

INVESTMENTS ABROAD BY DANISH SMES

Effects and barriers of investing
abroad

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Barriers to investing abroad

WHY INVEST ABROAD?

Brexit and trade wars can make local presence more important

Brexit and trade wars can increase trade costs

Investing abroad can be a way to bypass some of the barriers

New free trade agreements provide better access to new markets

Export is not the only way to exploit new opportunities

...existing customers are already abroad, is it necessary to join them?

...can establishing abroad provide access to new customers?

There are many benefits to investing abroad

Access to new markets and economies of scale:

Export is not always the cheapest

Access to resources:

Innovative progress and new technology

Strategic access:

Qualified workforce and inputs to production

Lower costs:

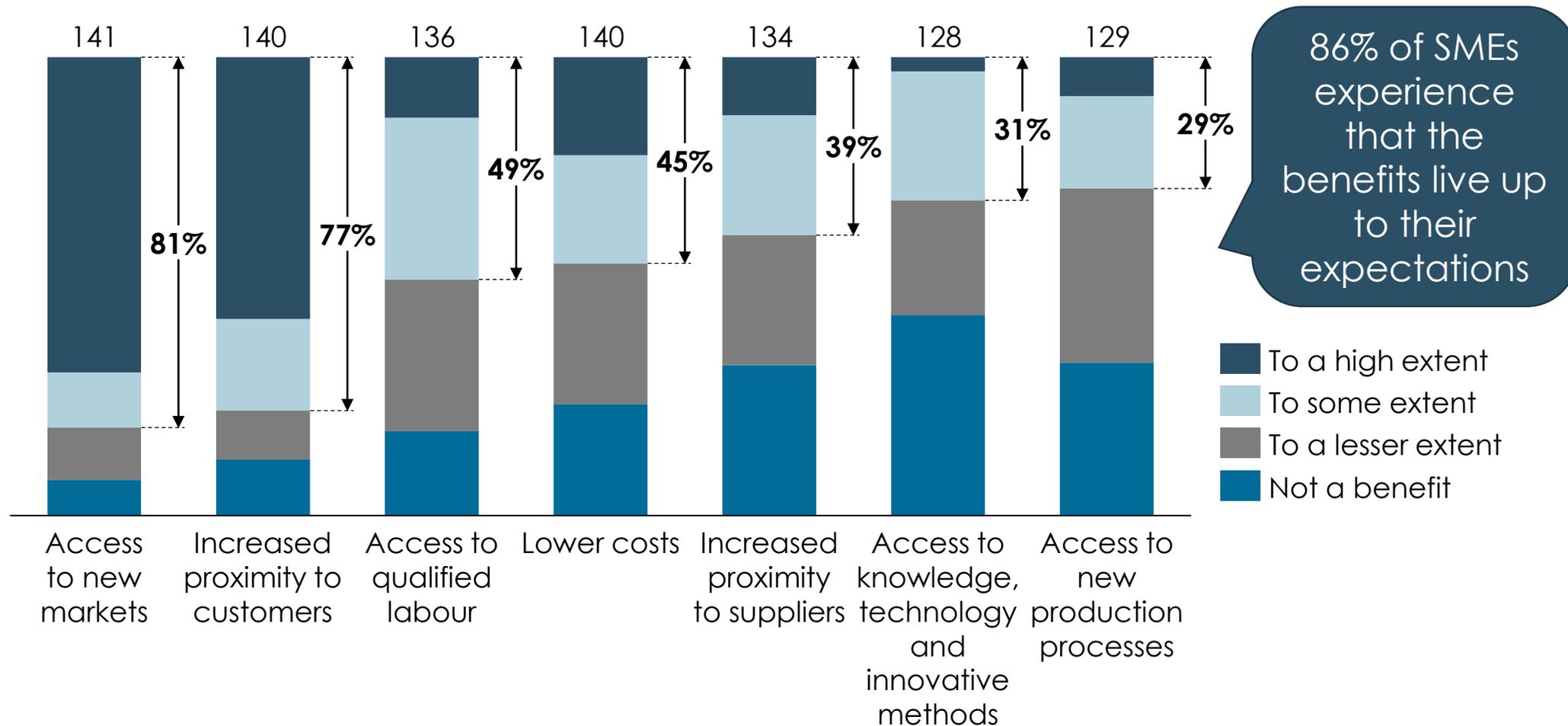
Lower wage costs strengthens competitiveness

“Investing abroad is not a goal itself, but a way to reach your goal.”

Access to new markets and proximity to customers are the most common benefits

Reported benefits to investing abroad

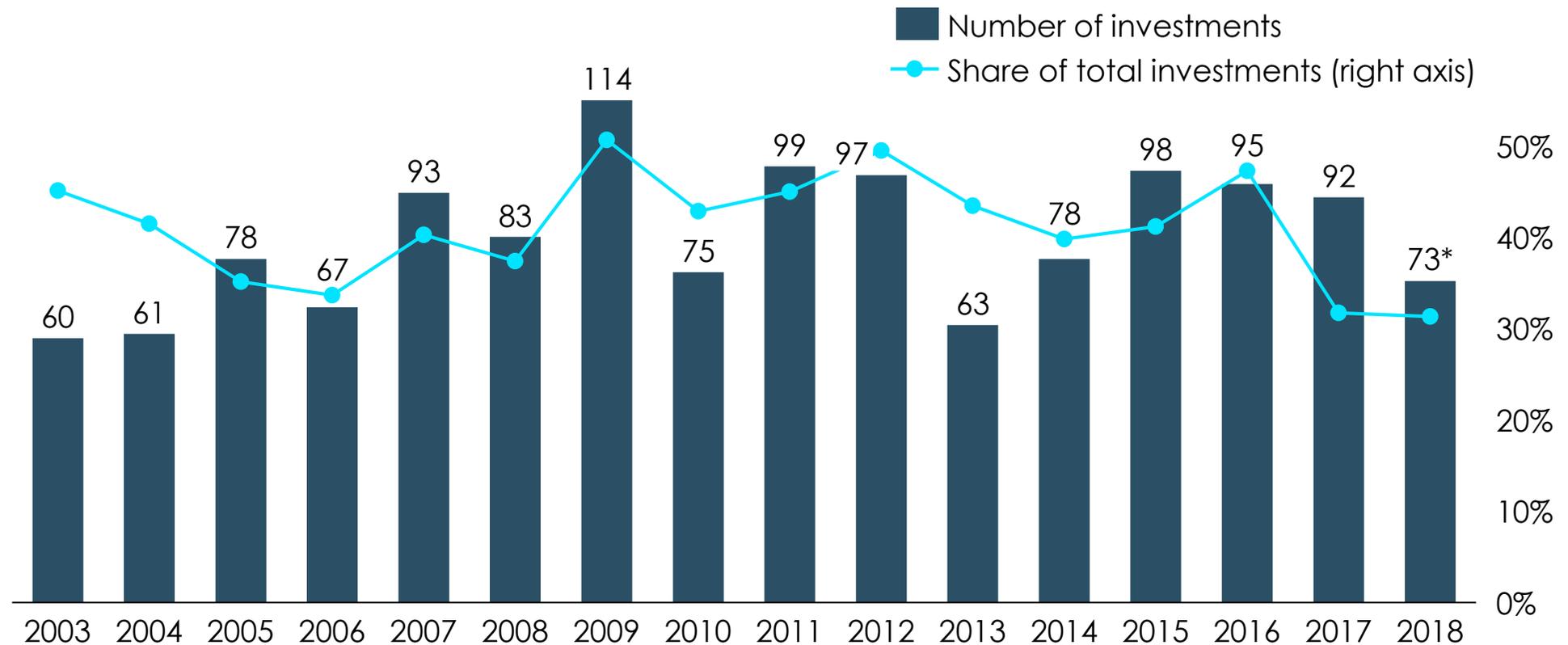
Share of SMEs



DANISH SMES INVESTING ABROAD

Investments made by SMEs account for 30-50% of all investments abroad

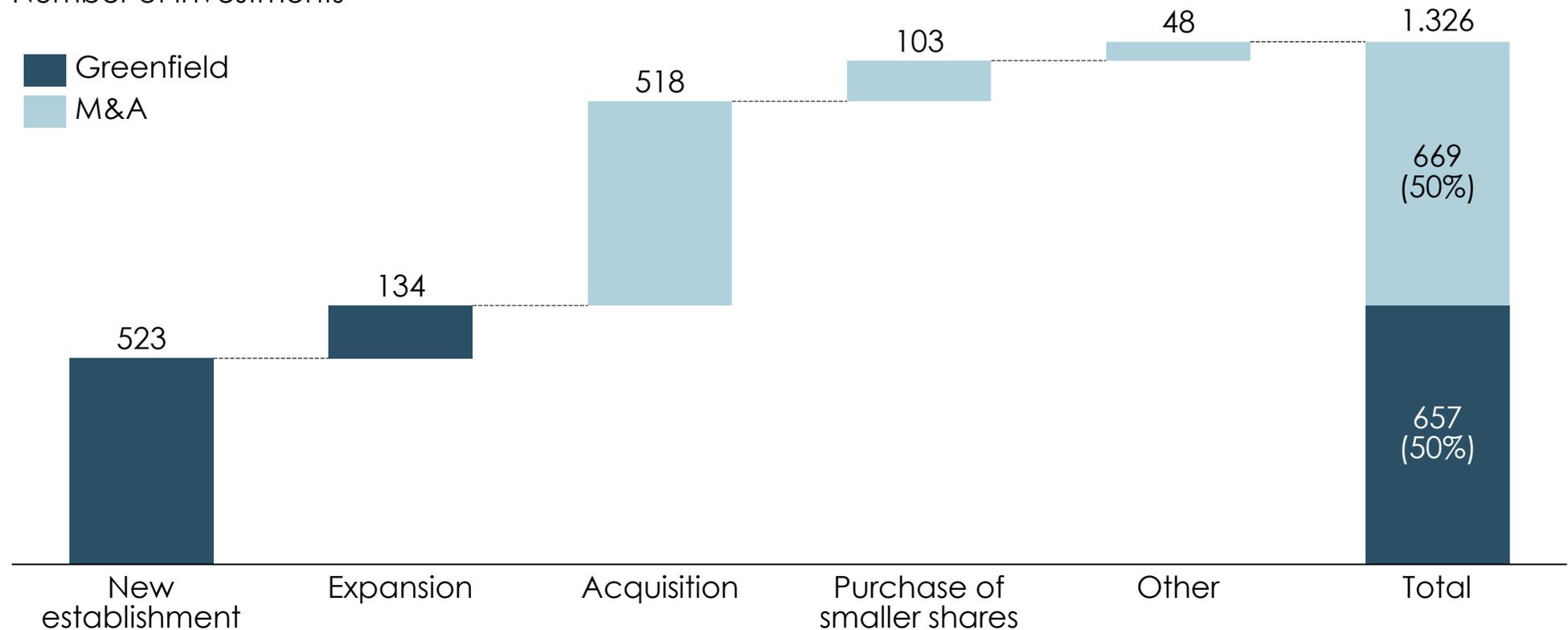
Investments abroad by Danish SMEs



New establishments and acquisitions are the most common investment types

Types of investments abroad by Danish SMEs, 2003-2018

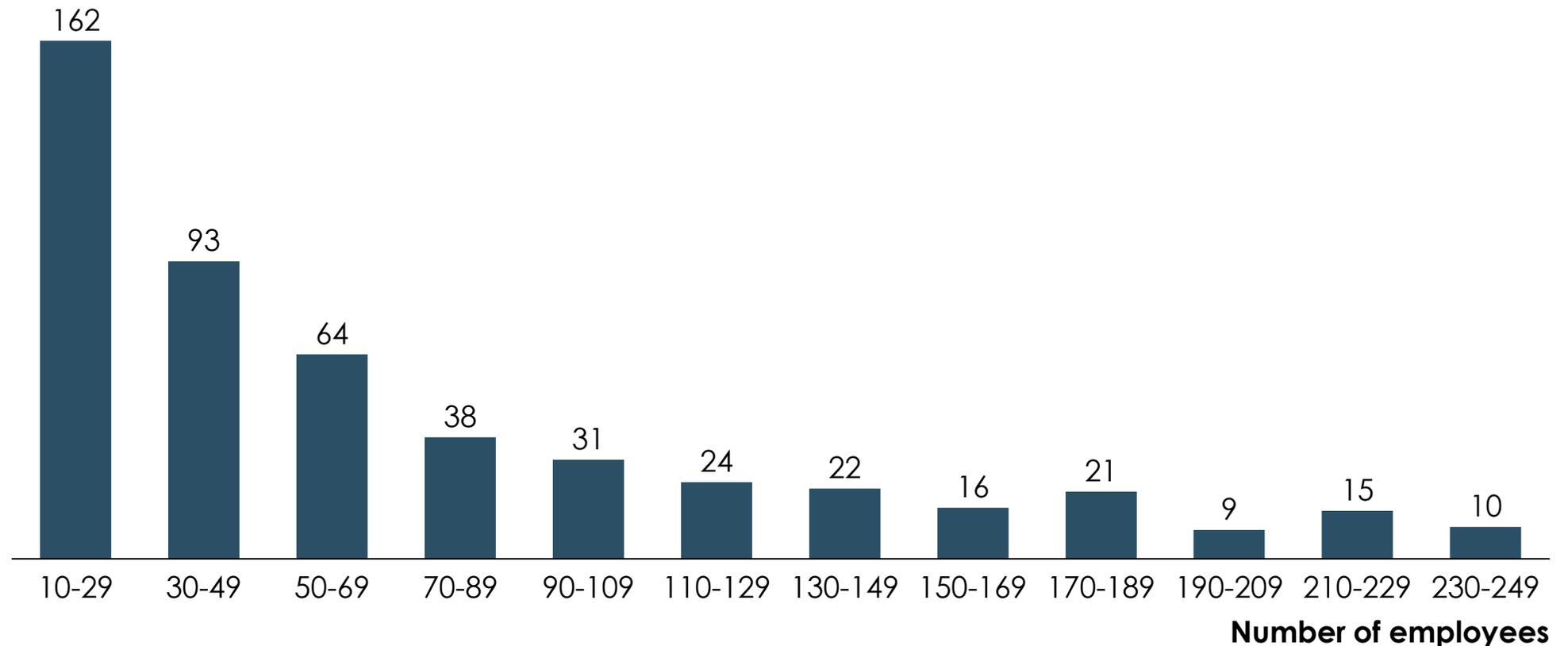
Number of investments



SMEs across all sizes invest abroad, but larger SMEs are more likely to do so

SMEs across size at the time of the first investment, 2003-2018

Number of firms



52% of investments by Danish SMEs are undertaken within the EU

Destination of investments made by Danish SMEs, 2003-2018

Number of investments

Brexit can make it more attractive to establish a company in the UK

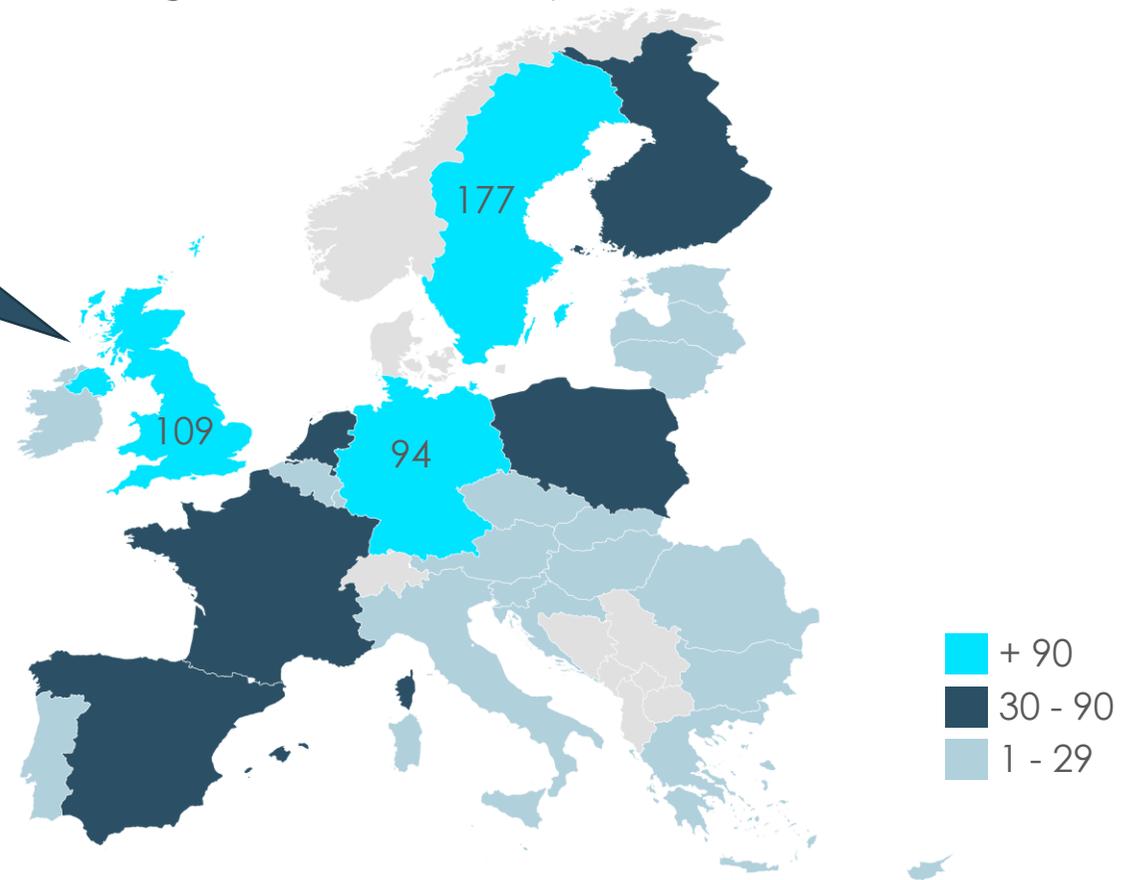
48% of investments are made outside the EU. New free trade agreements can make it easier to invest in new countries.

South Korea (2015)

Canada (2017)

Japan (2019)

Mercosur (being negotiated)

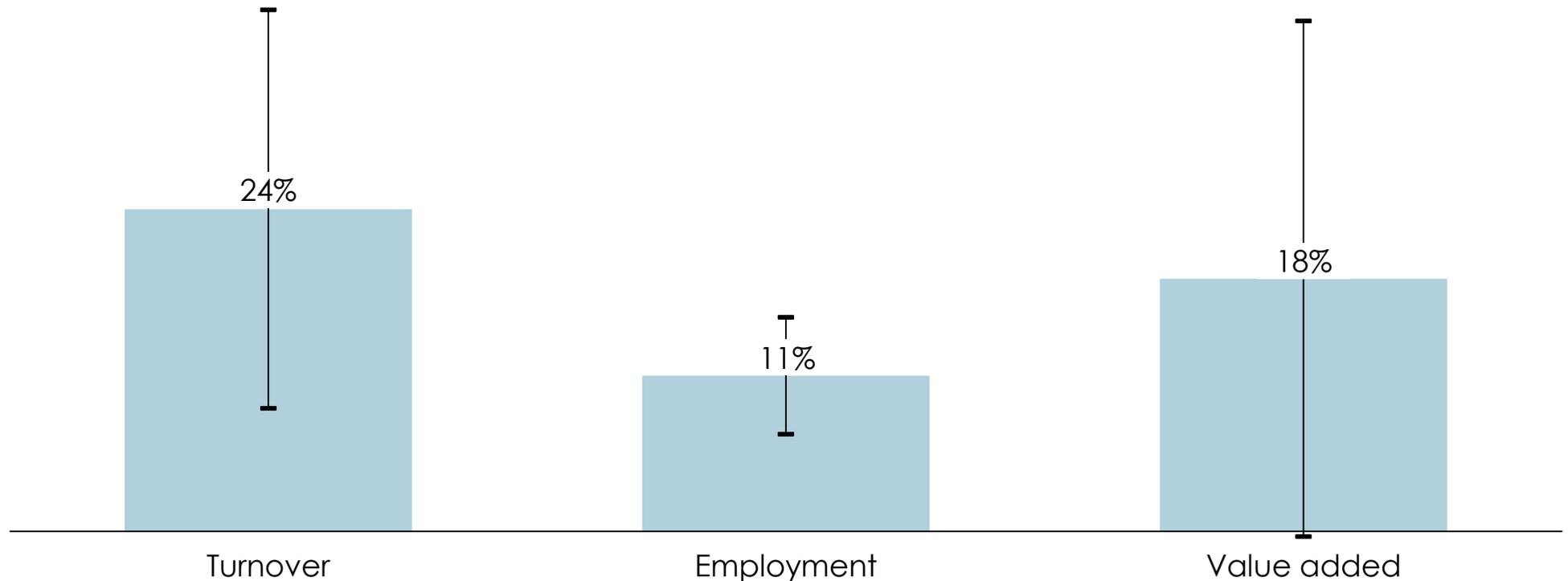


GAINS FROM INVESTING ABROAD

SMEs investing abroad grow faster than comparable SMEs

Increased growth over three years after investing abroad

Percentage and 90% confidence intervals

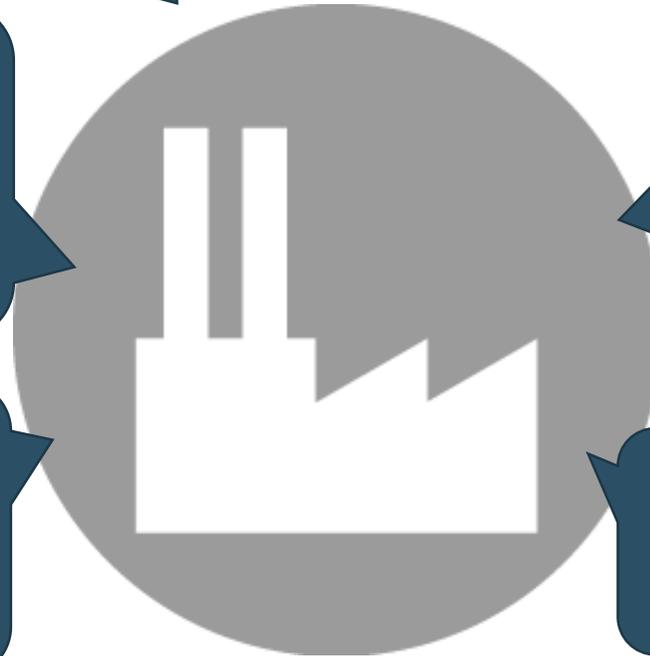


SMEs investing abroad experience a number of benefits

“We can do **something that the others cannot** because we have been out there.”

“With the current set-up we have the volume and opportunity to be **internationally competitive.**”

“Getting in **contact with customers in the US** has proven to be easier than on European markets.”



“We have **acquired some skills** in how to invest abroad. It's good - when you've done it once, it is pretty easy to do again.”

“Our first investment has been crucial – we have **grown more** and increased our staff.”

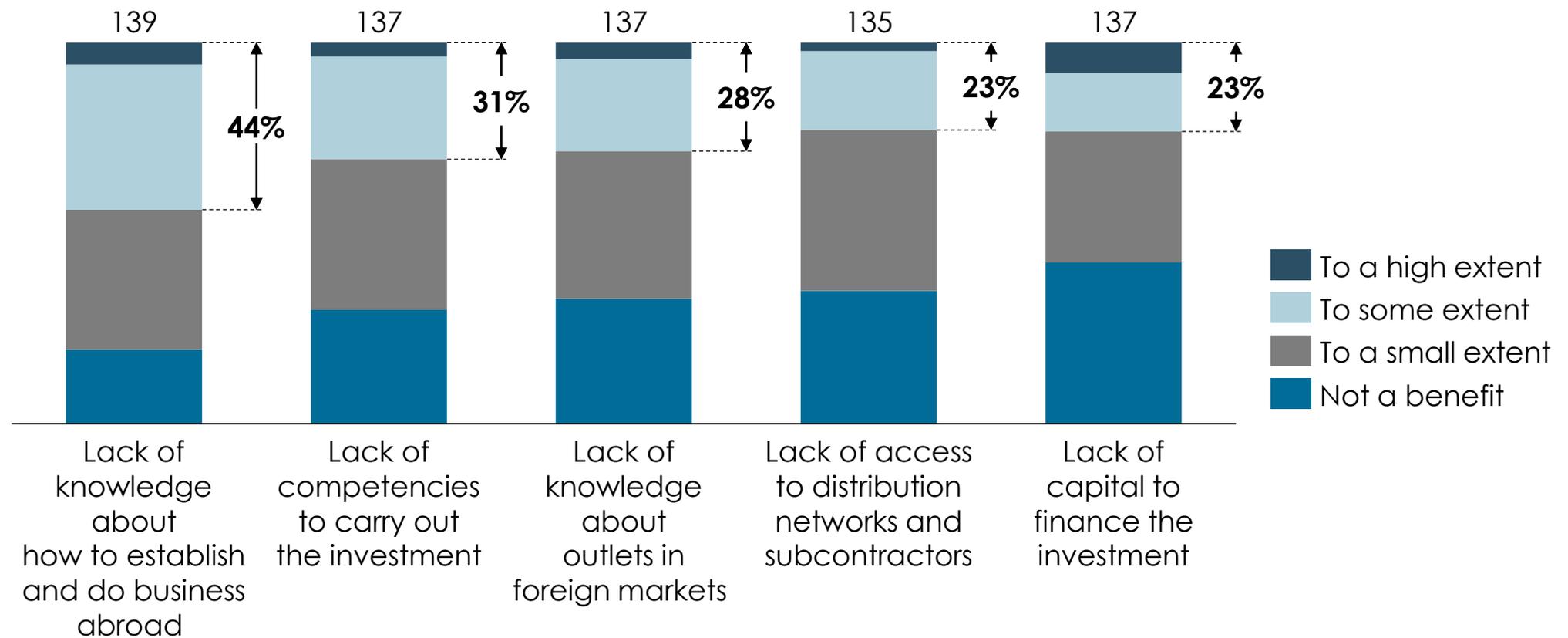
BARRIERS TO INVESTING ABROAD

What can you do?

The largest internal barrier: How to do business abroad?

Internal barriers against investing abroad

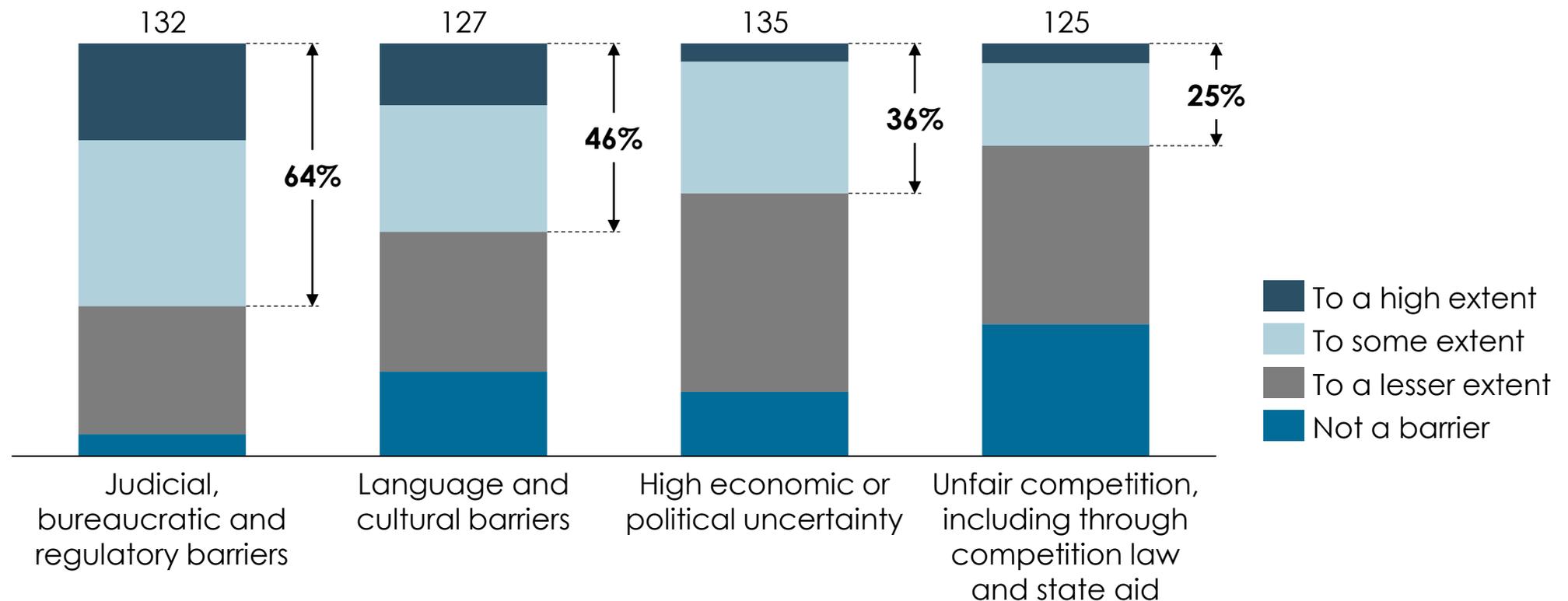
Share of SMEs



Bureaucracy and culture are the largest external barriers

External barriers against investing abroad

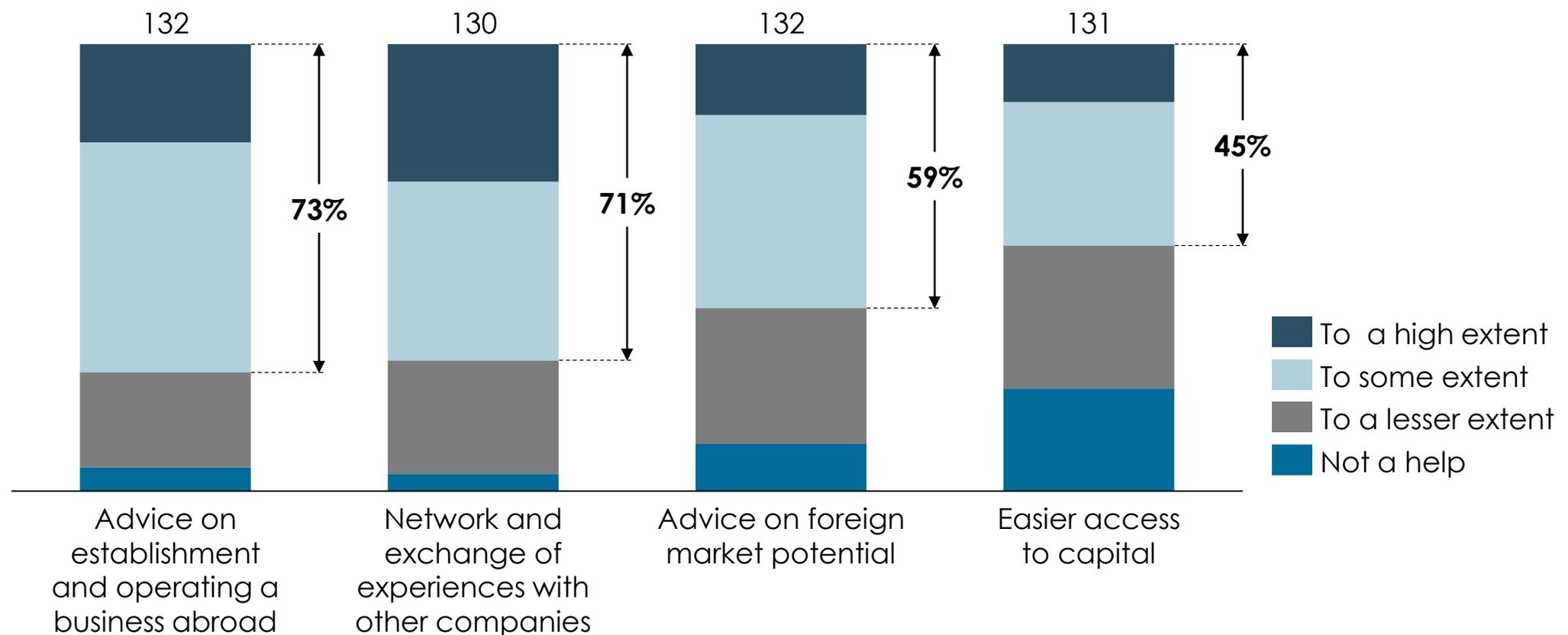
Share of SMEs



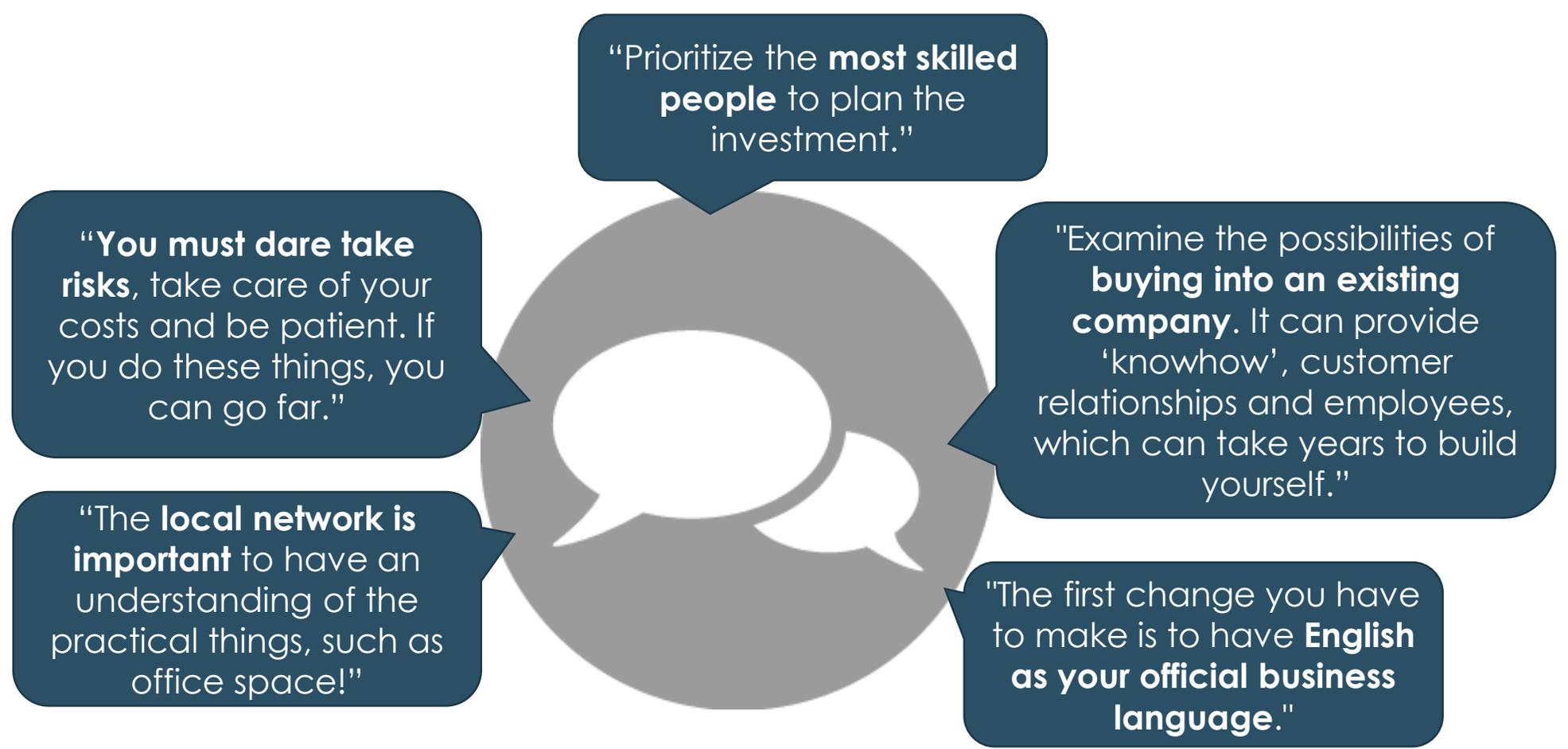
Counselling and networking are the most important initiatives to overcome barriers

What can be done to reduce the barriers when investing abroad?

Share of SMEs



Advice from SMEs who have invested abroad



"Prioritize the **most skilled people** to plan the investment."

"**You must dare take risks**, take care of your costs and be patient. If you do these things, you can go far."

"The **local network is important** to have an understanding of the practical things, such as office space!"

"Examine the possibilities of **buying into an existing company**. It can provide 'knowhow', customer relationships and employees, which can take years to build yourself."

"The first change you have to make is to have **English as your official business language**."

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