

Here Today; Abroad Tomorrow

Some entrepreneurs are taking their ventures overseas and finding that the cultural benefits outweigh the business challenges.

Liz Wolgemuth | May 29, 2007

The shores of Costa Rica and the narrow streets of Paris are more than a vacation spot for many Americans. These scenic locales also have inspired adventurous business owners to ditch their domestic digs and ply their trades overseas.

Plenty of Americans find work in other countries. Preliminary numbers from the IRS show that 303,940 taxpayers claimed the foreign-earned income exclusion in 2005.

But starting a business overseas can offer a far more intimate insight into the challenges of red tape, labor laws and cultural differences.

Those who surmount the obstacles can find an alluring market for their venture. "We're especially aware that the European markets are very attractive to U.S. companies right now because of the dollar/pound exchange rates," says Simon Jones, president of the Munich chapter of the American-German Business Club.

Making it Happen Jim Carroll and a business partner opened the San Francisco Book Co. in Paris in 1997 after running Carroll's Books in San Francisco for nearly a decade. Carroll, who has since bought out his partner, had been dreaming of opening an English-language used-book shop in the city of lights.

But starting a business in France was an eye-opening experience for Carroll, who was accustomed to a less-complicated American process. He estimates he paid about \$400 to incorporate his U.S. bookstore in 1989 and made a quick visit to the San Francisco City Hall. "Then in San Francisco, you got a packet of things you needed to do and there was almost nothing in the packet," Carroll says.

But in France, paperwork is king, and the process requires meticulousness and patience. It took Carroll nearly a year and a half before he could open his shop doors. He says the key to doing business with the French is to leave your American attitude at home. "You never ask to speak to their superior; you never pull rank," Carroll says. "Once you know those things, you just have to stand there and be polite and do exactly what they tell you."

Carroll is now a decade into his French business, selling books to a large Anglo community in Paris, and to Parisians who love Spiderman comics or need a textbook not yet translated in French. The Paris shop has half the inventory of his San Francisco shop, but his annual revenue of more than \$200,000 is higher. Carroll closed his San Francisco book shop in 2004, but admits the profits in France are small and the iron-clad French labor laws make hiring tricky. He has had just one salaried employee for the past eight years.

The employment challenges are different in New Zealand, where former New Yorker John Palino co-owns a restaurant, cafe and wine bar, a coffee kiosk and a soup kitchen. Palino, 46, employs about 40 people among his four establishments and has found that replacing employees who leave is an enormous challenge, something he never faced as a restaurant owner in New York. "When I put an ad in the paper, I get two or three people who show up," Palino says. "In New York I'd get 200."

In New Zealand, Palino pays between \$12 and \$20 an hour for floor staff, much more than he paid in New York. But Palino admits that it's still not a great job for New Zealanders, who contribute much of their wages to taxes and get little, if any, tips.

Palino, however, has found major benefits in running a business in New Zealand. A dozen years ago, he was spending \$50,000 a year in insurance for a single New York restaurant. Today in New Zealand, he spends about \$12,000 annually in New Zealand dollars. His sanitation bills and utility bills are also lower.

Americans head abroad for different reasons—Palino followed a woman; Carroll pursued a dream. Others simply can't pass up the chance to get in on the ground floor of a trend. Hotel entrepreneur Hal Wright retired in 1997 after helping found and build several hundred hotels for the Extended Stay Hotels chain. Wright says he was unemployed when a friend asked him to fly down to Costa Rica and take a look at a tract of land.

On his second night in the Central American country, Wright called his wife to announce he had found "Margaritaville." The lure of "drop-dead gorgeous ocean-front real estate," coupled with the prospect of a growing market for American second-home buyers proved too much for Wright to resist. He and a partner now own 2,000 acres on which they're building sustainable, eco-friendly vacation homes with projected revenues of \$400 million. "I began to see there was a real business on the coast of Costa Rica selling second homes to gringos," Wright says. It can be difficult for business owners to adjust to new settings that are incongruent with their own backgrounds. But a foreign location can also offer benefits they never found in the United States.

Palino is constantly amazed by the relaxed nature of New Zealanders. Carroll is driven by the cultural and social rewards of living and working in Paris. And Wright? His biggest concern these days is whether to have fresh tuna or lobster for dinner.

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