nuances

One of the first requirements when entering a new trading region is ensuring your business meets all regional regulation and compliance requirements. This becomes particularly challenging when it comes to how companies store and handle data.

Many companies which are expanding into new regions expect the more obvious changes like tax and reporting requirements. But it’s often the more nuanced issues such as data sovereignty and even how different countries require companies to authenticate transactions (not just for financial exchanges, but for things like digital onboarding), that can trip up even the best plans.

For companies used to operating in South Africa, finding out that some countries have very strict multi-factor mobile authentication rules may come as a surprise and will certainly make authenticating new users in a digital onboarding process a real challenge. As South Africans, we are used to having mobile numbers for many years – sometimes even for life – and so we are used to relying on these numbers as a means to identify ourselves, whereas most other regions will opt for email. This is just one of many local idiosyncratic differentiators that need to be kept in mind when setting up operations internationally.

How companies store their data is another expansion intricacy closely associated with protection of personal information and data protection, and these requirements could catch leaders off guard. Ensuring cloud providers have in-country data centres in the new region must factor into plans as many regions require that data be stored locally, whether in the cloud or not.

Similarly, companies looking at transacting locally will need to connect to payment gateways that are able to process transactions in local currencies and that can offer reconciliation services that meet local accounting and tax requirements.

No need to go it alone

In the best of circumstances business leaders approach expansion with a good deal of circumspection. The prospect of disruptions and even downtime, not to mention the costs of all the new requirements can be overwhelming.

Understanding what dependencies your business has in order to trade in a new environment is key. Whether it be partnership dependencies or infrastructure and regulatory dependencies, leaders must find the most efficient and least disruptive way to enter new markets. One dependency often misjudged is around skills. South Africans are known for our hard work and broad depth of knowledge, but in many other regions there is a big pool of specialist skills, many of whom work specifically in their niche. This will often add a hefty price tag to regional in-house skills costs, unless managed carefully.

We have found that one way to move into a new territory without completely rebuilding systems is to either leverage existing partnerships with companies that are already operating in the new region, or to look at smart integrations with local partners.

Opting for a low-risk, incremental approach

One of the most effective ways from a technology perspective to connect with third parties without big investments, and big pain, is with microservice architectures.

Microservice architecture and building cloud-native apps allows companies to rapidly and reliably deliver large and often complex applications by opting for a collection of smaller and autonomous services. We have found that by breaking down large software projects into more manageable, bitesize parts, our teams are able to quickly deploy new requirements as well as rapidly isolating and fixing the unforeseen issues which generally plague regional expansions. Developing natively for the cloud also means shorter development lifecycles that are highly observable and manageable, which injects resilience into the process, further de-risking territory expansions.

We have also found that deploying managed teams in favour of staff augmentation further allows companies to de-risk their expansion efforts alongside their regular daily operations. This managed approach, making use of test-driven development, allows teams to create resilient code which can be deployed in a much safer and lower-risk environment, while giving companies the breathing room to build their own in-house capabilities over time.

Our experience with using this approach has shown that companies can still enjoy the benefits of pre-recession planned growth, but in a much safer environment. This answers the growth demands of shareholders, but also satisfies the audit and risk committee requirements of properly mitigating risk.

About Global Kinetic

Global Kinetic is a premium software business with extensive experience and expertise in enterprise grade software engineering and digital transformation projects. Trusted across multiple global industries, and with deep expertise in banking and fintech, Global Kinetic has pioneered innovative solutions to complex enterprise projects for almost 20 years. A matured and perfected managed team approach guarantees high quality and predictability, augmented by unique strategic technology consulting services and software delivery accelerators. With just over 100 permanent employees in Cape Town and Palo Alto, Global Kinetic is an evangelist of agile, cloud, mobile and enterprise software engineering.

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