

2024 Going global



Mapping the route to
interpreneurial success

Contents

Introduction: Forging an 'interpreneurial' path.....	1
Methodology	2
Executive Summary	3
Interpreneurial ambition: Drivers and barriers to success.....	4
Charting global expansion goals: Where to next?	8
Rising to the challenge: Business priorities on the interpreneurial agenda	12
Conclusion	21
Market insights: Country summaries	22
About Kreston Global	Inside back cover

Introduction: Forging an 'interpreneurial' path

It's two years since we published our inaugural "Interpreneur" report investigating what drives entrepreneurs to take their businesses international and what it means to be an interpreneur, and in that time the landscape in which business operate has shifted significantly. Growth remains slow across much of the global economy, while spiralling inflation has increased the cost of doing business. Geopolitical tensions have disrupted supply chains, and the outcomes of the many elections planned this year are hotly anticipated.

At the same time, the operational priorities for business leaders are in a state of flux. The global taxation regime is seeing far-reaching changes, generative AI looks set to transform the way businesses operate, and access to capital remains a key consideration, buoyed by private equity investment as IPO activity slowed in many markets. Meanwhile, the nature of globalisation is altering as the flow of trade in services and data grows alongside that of goods, now that digitalisation has become a constant feature of business life.

In light of this, this second edition of the report focusses on the realities of going global. We investigate what it means to find success as an interpreneur, where the biggest barriers and bridges to expansion abroad lie, and what strategies and tools leaders of small and medium sized businesses (SMEs) are using to navigate the market forces and commercial pressures of international entrepreneurship today.

We surveyed 1,400 SME leaders to find out what's driving interpreneurs to go global, what they have learnt from their experiences accessing new markets and audiences and how that insight can inform the roadmap for future. And we probe specific themes shaping the boardroom agenda, including ESG, AI, funding, tax and regulation to understand how these issues play into thinking around international expansion.

Though business confidence at large has taken a hit, with the OECD's Business Confidence Index falling below 100 (indicating a degree of pessimism about future performance)¹, our findings suggest that interpreneurial spirit remains strong.

Armed with this intelligence, our aim is to inspire and equip interpreneurs to thrive in any circumstances and to add to the bank of knowledge and expertise that we can offer entrepreneurial businesses and individuals expanding into new regions. As champions of interpreneurialism, we firmly believe that with the right advice and support, every perceived barrier can be overcome, and every opportunity can be maximised.



In periods of volatility or challenging headwinds, SMEs have the benefit of agility to turn challenges into opportunities and seek out new ways in which to make their business successful, both at home and abroad.

Taking the leap to go global requires grit and confidence in equal parts. Those that make the transition must balance careful preparation and well-informed decision-making with the willingness to be bold and the foresight to keep an eye firmly fixed on the future.

When you're branching out into new areas, having access to specialist local knowledge and on-point expertise on the ground should enable you to get set up quickly so that you can start to maximise returns sooner and drive performance on a global scale. That insight could mean the difference between failure and success.

Liza Robbins,
Chief Executive



1. OECD Business Confidence Index <https://data.oecd.org/leadind/business-confidence-index-bci.htm>

Methodology

The survey was conducted with 100 business leaders in each of the following 14 countries: Brazil, China, Egypt, France, Germany, India, Japan, Mexico, Nigeria, South Africa, Spain, UAE, UK, and the US between 12 to the 19 February 2024. Survey respondents were C-suite executives, owners, chairs, partners, managing directors, directors or senior management across businesses earning up to £300 million in revenue. All percentages have been rounded up to the nearest whole number.

An 'interpreneur' is a term we have created to describe a business leader who successfully expands their business' presence into markets abroad.



Executive summary:

The realities of going global

Key findings from report reveal:

Interpreneurs are gearing up for growth and looking for competitive edge

More than half (52%) of survey respondents said their businesses' primary motivation for expanding internationally was to secure market growth opportunities, followed by a desire to gain a competitive advantage by gaining a foothold in new regions before rivals.

Interpreneurship has delivered a real boost to businesses

Almost all respondents (96%) believe going global has been benefitted their business. Increased sales and revenue and greater profitability were cited as the two biggest benefits they have seen following international expansion (by 53% and 46% respectively).

Interpreneurial drive remains strong

Perhaps due partly to this success, 87% of respondents said they expect an increase in the number of businesses expanding overseas in the next 12 months. The most popular prospective destinations respondents said their business would consider expanding into are Western Europe (52%) and North America (48%).

Supply chain issues and economic risks pose critical challenges

Just as interpreneurs are clear sighted about the opportunities, they're highly conscious of the challenges and risks too. Adapting logistics processes and dealing with supply chain issues was the biggest hurdle (for 41%) when undertaking an international move, followed by finding the right local partners (39%). A similar proportion (38%) felt that an economic slowdown or recession poses a disruptive or significant risk as they look ahead.

Private investment is seen as a key source of capital to support global growth

Almost half (47%) of respondents said that their business is likely to consider using or has used capital from private investors (including high net worth individuals) to grow internationally, and 43% reported using or considering venture capital or private equity investment.

Interpreneurial businesses are taking their ESG responsibilities seriously

Environmental, Social and Governance (ESG) issues are front of mind as businesses look to increase their global footprint. The majority (93%) said they do or would consider ESG practices to some extent when considering which countries or regions to expand into.

AI looks set to take an increasingly prominent role in business operations

As the prevalence of artificial intelligence (AI) grows, nine in ten respondents (90%) said they feel prepared to harness the benefits of AI in their global business operations in the next two years. Only 3% of respondents said they felt unprepared.

Interpreneurs are confident on tax – but must stay abreast of complex and sweeping changes

Four in ten respondents (40%) said they are extremely confident that they have a deep understanding of the global international tax rules that govern multinational businesses – and a further 53% say they are confident they understand these rules. Though this is encouraging, there are significant tax changes coming into force in the next few years, on which they will need to keep a close eye in order to remain compliant across different jurisdictions.

Interpreneurial ambition: Drivers and barriers to success

As global communities become more and more interconnected, it's increasingly important for companies of all sizes to think about their how their operations could play out on the international stage. Failing to identify and exploit potential opportunities abroad could hand the advantage to rivals or risk limiting future growth – both of which run counter to ambitious entrepreneurial spirit.

Though trade barriers have become more prominent in recent years, the World Economic Forum notes that there has recently been an uptick in trade activity between advanced and emerging economies. With

this comes the prospect for Interpreneurs to capitalise on a trend which “could improve opportunities for global participation in trade and capital flows.”²

Our findings indicate that increasing the company's scale and accessing new markets are the primary drivers of international expansion, as interpreneurial businesses try to reach new customers and bolster their competitiveness to increase sales. That said, going global also involves accessing new services, suppliers, technologies, and operational improvements which can also boost profitability and spur innovation, acting as a market differentiator.



2. World Economic Forum report in collaboration with McKinsey & Co, “The Global Cooperation Barometer 2024” WEF_The_Global_Cooperation_Barometer_2024.pdf (weforum.org)

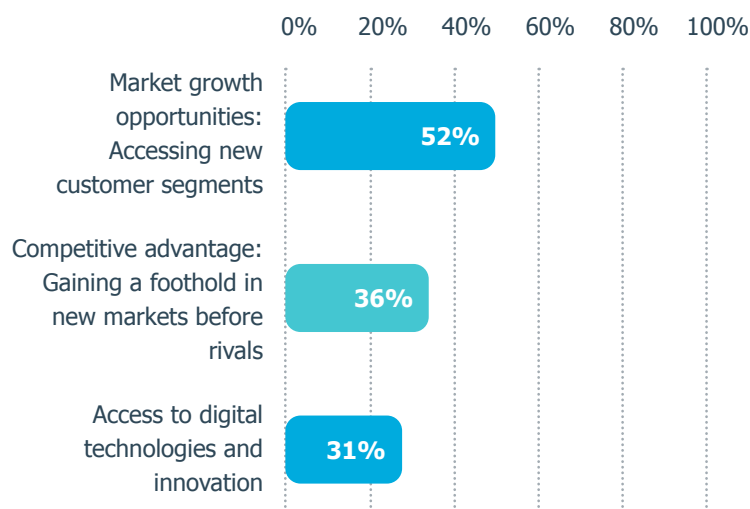
More than half of respondents said market growth was the most significant driver for global expansion (rising to 70% in Brazil and 67% in South Africa), while more than a third of respondents globally cited gaining competitive advantage as a primary motivator. Just under a third said gaining access to digital technologies was a priority (highest for those in Brazil at 55% and Nigeria at 48%, and much lower for those in Japan and China at 11% and 17%).

Meanwhile, cost optimisation opportunities, having an existing personal network abroad and the availability of government incentives in the local country (such as an attractive regulatory framework and tax incentives) were seen as the least important motivators (at 23%, 17% and 17% respectively). Chinese companies stood out for giving incentives much more weight than their peers around the world – at 38% it was in their top three most important motivators.

However, although government incentives were viewed as a key driver by just one in six overall, they were identified as a “top five” factor when determining what makes a country most attractive for international expansion in the future. Such an incentives may not be the “be-all-and-end-all” but they could still be an influential factor in the mix when it comes to decision-making.

Top 3 priorities for global expansion

What were the primary motivators for your business expanding internationally?



It’s clear that market growth is what matters most. Though there are many other drivers that contribute to the decision to “go global”, seizing the opportunity to gain scale is what’s primarily pushing international expansion plans in every geography we studied.

Organisations are placing real value on building their market presence – and not just because it creates access to new customer segments. Greater scale can open the door to larger partnerships and opportunities, gives greater bargaining power on raw materials services, and operational costs, and can act as a buffer against localised economic downturns and market fluctuations.



Liza Robbins,
Chief Executive

The vast majority (96%) of respondents agree that international expansion has been of benefit to their business. These benefits are many and varied, and they differ from region to region and country to country. There's clearly much at stake, so finding strategic advisors that can support the move in order to unlock all the relevant opportunities in local countries is vital.

Increasing sales and revenue and increasing profitability are the primary benefits derived from expanding abroad for businesses in almost all of the countries studied (in both established and emerging markets). Mexican companies saw the biggest boost from rising sales and revenue (with 73% of respondents saying so). Globally, these benefits rank well above strategic positioning (38%), operational efficiency (37%) or brand awareness (36%).

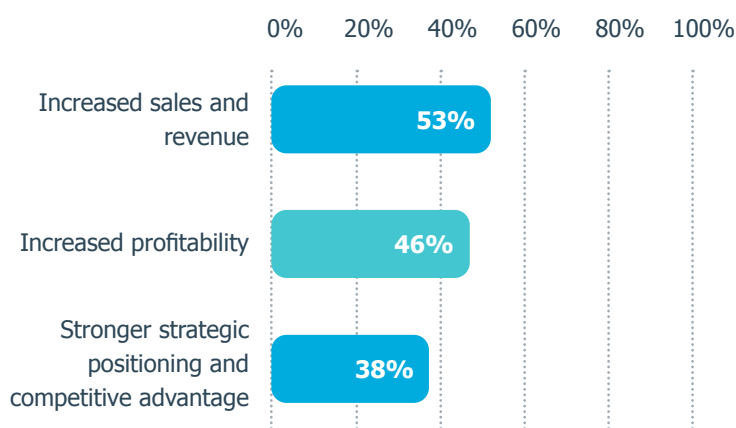
However, in China this is not the case. Here, stronger strategic positioning and competitive advantage, enhanced brand awareness and reputation, and improved operational efficiency and cost savings have been the biggest benefits. In India too, stronger strategic positioning and competitive advantage is also cited as a key outcome (48% said so) alongside boosting sales and revenue (50%).

And although gaining access to new talent and expertise did not generally feature prominently as an advantage of expanding overseas, it did in China, India, Egypt and South Africa (where around four in ten said so).

When it comes to delivering operational efficiency, interpreneurial businesses in the US saw the biggest payoff (almost half said so). By contrast, one in ten Japanese respondents said they had not yet seen any benefit in expanding internationally.

Top 3 benefits of international expansion

How has international expansion benefitted your business?



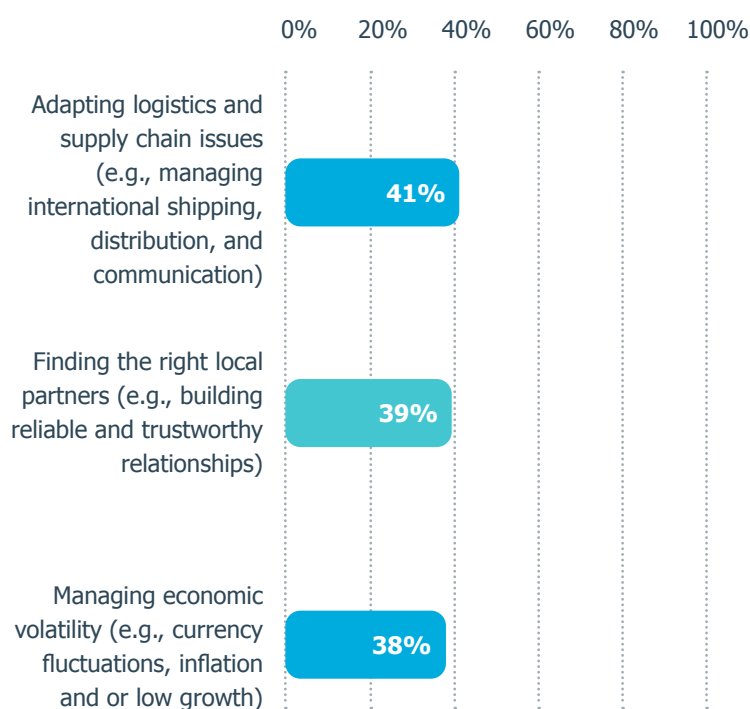
Going global is clearly a big adjustment, and businesses have to be prepared to adapt their thought processes and their operating models to differing local market dynamics, economic variations, logistical realities, regulatory requirements, tax obligations and cultural expectations.

With not much to separate them, the principal challenges interpreneurial businesses face are dealing with supply chain issues, local relationship building and grappling with economic volatility, where issues like currency fluctuations or inflationary pressures can have a significant impact on business success.

Navigating global tax regulation (including transfer pricing, double taxation and VAT) and understanding complex compliance requirements (such as ESG obligations and other legal duties) have proved problematic for around a third (35% and 30% apiece). Almost a quarter (24%) struggled with a lack of familiarity with utilising local tax breaks and benefits.

Top 3 biggest challenges to international expansion

What were the biggest challenges you faced during your international expansion process?



Domestic markets provide a comfort zone, but venturing beyond them can unlock real potential to drive revenue growth and global reach. The strategies you choose to get there can define the scale and sustainability of the expansion. It requires in-depth market research, potentially new marketing strategies, and sufficient resources to cater to diverse customer needs.

Finding the right partners to support you as you get your localised operations off the ground can be an overlooked step. You need a proactive business adviser who not only knows how to navigate regulation, tax regimes, reporting and compliance requirements – but gives valuable insights into cultural nuances or expectations to help ensure your business is well received in a new region.

Gary Klintworth, Senior Managing Director, CBIZ MHM

Charting global expansion goals: Where to next?

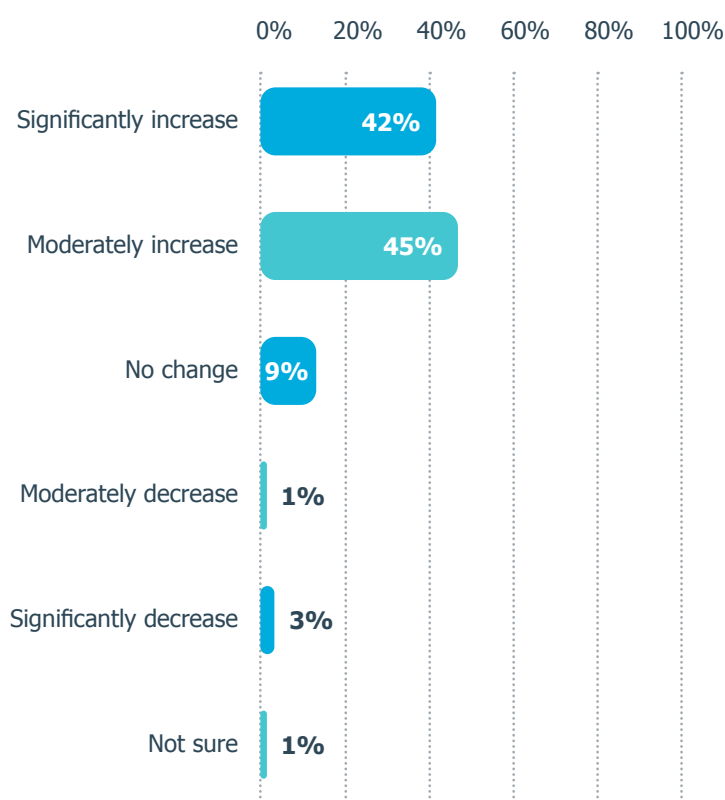
In the era of globalisation, no country or region is self-sufficient. Trade barriers and supply chain disruption have not dented the need for reliable interdependent partnerships in different locations in order to meet demand – indeed they may have heightened it.

Nor is demand solely for goods and resources: global trade also increasingly relates to the flow of intangibles such as services, data, and skills. According to McKinsey, while manufactured goods still dominate global trade, trade in services and intellectual property, for example, grew twice as fast as trade in goods last decade, while growth of data flows far outstripped everything else.³

Against this backdrop – and despite the challenges – most respondents to our survey (87%) believe there will be an increase in overseas business expansion. While this finding is interesting in itself, it begs many further questions around where the appetite for global expansion is strongest and what business leaders from various regions with varying levels of economic and commercial development might be looking for when they take such a step.

Overseas business expansion is widely expected to increase

Do you expect there will be an increase or decrease in businesses expanding overseas in the next 12 months compared to the year prior?



Northern and Central Europe are attractive destinations for those both inside and outside of these regions, thanks to the stable economies, large and comparatively wealthy customer base, advanced digital infrastructure, and access to finance. Plus its regional interconnectivity and shipping network making it easy to transport goods to different parts of the continent and beyond.

For many companies, moving into another country within their own region, rather than going further afield into a completely new part of the world, is an easier first stepping stone into international expansion. The legislative regime, taxation obligations, language and culture are probably more familiar, they may be more likely to have existing business contacts nearer to home that could help them gain momentum faster.

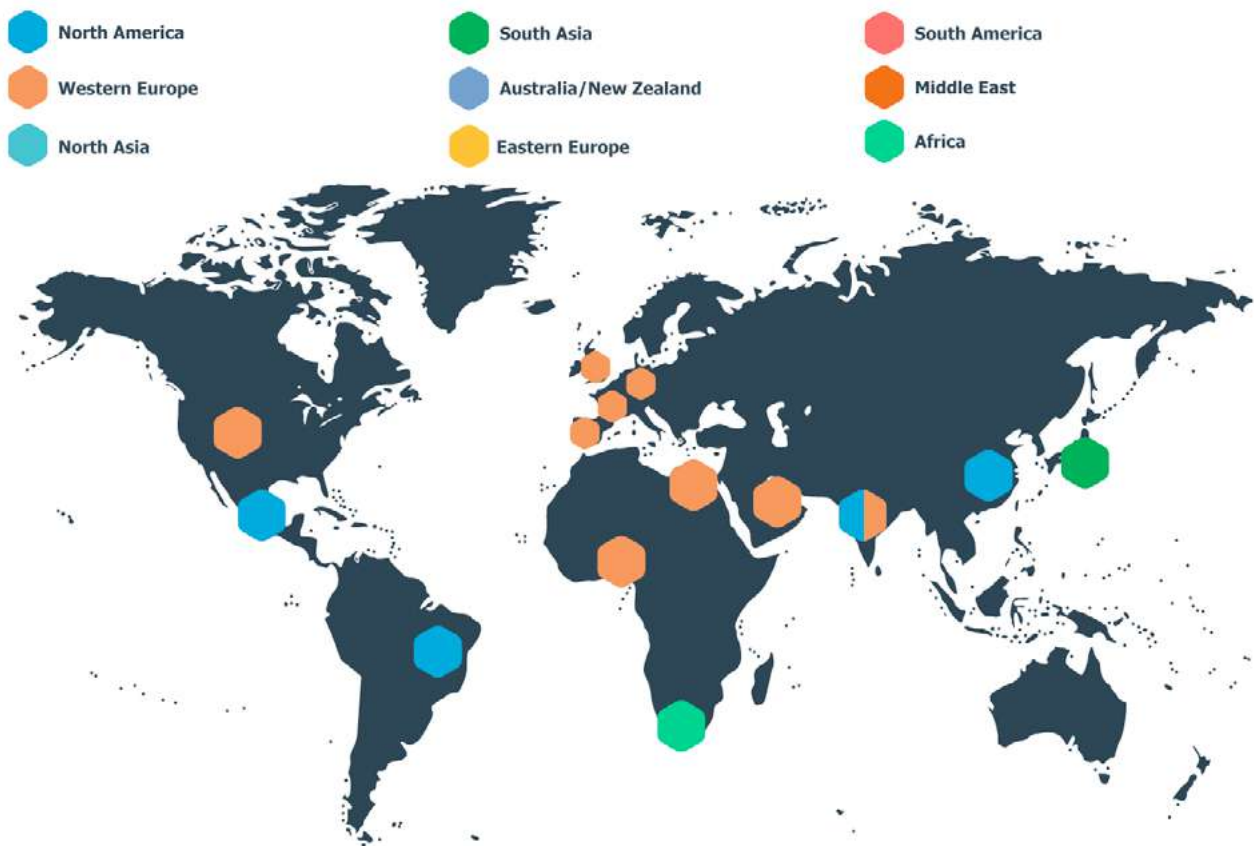
Jelle Bakker, Partner International Tax at Bentacera, and European Tax Director, Kreston Global Tax Group

3. McKinsey Global Institute, "Global flows: The ties that bind in an interconnected world", 2022 Global flows: The ties that bind in an interconnected world | McKinsey

As we found two years ago, Western Europe and North America remain the most popular destinations to choose. There are likely to be many factors at play here: as the OECD points out, critical considerations for entrepreneurial migration include access to capital, favourable regulatory frameworks, market conditions, a vibrant start-up ecosystem, access to talent and digital connectivity.⁴ Countries need to consider all these elements as they seek to attract entrepreneurial talent in pursuit of innovation, job creation, foreign investment and economic growth.

Overall, there was a relatively even split between those who think there will be a significant increase in overseas expansion and those who believe the increase will be moderate. Countries where respondents were most likely to predict a significant increase were Nigeria (71%), South Africa (66%) and USA (61%). While only 4% think there will be a decrease, this jumps to 11% in Japan and 12% in Germany.

Which of the following regions/countries would you considering expanding to?



4. OECD Migration Policy Debates, March 2023 [Title] (oecd.org)

More than half of respondents said their business would consider expanding to Western Europe, and this was the top destination for interpreneurial businesses in the US, Germany, Spain, France, the UK, UAE, Egypt, Nigeria and India. Those in Nigeria were the most keen (78%) whereas those in Japan were far less enthusiastic about investing in new business operations there (at just 18%).

Almost half said their business would consider expanding into North America, and this was the top destination for those in China (70%), Mexico (69%), Brazil (66%), and India (55% - tied with Western Europe). Those in Egypt (36%), Germany (35%), Japan (28%) and Spain (25%) were less likely to have North America in mind.

More than a quarter (28%) said their business would consider expanding to North Asia, with those in China (52%) and Nigeria (45%) the most likely to say this, while for those in Spain (14%) and Mexico (14%) it is least likely.

Germany, Spain, France, the UK, Mexico, and South Africa were most inclined to prioritise moving to a nearby country within their own regions.

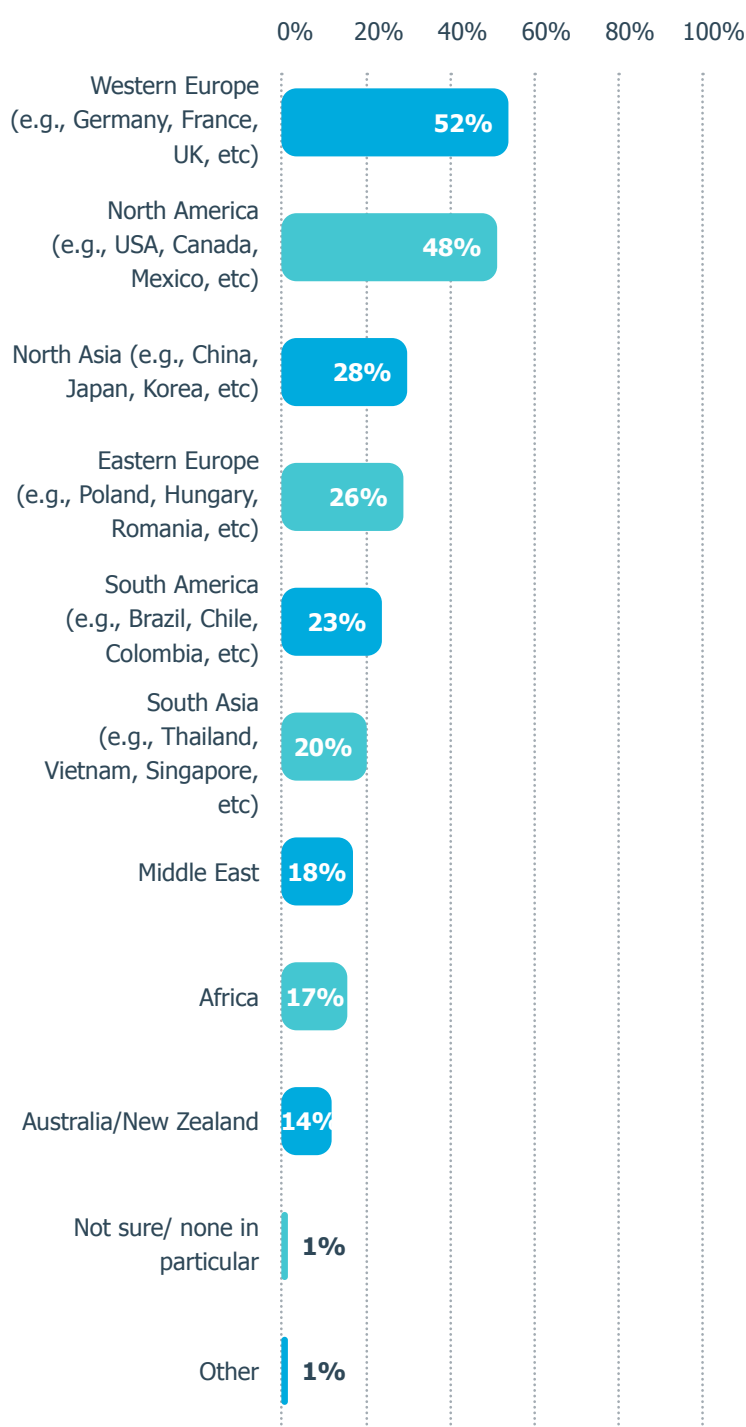


North America remains a highly targeted destination for overseas expansion, and no wonder, given that it's an established market with plenty of purchasing power and good commercial infrastructure, where there is also potential for disruption and greater competition. Trade barriers and recent events such as moves to ban TikTok are making the environment more challenging, but interpreneurs in countries like China think there's still room to for ambitious, innovative companies to come in and seize market share.

Theo Theodoulou, Chair of Kreston Global Audit Group & Partner of Audit & Assurance at Kreston Ioannou and Theodoulou

Most popular regions for potential global expansion

Which, if any, of the following regions or countries would you / your business considering expanding to?



For more than four in ten respondents, one of the biggest attractions for international expansion is the future economic growth prospects such a move offers. This is seen as particularly important in South Africa (where 61% said so) and Nigeria (60%), but it is lower down the agenda for those in Mexico (31%) and the UK (30%).

Favourable trade agreements such as free trade zones or preferential tariff treatment, and the skills and talent businesses could access come in a close second.

Alignment with long-term growth strategy, and the tech and digital infrastructure present in the country are also important for around a third of business leaders, as is the government support on offer, and favourable tax policies.

Around a quarter consider a transparent regulatory environment, geographic proximity to existing operations and cultural and language similarity to existing operations as important factors.



North Asia is a key overseas expansion hotspot. Our member firms are seeing a lot of inbound investment directed towards setting up businesses and branches in Japan, as the opportunity set there becomes increasingly appealing.

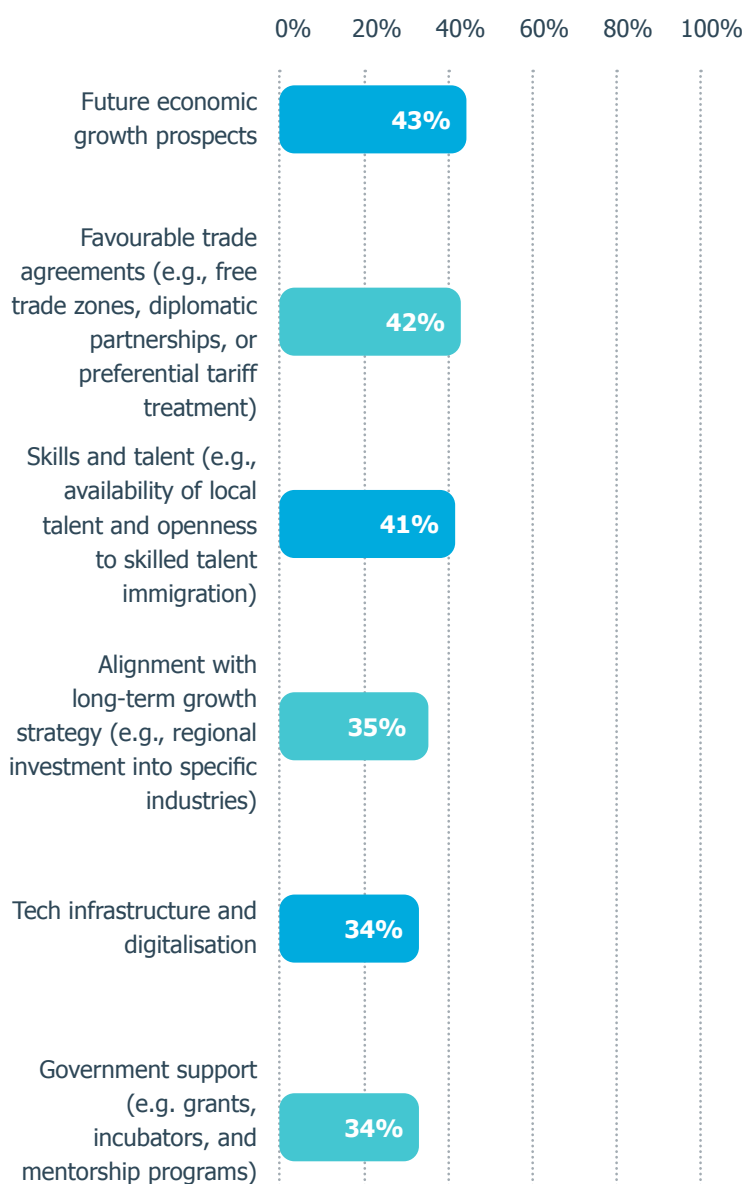
Meanwhile, emerging and fast-growing economies such as in South America, South Asia and Africa are attractive too because of the economic growth and transformation potential they offer. Especially where governments are actively promoting foreign investment and creating a more business-friendly environment.



Vineet Rathi, Managing Partner at Kreston OPR Advisers LLP

Top 5 attractions for international expansion

Which, if any, of the following would make a country most attractive for international expansion?



Rising to the challenge: Business priorities on the interpreneurial agenda

Next, we wanted to look at what factors are shaping international trade in the eyes of interpreneurs and those considering expanding overseas, how leaders can pursue innovation in this environment, and where the biggest risks lie.

Small and medium sized businesses are squaring up to the same macro themes as their large corporate counterparts, and it's a long list of issues that's in constant flux. Today it includes shifting geopolitical dynamics, supply chain resilience (with trade passing through the Suez Canal dropping by 50% in the first two months of 2024 after the Red Sea attacks⁵), rising costs, labour shortages, ESG considerations and the impact of AI. Tomorrow: who knows?

While SMEs may have fewer resources with which to address such issues, they do have the advantage of being more agile in their decision-making and nimbler in adapting their operations to find a path through. Business leaders' ability to mitigate risk and act on any opportunities that exist will lay the groundwork for commercial gain in the years ahead.

Anticipating where potential threats could emerge and planning ahead is crucial to avoid operational hurdles, maintain efficient processes and innovate for success. For example, they may look for ways to deploy AI to optimise inventories to counteract supply chain disruption or tackle skills gaps in one location by proactively moving into another with a deeper talent pool.



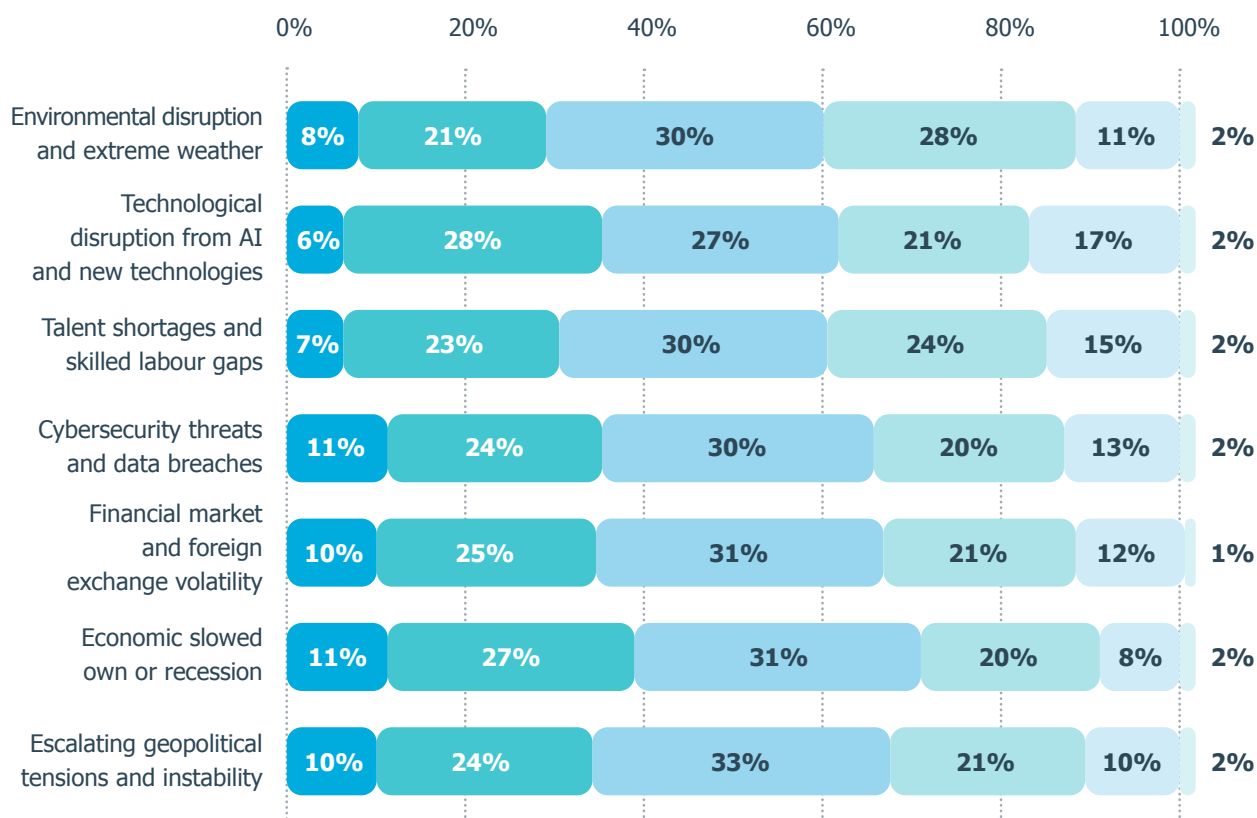
5. Source: IMF <https://www.imf.org/en/Blogs/Articles/2024/03/07/Red-Sea-Attacks-Disrupt-Global-Trade>

Key risks to international expansion

Our findings show that the possibility of an economic slowdown was seen as the main issue posing a disruptive or significant risk to a business' international expansion or planned expansion (38% said so). Given the emphasis placed on growing sales and revenue by expanding overseas, it's perhaps not surprising that anything that could hit purchasing power is viewed with concern.

Cybersecurity threats and data breaches and financial market volatility were next on the list (at 35% each), followed by escalating geopolitical tensions and technological disruption (both at 34%).

How much of a risk do the following pose to your business's international expansion or planned international expansion (flattened)



Interestingly, 17% felt that technological disruption posed no risk. Since generative AI, which burst into mainstream consciousness last year with the widespread commercial adoption of ChatGPT, has the potential to radically reshape many industry sectors and ways of working, we might have expected a more cautious appraisal here. However, there are signs that, being the innovators they are, entrepreneurs are already more comfortable with the concept than the average business leader, and may indeed see it as an opportunity, rather than a threat (as we will discuss further later on).

Other lower ranked risks include talent shortages (at 30% ranked disruptive or significant) and environmental disruption (29%). As climate changes increases the number of extreme weather events such as floods or droughts which could put business as usual at risk, canny entrepreneurs will need to have selected their locations carefully to minimize the risk of business interruption.



The findings highlight businesses' prioritisation of stability and continuity, evident in concerns over potential economic slowdowns and cybersecurity threats. Simultaneously, there's a notable shift towards recognizing technological opportunities, with some seeing disruptive technologies like AI as avenues for innovation and competitive advantage. This fits with the idea that entrepreneurs are often big-pictured focussed and tactical, which was evidenced in our research two years ago."

"However, challenges persist, particularly in talent acquisition, as talent shortages pose significant risks. Additionally, environmental disruptions are gaining attention, underscoring the need for sustainability initiatives to mitigate risks and ensure long-term resilience in global expansion strategies."



Ricardo Gameroff, Managing Partner at Kreston BA Argentina and Audit Business Director at Kreston Global

Capital considerations

Even highly cash-generative entrepreneurial businesses often require external funding to help make their dreams of going global a reality, allowing them to invest in new premises, machinery, local skills, supply chain relationships and distribution channels.

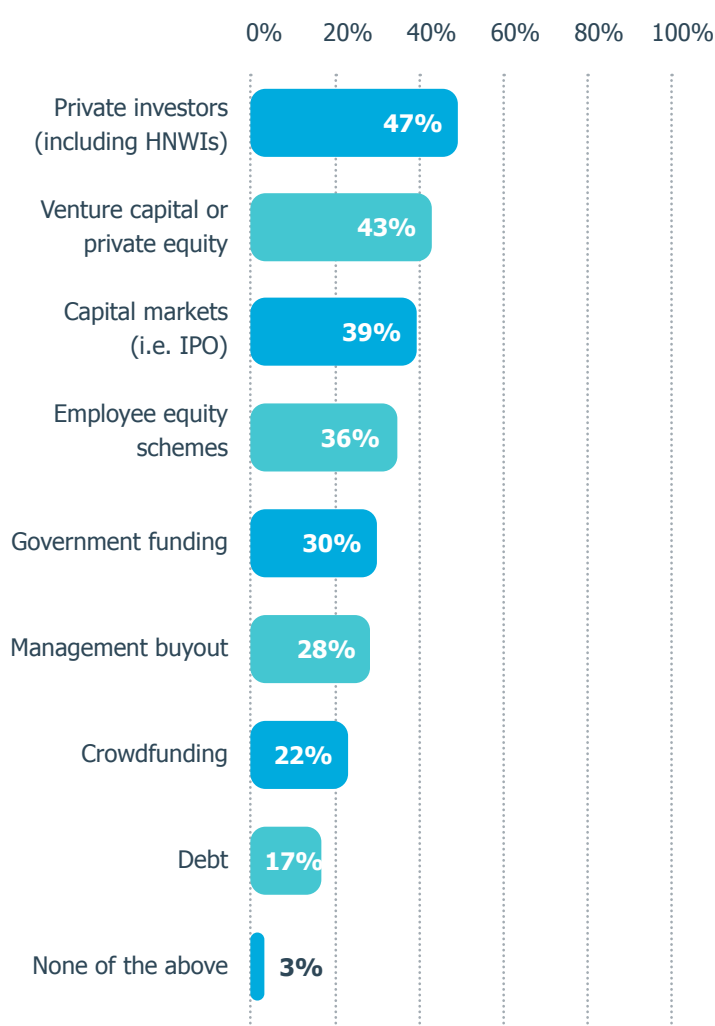
Private investment features prominently in their thinking, with almost half of respondents saying that their business is likely to consider or have used private investors to grow internationally. Those in Brazil (64%), India (63%), Nigeria (72%), and South Africa (69%) were more likely to report using or considering using this form of capital, whereas those in Japan (21%), France (28%) and the UK (35%) were less likely to take this route.

More than four in ten reported using or considering venture capital or private equity investment, and this was more common in China (62%), Egypt (67%) and Nigeria (56%) than in Germany (25%), Japan (23%), Brazil (31%) or the UK (27%). With the industry reported to be sitting on record levels of “dry powder” (uninvested funds) – reaching \$4trillion according to estimates from Blackrock⁶ - there should be plenty of capital to go around.

Accessing funding via capital markets is also a contender, albeit a less popular one – perhaps due to suppressed activity in the IPO market in the past few years⁷ - while debt is the least likely option. Businesses in France have by far the highest appetite for funding such a move with debt (where 28% would consider it), while only 5% would do so in Brazil.

Key types of capital to support international expansion

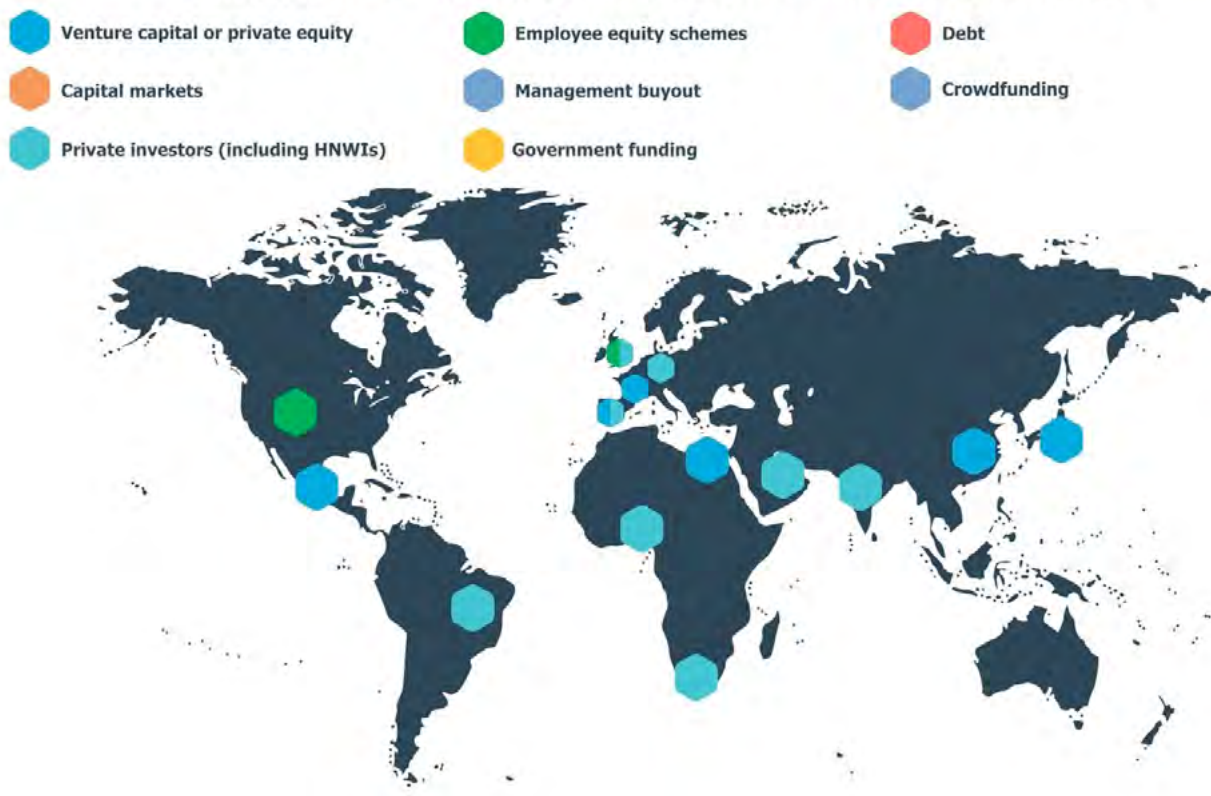
Which, if any, of the following types of growth capital is your business most likely to consider, or have used, to grow your business internationally?



6. The Financial Times <https://www.ft.com/content/cb161f56-de60-4a4d-bdf9-b0b3e0e62174>

7. S&P Global <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/worldwide-ipo-activity-marks-slow-end-to-2023-80055467#:~:text=A%20total%201%2C429%20IPOs%20were,billion%20offered%20throughout%20the%20year.>

What type of growth capital is your business most likely to consider to grow your business internationally?



“



Debt creates a fixed repayment burden that doesn't play well to the long-term capital investment needs of an international business. Equity investors like private investors and VC and private equity firms provide a more suitable alternative because the risks and rewards are shared, they can provide strategic guidance and expertise, and their focus on longer-term outcomes aligns better with the demands of global growth.

For equity investment to work, however, the business and its equity partner need to be a good fit, and it's as important for entrepreneurs to do their homework about any potential investor as it is for that investor to conduct their due diligence process. It's essential to make sure they have the right investment philosophy, are on board with your commercial goals, and have the right knowledge, experience and commitment to support you with more than just financial backing.

Eyad Farsakh, Managing Partner at Kreston Awni Farsakh & Co

ESG concerns

These days, no company can afford to ignore ESG, and these concerns may be heightened by a move to a new country where it's important to understand the specific environmental and cultural nuances of the area.

Even small and medium sized businesses that may not need to report to shareholders or make disclosures to regulators on such matters still have an obligation to be transparent and above board in their dealings with other stakeholders such as customers, staff, suppliers and local communities. Getting it right makes good business sense, but getting it wrong could be disastrous, with loss of business value, reputational damage and even financial sanctions among the consequences.

So it's encouraging that the vast majority of respondents (93%) do or would consider ESG practices to a greater or lesser extent when considering counties or regions to expand into.

It's notable that the proportion that say they do or would prioritise ESG without qualification is highest in China (64%), Nigeria (62%), South Africa (54%) and the US (53%) and lower in Germany (18%), Japan (19%), Spain (14%) and France (15%).

Across age demographics, the proportion of respondents who said they do or would prioritise ESG issues without qualification rises with age, peaking at the 35-44 age bracket before falling sharply in the older age ranges.



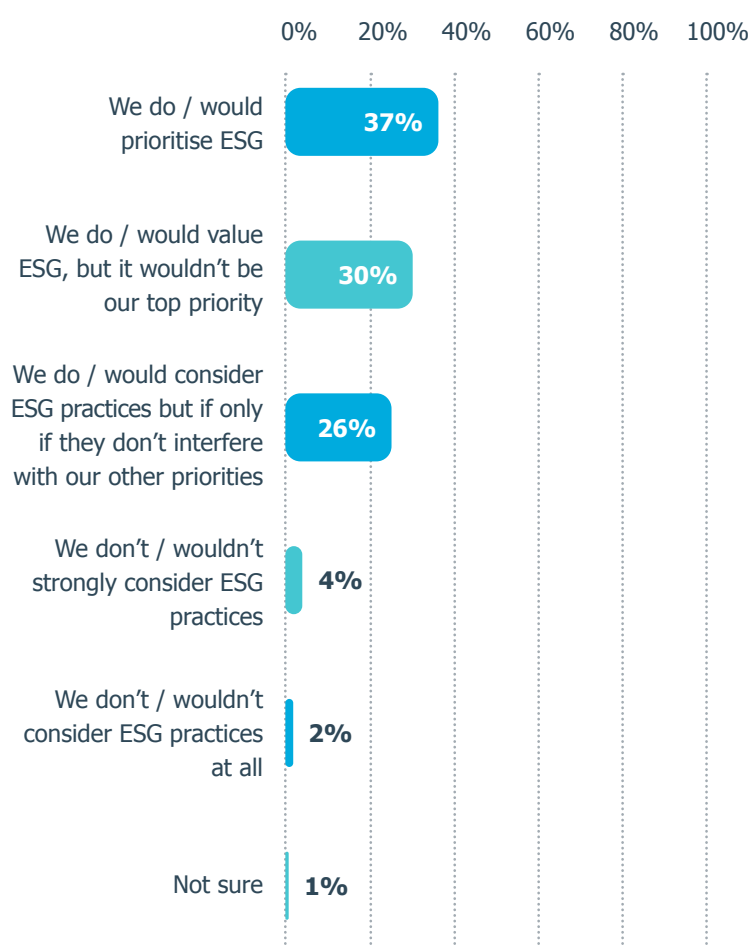
ESG is not a nice to have or a tick-box exercise: it's an obligation for next generation and a commercial imperative. An ESG strategy must be based on scientific data and prioritise impacts. Failing to factor it into your business operations exposes you to real risks. So it's important to take proactive measures like evaluating and minimising your environmental impact and adhering to fair labour practices to safeguard your business against legal and compliance issues, keeping competitiveness and ensuring you avoid negative press which could cause irreparable harm to your brand.

Overlooking ESG could also cause you to miss out on opportunities. A well-defined ESG strategy is not a cost but an investment that should position you favourably in your new market, attracting potential customers and investors who prioritise sustainability and ethical practices. It can open doors to new partnerships and collaboration prospects, accelerating your growth and integration within the new market.

Laurent Le Pajolec, Member of Board EXCO A2A Polska and Kreston Global ESG Committee member

The importance of ESG considerations

When evaluating potential new markets for expansion, to what extent do/would you consider the environmental, social, and governance (ESG) practices of the country or region?



Navigating the fast-changing global tax landscape

When moving into new territories, businesses must navigate new sets of tax rules that not only differ from the rules entrepreneurs are used to in their home country, but that become more complex due to the cross-border, multi-jurisdictional nature of their commercial operations.

In addition, global regulations are becoming stricter and more joined up as policy-makers look to eliminate tax gaps and mismatches between different countries' regimes and beef up compliance. To date, more than 140 countries have signed up to the OECD/G20 Inclusive Framework on Base Erosion Profit Shifting (BEPS)⁹, marking a significant step forward in international cooperation to stamp out tax planning strategies that aim to shift profits into lower tax jurisdictions to avoid tax.

While the aim is to make global tax more cohesive and transparent, for businesses, this could bring in a new layer of requirements and complexity. Business leaders may well require specific support from experts on the ground to help them comply, especially when entering a new market.

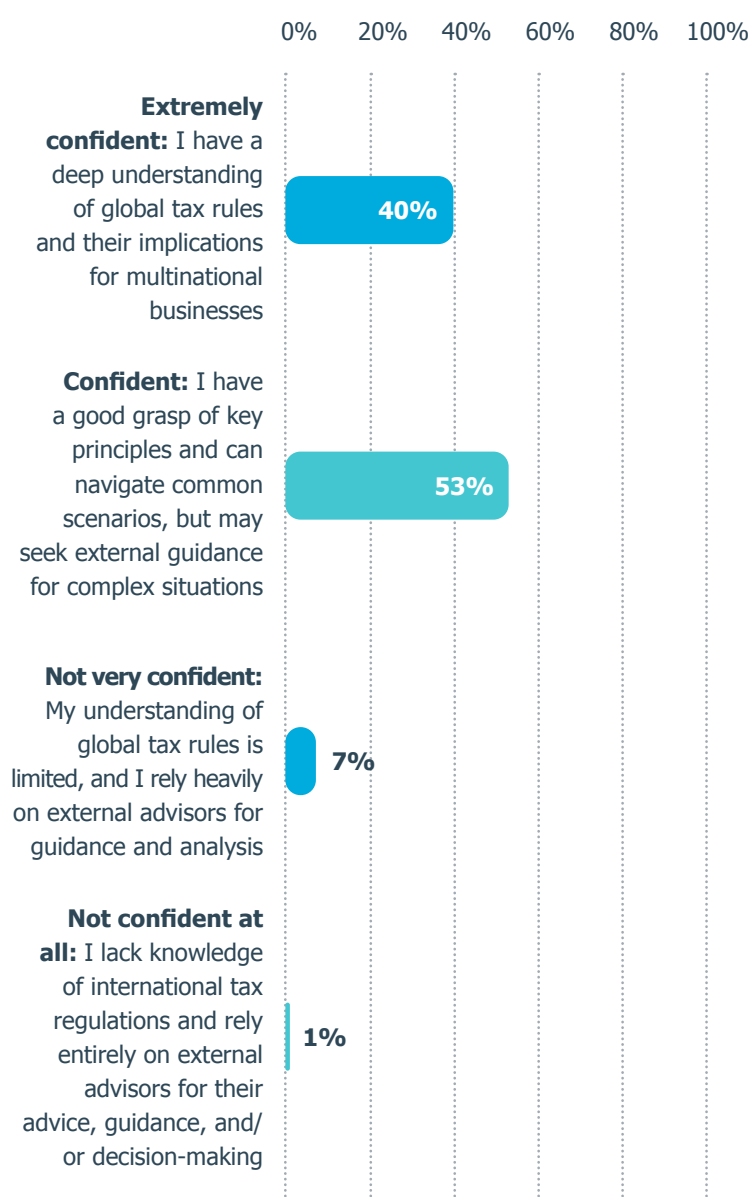
Nonetheless, respondents to our survey don't feel that tax will hold them back and believe they are well versed in global tax rules and their implications for multinational businesses. Indeed, 40% said they are extremely confident that they understand the global international tax rules that govern multinational businesses – rising to 64% in the US, 56% in Egypt and 53% in South Africa. Japan (9%), Spain (23%), and France (26%) were far less bullish on this front.

A further 53% are confident that they have a good grasp of key principles and can navigate common scenarios, although they may need to seek external guidance for complex situations.

Only 8% are not very confident or not confident at all, with those in Japan, France and Germany evincing the least confidence in this area.

Understanding tax

How confident are you in your understanding of the global international tax rules (for example transfer pricing, VAT) that govern multinational businesses?



Whether this confidence is reflected in their company's execution of tax affairs is a moot point, especially since the 'tax gap' (i.e., the difference between the tax due and the tax paid) remains a persistent problem. The OECD estimates that around \$240billion is lost each year to tax avoidance by multinationals.¹⁰ However, it seems likely that with further tightening of tax laws on the horizon, specialist support and expertise is likely to be required at some level by many organisations.



Business leaders will valiantly seek to stay ahead of the game on tax but may struggle to keep up with the implications and intricacies of the global tax crackdown that the OECD continues to spearhead. Cross-border transactions can be extremely complex from a tax perspective, and with significant changes on the way over the next couple of years the global tax landscape is set to alter radically. Planning and compliance will become even more challenging for businesses of all sizes. SMEs are either going to have to invest in recruiting more tax experts in-house or get fast, effective advice from outside advisers.



Mark Taylor, Chair of Kreston Global Tax Group & Tax Director, Duncan and Toplis

9. OECD <https://www.oecd.org/tax/beps/about/>

10. OECD <https://www.oecd.org/tax/beps/>

The impact of AI

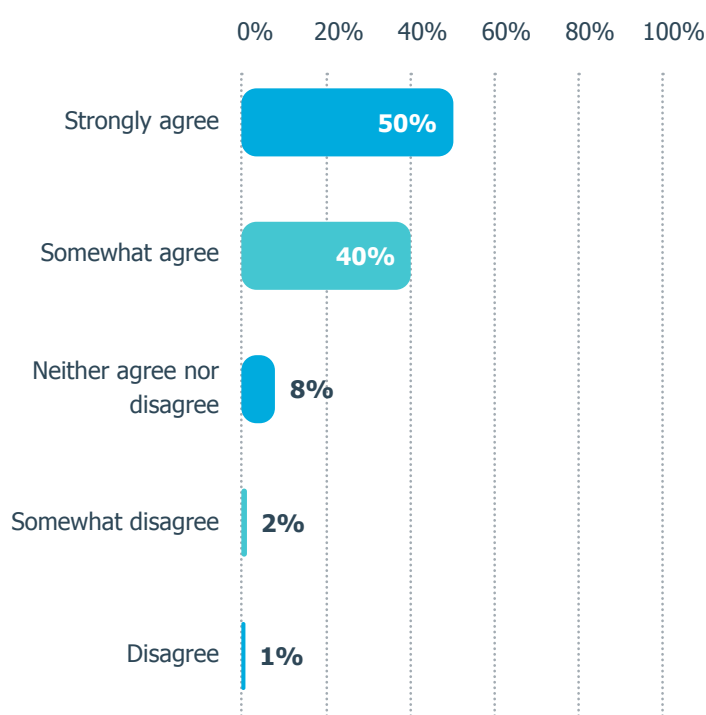
AI has become a major topic on everyone's lips, as the sheer scale of its potential influence and transformative power becomes clear. Though use of generative AI is still in its infancy, adoption is growing fast and the technology itself is developing rapidly. By early last year, ChatGPT had garnered an estimated 100 million users, and many other such tools soon came on stream in its wake, developed by the likes of Google, Meta and Amazon.

AI can empower businesses looking to enter the global arena in many different ways. For example, it can help them to navigate complex market landscapes by analysing vast amounts of data to identify customer preferences, competitor strategies, and emerging trends in target markets. It can enable them to optimise their global operations by automating routine tasks, streamlining logistics, and identifying cost-saving opportunities across geographically dispersed operations. Moreover, it could enhance the customer experience, via personalised marketing campaigns, providing real-time customer support in multiple languages, and fostering stronger customer engagement across borders.

However, there is still no established framework or path to follow, so business leaders are having to work out for themselves how disruptive generative AI could be and how it could be harnessed to gain a competitive edge. They are thinking about what role it could play in their company and how best to implement it in the short term before rivals can seize the initiative, and then considering how to scale it to create efficiency gains and deliver vital commercial insights over the longer term. Broadly, the majority feel they are ready.

AI readiness

To what extent do you agree or disagree with the following statement: 'I feel prepared to harness the benefits of AI in global business operations within the next two years?'



Half of respondents feel very confident in their ability to harness AI, and four in ten are fairly confident, with just 3% indicating that they lack confidence. Those in Nigeria and the US felt most equipped, with 75% and 72% respectively feeling very confident. Business leaders in Spain and France were the most neutral, with 14% feeling neither confident nor unsure, compared to a global average of 8%.

Japan felt the least prepared, with more than a fifth (21%) saying so. By contrast, no respondents from the US, Brazil, China, Mexico or Nigeria said they felt unprepared.



Technological disruption has gone from being seen as a risk to being considered something to be embraced. While AI isn't a silver bullet, its ability to automate tasks, glean insights from data, and personalise experiences can be a major advantage for resource-constrained SMEs competing on the international stage. It should certainly be able to help interpreneurial businesses level the playing field with bigger rivals.



Rob McGillen, Chief Innovation Officer – Financial Services at CBIZ

Conclusion

Notwithstanding the challenging macroeconomic conditions, the drive for ambitious entrepreneurs to take their businesses international is extremely powerful. Going global is about reaching new customers, accessing new services, suppliers and technologies, and honing operations. By opening up new markets, creating efficiency gains and taking advantage of innovation, interpreneurial businesses can create competitive advantage.

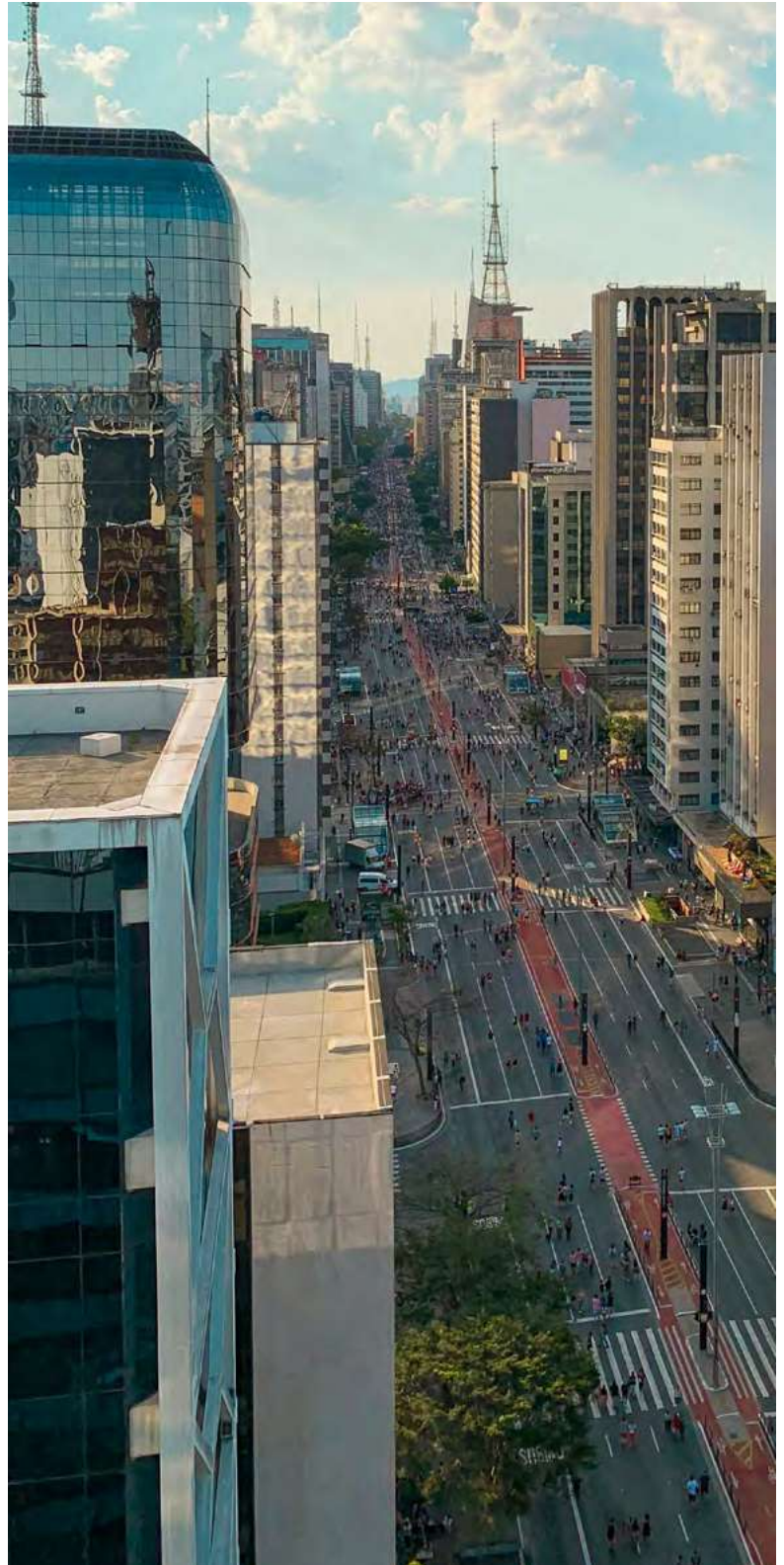
Being bold and nimble, and having confidence and vision, are attributes that have served entrepreneurs well and they are even more vital when it comes to interpreneurship. But those qualities must be complemented by accurate local knowledge, clear insight into the cultural norms and legal, regulatory and tax regimes of the country in question, and visibility over the potential to build up robust customer and supplier relationships. Interpreneurs cannot afford simply to strike out alone into the unknown: they need this information to provide a map to show them the pathway to success.

At Kreston Global, our global network of business and tax advisers have a deep understanding of the landscape in more than 114 countries around the world. We work closely with SME leaders to plan and execute successful interpreneurship strategies, ensuring that businesses are primed for success as they go global, and supporting them at each step of the way as they develop and grow their operations abroad.



Market insights: Brazil

- 70% of respondents said their business was primarily motivated to expand internationally by market growth opportunities: accessing new customer segments
- 64% said that increased profitability was the biggest benefit they had seen from international expansion
- Half (50%) said finding the right local partners (e.g. building reliable and trustworthy relationships) was a challenge
- 92% said they expect an increase in businesses expanding overseas in the next 12 months
- Two-thirds (66%) pointed to North America as a key expansion target
- Future economic prospects and tech infrastructure and digitalisation were the top two factors that make a country attractive for international expansion (50% said so apiece)
- 38% said financial market and foreign exchange volatility posed a disruptive or significant risk to their business' international expansion or planned expansion
- 64% would consider or have used private investors to grow their business internationally
- 94% do or would consider ESG to some extent when evaluating potential new markets for expansion
- 37% feel extremely confident that they have a deep understanding of the international tax rules that govern multinational businesses – and 60% are confident they understand
- 96% agree that they feel prepared to harness the benefits of AI in global business operations in the next two years



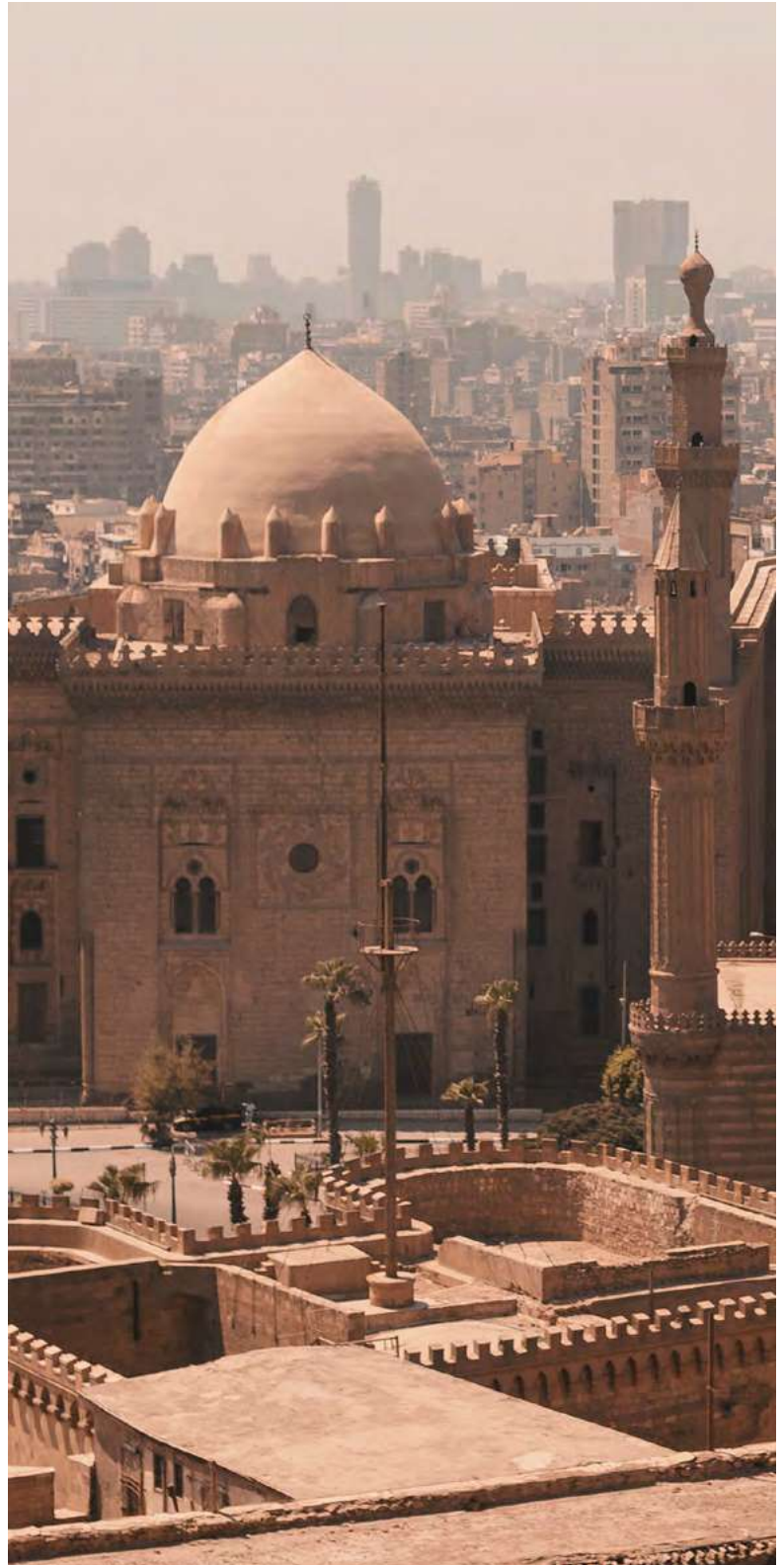
Market insights: China

- Half (50%) of respondents said their business was primarily motivated to expand internationally by market growth opportunities: accessing new customer segments
- 56% of respondents said one of the biggest benefits their business has found following international expansion was stronger strategic positioning and competitive advantage
- 43% said that one of the biggest challenges faced by businesses during international expansion was managing economic volatility
- 92% of respondents said they expect there will be an increase in businesses expanding overseas in the next 12 months
- 70% of respondents said their business would consider expanding to North America and 55% said their business would consider expanding in Western Europe
- Favourable trade agreements (e.g. free trade zones, diplomatic partnerships, or preferential tariff treatment) is the most attractive aspect for international expansion (for 60%)
- 31% of respondents felt that financial market and foreign exchange volatility poses a disruptive or significant risk to their business's international expansion or planned expansion
- 62% of respondents said that their business is likely to consider or have used venture capital or private equity to grow internationally, and 51% have/ would consider using Capital markets (i.e., IPO) for international expansion
- All (100%) do/would consider ESG practices to some extent when considering counties or regions to expand into
- 46% of respondent are extremely confident that they have a deep understanding of the international tax rules that govern multinational businesses – and 52% are confident they understand
- Most respondents (91%) agree that they feel prepared to harness the benefits of AI in global business operations in the next two years, no respondents disagreed with this statement



Market insights: Egypt

- 54% of respondents said their business was primarily motivated to expand internationally by market growth opportunities: accessing new customer segments
- 63% said increased sales and revenue was the biggest benefit of international expansion
- Managing economic volatility (e.g. currency fluctuations, inflation and or low growth) was a critical challenge for 44%
- 92% said they expect an increase in businesses expanding overseas in the next 12 months
- 53% would consider expanding into Western Europe and 41% into the Middle East
- 47% said that alignment with long-term growth strategy (e.g. regional investment into specific industries) was a key factor that would make a country an attractive prospect for international expansion
- Financial market and foreign exchange volatility is considered a disruptive or significant risk by 42%
- 67% would consider or have used venture capital or private equity investment to fund international business growth
- 94% do or would consider ESG to some extent when evaluating potential new markets for expansion
- 56% are extremely confident that they have a deep understanding of the international tax rules that govern multinational businesses – while 39% are confident they understand
- 97% agree that they feel prepared to harness the benefits of AI in global business operations in the next two years



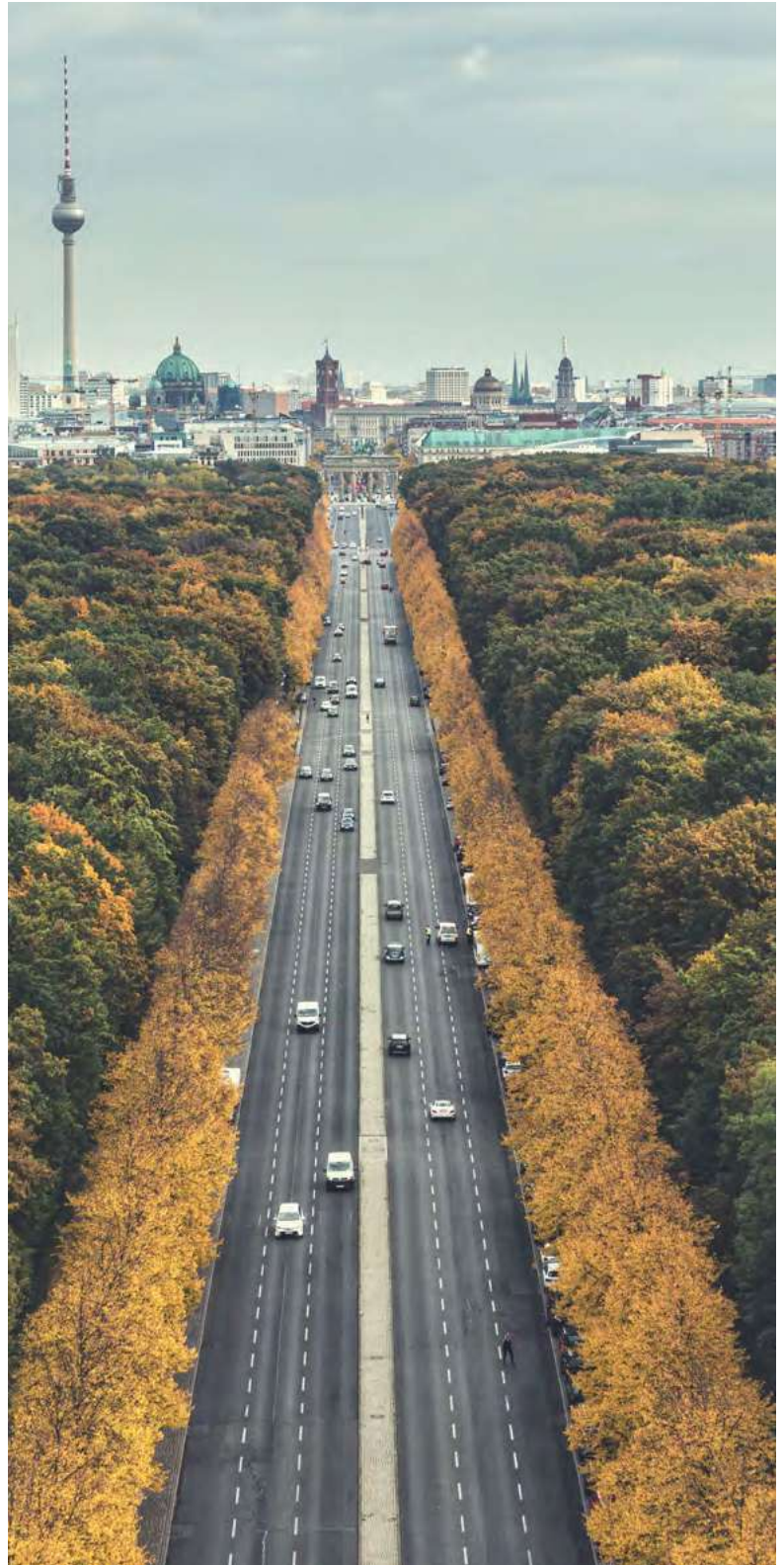
Market insights: France

- 44% of respondents said their business was primarily motivated to expand internationally by market growth opportunities: accessing new customer segments
- 47% said increased sales and revenue was a key benefit of international expansion
- Adapting logistics and supply chain issues, managing economic volatility and navigating global tax regulation were all tied as the main challenges respondents had experienced – at 37% each
- 75% expect there will be an increase in businesses expanding overseas in the next 12 months
- Six in ten (61%) would consider expanding into Western Europe
- 39% said future economic growth prospects would make a country most attractive for international expansion
- Talent shortages and skilled labour gaps are seen as a disruptive or significant risk by 39% and the same proportion said the same about economic slowdown or recession
- 38% have used or would consider venture capital or private equity to grow their business internationally
- 86% do or would consider ESG to some extent when evaluating potential new markets for expansion
- Just over a quarter (26%) are extremely confident that they have a deep understanding of the international tax rules that govern multinational businesses – and 16% don't feel confident
- 83% feel prepared to harness the benefits of AI in global business operations within the next two years



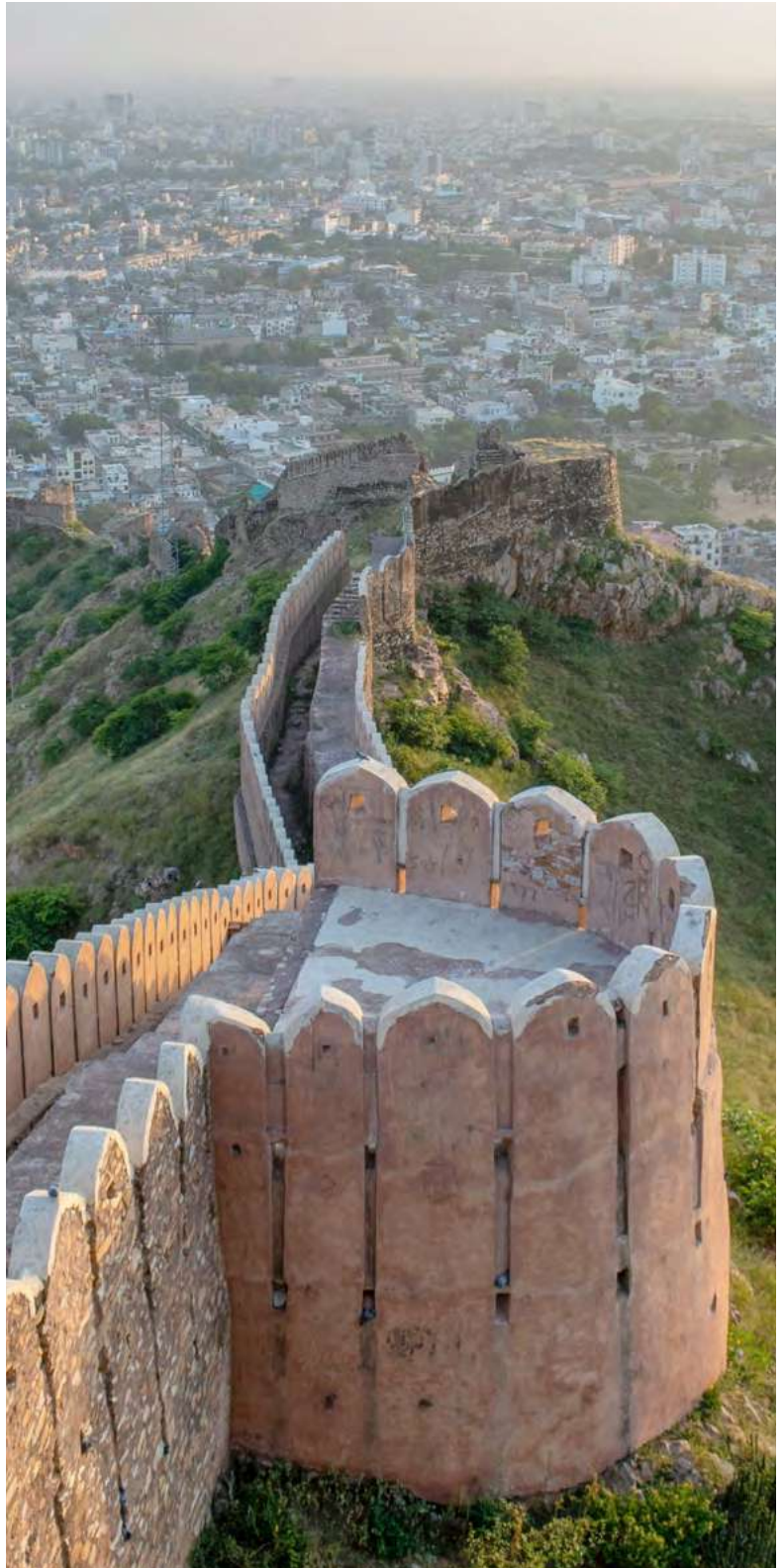
Market insights: Germany

- 43% of respondents said their business was primarily motivated to expand internationally by market growth opportunities: accessing new customer segments
- Increased sales and revenue was seen as the biggest benefit to their business following international expansion (by 43%)
- Finding the right local partners (e.g. building reliable and trustworthy relationships) was seen as the biggest business challenge (by 36%)
- 71% of respondents said they expect there will be an increase in businesses expanding overseas in the next 12 months, but 12% predict a decrease
- 51% of respondents said their business would consider expanding into Western Europe and 46% said their business would consider expanding in Eastern Europe
- 42% cited future economic growth prospects as the biggest attraction of international expansion
- Four in ten (40%) said economic slowdown or recession poses a disruptive or significant risk to their business's international expansion or planned expansion
- 46% would consider or have used private investors to grow their business internationally
- Nine in ten (90%) would or do consider ESG practices to some extent when considering counties or regions to expand into
- 29% of respondent are extremely confident that they have a deep understanding of the international tax rules that govern multinational businesses – and 60% are confident they understand
- 84% of respondents agree that they feel prepared to harness the benefits of AI in global business operations in the next two years



Market insights: India

- 58% of respondents said their business was primarily motivated to expand internationally by market growth opportunities: accessing new customer segments
- Half (50%) said increased sales and revenue was a key benefit of international expansion, closely followed by stronger strategic positioning and competitive advantage (48%)
- 51% said managing economic volatility was the biggest challenge
- 96% expect an increase in businesses expanding overseas in the next 12 months
- 55% would consider expanding into Western Europe and the same proportion would target North America
- Future economic growth prospects is the top attraction in a country for 55%
- 39% see cybersecurity threats and data breaches as a disruptive or significant risk
- 63% have used or would consider raising investment from private individuals for international growth
- 98% do or would consider ESG to some extent when evaluating potential new markets for expansion
- 44% are extremely confident that they have a deep understanding of the international tax rules that govern multinational businesses and 55% are confident they understand
- 96% feel prepared to harness the benefits of AI in global business operations within the next two years



Market insights: Japan

- 42% of respondents said their business was primarily motivated to expand internationally by market growth opportunities: accessing new customer segments
- 36% saw increased sales and revenue as the biggest benefit to their business following international expansion, but 10% said they had not seen any benefit
- Finding the right local partners (e.g. building reliable and trustworthy relationships) and understanding complex compliance requirements (e.g. ESG and legal compliance) were seen as the biggest business challenges (by 30% apiece)
- 59% expect there will be an increase in businesses expanding overseas in the next 12 months, but 11% think there will be a decrease
- South Asia and North Asia are the key target destinations for international expansion at 38% and 30% each
- 38% said that future economic growth prospects is a key attraction for international expansion
- 38% of respondents said cyber threats and data breaches pose a disruptive or significant risk to respondents' business' international expansion or planned expansion
- 19% said they would not consider seeking growth capital from private investors, VC/private equity investors, capital markets, employee equity schemes, government funding, management buyouts, crowdfunding or debt
- 84% would or do consider ESG practices to some extent when considering counties or regions to expand into
- More than a third (36%) don't feel confident in their understanding of global tax rules that govern multinational businesses
- Over a fifth (21%) suggest they don't feel prepared to harness the benefits of AI in their global business operations within the next two years



Market insights: Mexico

- More than half (51%) of respondents said their business was primarily motivated to expand internationally by market growth opportunities: accessing new customer segments
- 72% said increased sales and revenue was a key benefit of international expansion
- Adapting logistics and supply chain issues was the biggest challenge they faced – 53% said so
- 86% expect an increase in businesses expanding overseas in the next 12 months
- Almost seven in ten (69%) have or would consider expanding into North America
- 48% said favourable trade agreements (e.g. free trade zones, diplomatic partnerships, or preferential tariff treatment) are the biggest attraction in a target country
- 42% see economic slowdown or recession as a disruptive or significant risk
- 46% have used or would consider raising venture capital or private equity investment for international growth
- Nine in ten (90%) do or would consider ESG to some extent when evaluating potential new markets for expansion
- 47% are extremely confident that they have a deep understanding of the international tax rules that govern multinational businesses and 51% are confident they understand
- 96% feel prepared to harness the benefits of AI in global business operations within the next two years



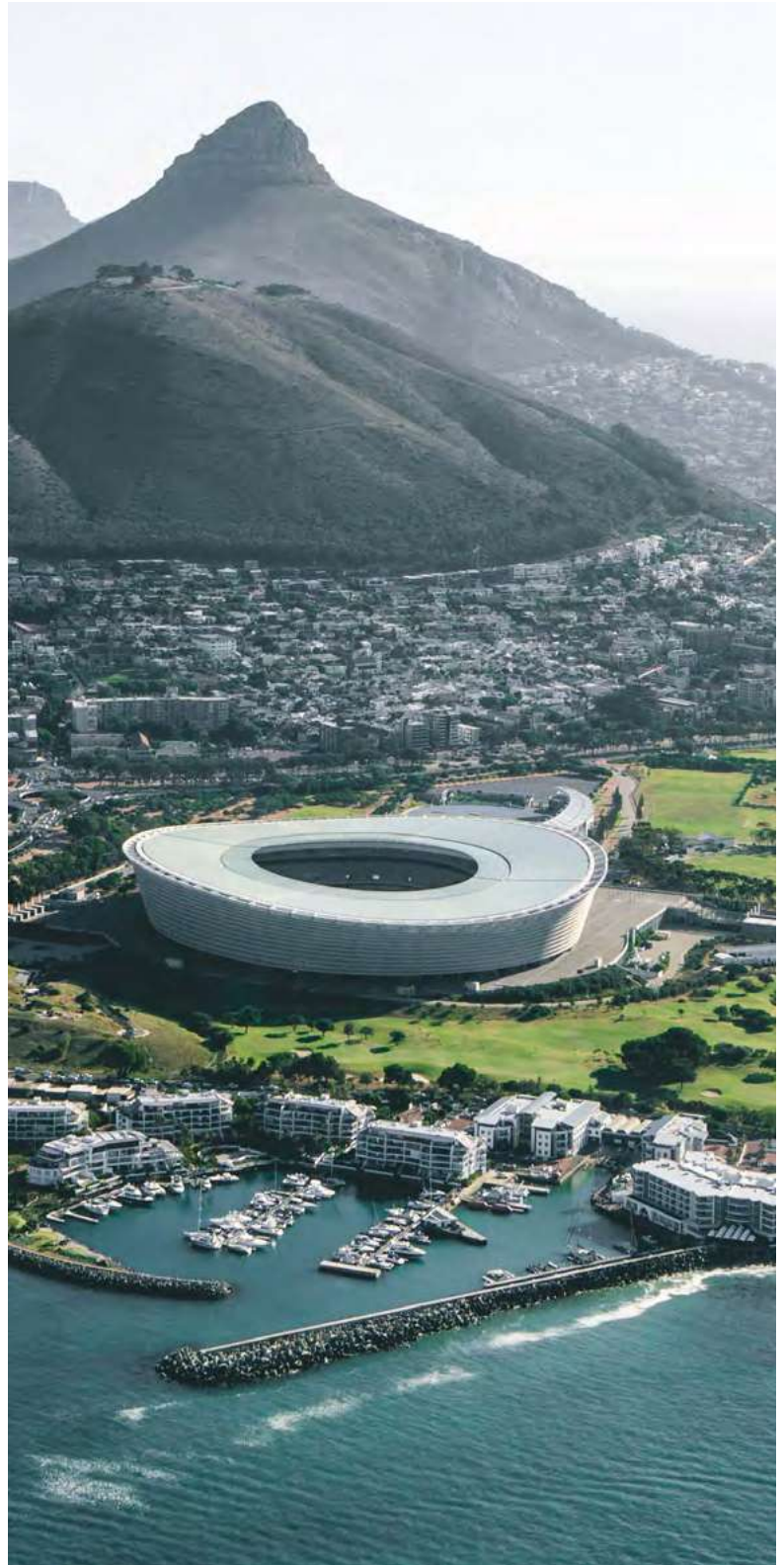
Market insights: Nigeria

- 60% of respondents said their business was primarily motivated to expand internationally by market growth opportunities: accessing new customer segments
- 64% said increased profitability has been a key benefit of international expansion
- More than half (51%) said adapting logistics and supply chain issues was a major challenge
- Almost all (98%) expect an increase in businesses expanding overseas in the next 12 months
- 78% would consider expanding into Western Europe and 63% would target North America. More than half (51%) would also target Africa
- 60% say future economic growth prospects make a country an attractive prospect for international expansion
- 36% see economic slowdown or recession as a disruptive or significant risk
- 72% have used or would consider raising investment from private individuals for international growth
- 98% do or would consider ESG to some extent when evaluating potential new markets for expansion
- 49% are extremely confident that they have a deep understanding of the international tax rules that govern multinational businesses and 44% are confident they understand
- Almost all (99%) feel prepared to harness the benefits of AI in global business operations within the next two years



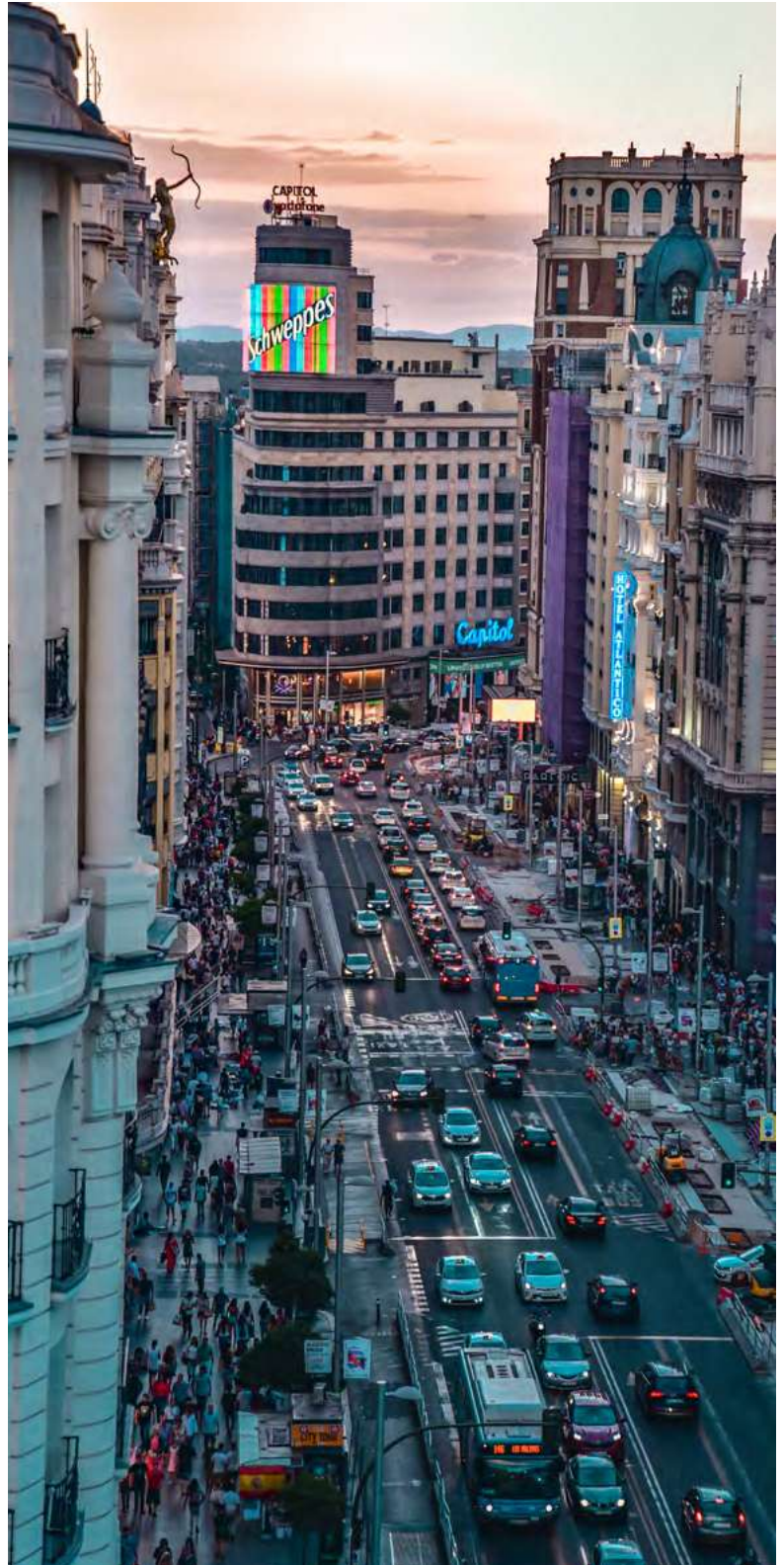
Market insights: South Africa

- 67% of respondents said their business was primarily motivated to expand internationally by market growth opportunities: accessing new customer segments
- 65% said increased sales and revenue was a key benefit of international expansion
- 47% said managing economic volatility was the biggest challenge
- Almost all (98%) expect an increase in businesses expanding overseas in the next 12 months
- Half (50%) would consider expanding into other parts of Africa
- 61% say future economic growth prospects make a country an attractive prospect for international expansion
- More than half (51%) see economic slowdown or recession as a disruptive or significant risk
- 69% have used or would consider raising investment from private individuals for international growth
- 99% do or would consider ESG to some extent when evaluating potential new markets for expansion
- 53% are extremely confident that they have a deep understanding of the international tax rules that govern multinational businesses and 44% are confident they understand
- 88% feel prepared to harness the benefits of AI in global business operations within the next two years



Market insights: Spain

- Almost half (48%) of respondents said their business was primarily motivated to expand internationally by market growth opportunities: accessing new customer segments
- Increased sales and revenue was seen as the biggest benefit of international expansion – 48% said so
- 38% said adapting logistics and supply chain issues (e.g. managing international shipping, distribution, and communication) was the biggest challenge to international expansion
- Almost nine in ten (89%) said they expect an increase in businesses expanding overseas in the next 12 months
- Western Europe is the most popular potential destination – 57% would consider expanding there
- 35% said geographic proximity to existing operations would make a location attractive
- 46% see economic slowdown or recession as a disruptive or significant risk
- 39% have or would consider using capital from private investors to grow internationally and the same proportion say the same about venture capital/private equity investment
- 88% do or would consider ESG to some extent when evaluating potential new markets for expansion
- Less than a quarter (23%) are extremely confident that they have a deep understanding of the international tax rules that govern multinational businesses – but 73% are confident they understand
- 82% feel prepared to harness the benefits of AI in global business operations within the next two years



Market insights:

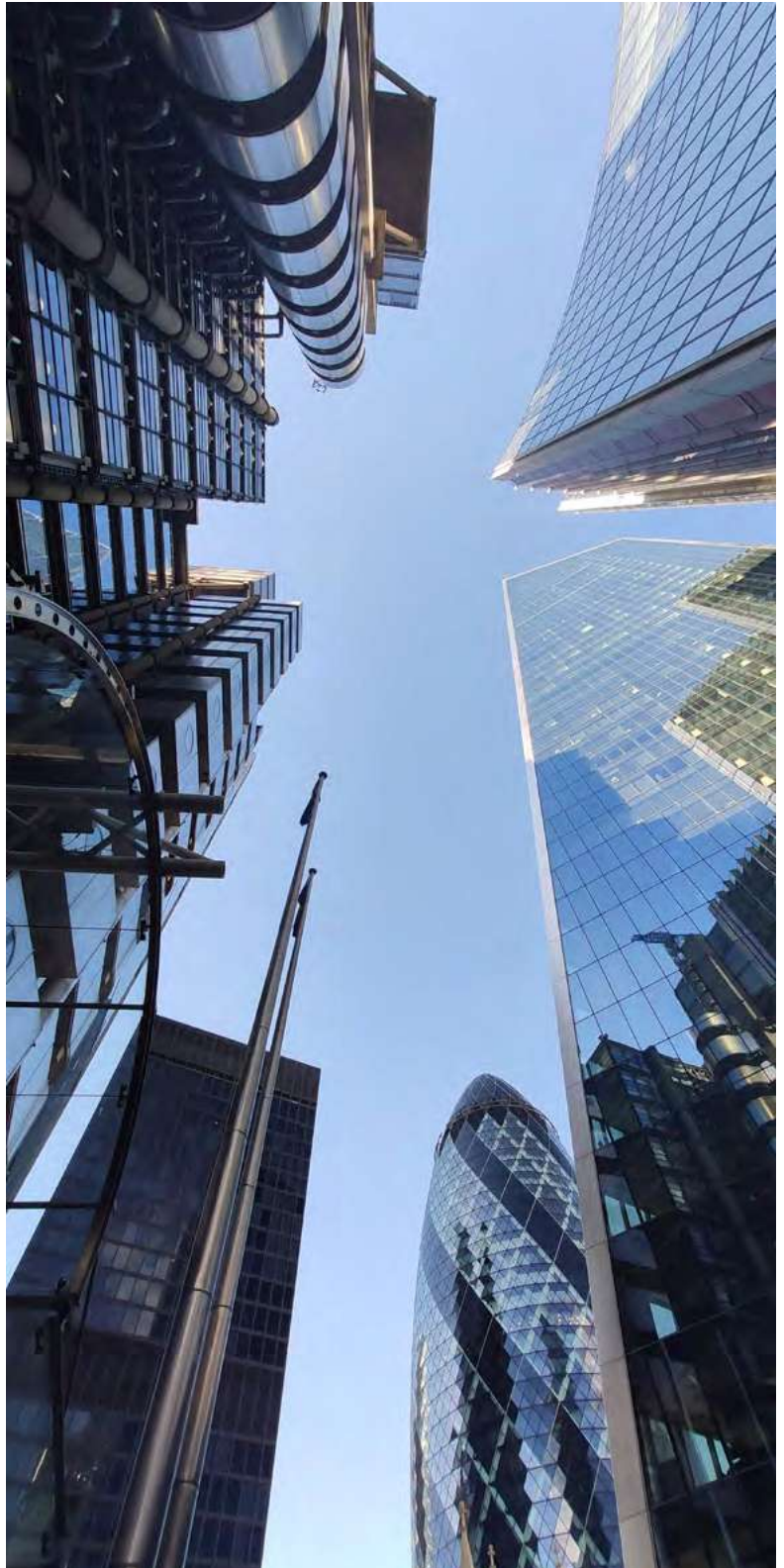
United Arab Emirates

- Half (50%) of respondents said their business was primarily motivated to expand internationally by market growth opportunities: accessing new customer segments
- 62% said increased sales and revenue was the biggest benefit of international expansion
- 46% said managing economic volatility (e.g. currency fluctuations, inflation and or low growth) was a major challenge
- 93% of respondents said they expect there will be an increase in businesses expanding overseas in the next 12 months
- 62% would consider expanding into Western Europe and 54% into the Middle East
- Almost half (49%) cited government support (e.g. grants, incubators, and mentorship programs) as a key attraction for expanding into a country
- 44% see financial market and foreign exchange volatility as a disruptive or significant risk
- 52% would consider or have used private investors to grow their business internationally
- 97% do or would consider ESG to some extent when evaluating potential new markets for expansion
- 43% feel extremely confident that they have a deep understanding of the international tax rules that govern multinational businesses – and 49% are confident they understand
- 94% agree that they feel prepared to harness the benefits of AI in global business operations in the next two years



Market insights: United Kingdom

- 46% of respondents said their business was primarily motivated to expand internationally by market growth opportunities: accessing new customer segments
- 45% said increased profitability has been a key benefit of international expansion
- Understanding complex compliance requirements (e.g. ESG and legal compliance) was the biggest challenge (for 42%)
- 78% expect an increase in businesses expanding overseas in the next 12 months
- Western Europe (52%) and Eastern Europe (41%) are the primary target regions for expansion (despite Brexit)
- 43% cited skills and talent as a major attraction when choosing a country for international expansion
- Economic slowdown or recession is seen as a disruptive or significant risk by more than a third (34%)
- Respondents said they were most likely to have used or to consider raising international growth capital from private investors and employee equity schemes (35% each)
- 93% do or would consider ESG to some extent when evaluating potential new markets for expansion
- 34% are extremely confident that they have a deep understanding of the international tax rules that govern multinational businesses and 61% are confident they understand
- 91% feel prepared to harness the benefits of AI in global business operations within the next two years



Market insights: United States

- Four in ten (41%) of respondents said their business was primarily motivated to expand internationally by access to digital technologies and innovation
- Increased sales and revenue was the biggest benefit to their business following international expansion (50% said so), followed by improved operational efficiency and cost savings (48%)
- Finding the right local partners (e.g. building reliable and trustworthy relationships) was seen as the biggest business challenge (by 45%)
- 94% of respondents said they expect to see an increase in businesses expanding overseas in the next 12 months
- Western Europe (60%) and North America (57%) are seen as the primary destinations of expansion abroad
- Skills and talent is the biggest factor that would make a country an attractive prospect for international expansion (59% said so)
- 37% see environmental disruption and extreme weather as a disruptive or significant risk to their business's international expansion or planned expansion
- Almost half (48%) of respondents says said they are most likely to consider or have used employee equity schemes as a means to finance international expansion
- Almost all (98%) would/do consider ESG practices to some extent when considering counties or regions to expand into
- 64% of respondents are extremely confident that they have a deep understanding of the international tax rules that govern multinational businesses – and 34% are confident they understand
- 96% of respondents agreed that they feel prepared to harness the benefits of AI in global business operations in the next two years



About Kreston Global

Kreston Global is one of the world's largest accounting networks, representing more than 160 independent firms in more than 114 countries worldwide. Currently the 14th largest global accountancy network, Kreston firms advise both businesses and individuals on the full spectrum of accountancy and advisory needs, wherever in the world they happen to do business. With more than 27,000 dedicated professionals and influential community-based culture, Kreston celebrated its 50th anniversary in 2021.

All our Kreston firms have a similar professional ethos, are commercially focussed, and set themselves very high standards. You may already be an active player internationally, seeking new markets or a successful organisation looking to expand beyond your national borders. Whatever you need, Kreston firms will guide you through the challenges of working internationally, from dealing with cross-border tax issues, transfer pricing, or setting up in new markets with the right structures, investment, or payroll support.

Our firms are typically led by partners who started at the Big 4 or other larger international firms, but now run their own advisory firms and are keen to add real value to what you are trying to achieve. All engagements are partner-led, so you get the benefit of a high-quality entrepreneurial global service for a cost-effective budget.

As a Kreston client, you have a single point of contact whether you are working in a single country or across multiple locations, or multi-country local expert contacts. Typically, our Kreston firms, partners and employees live and work within their communities, and have a deep understanding of local laws, culture and customs. Our focus is and always will be to help you succeed internationally.

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