GLOBAL OPPORTUNITIES
BDO Ambition Survey 2012

REPORT
BDO Ambition Survey: Global opportunities

1. FOREWORD

BY MARTIN VAN ROEKEL

The BDO Ambition Survey 2012 shows that the risk-reward dynamic is changing. CFOs from mid-sized companies with growth ambitions now tell us they face greater risk for the same reward and are tending to stick to what they know when investing.

Now in its third year, the BDO Ambition Survey is established as an authoritative assessment of global investment opportunities and risks overseas, as perceived by CFOs of medium-sized companies. The 2012 findings are a clear reflection of the general climate of economic and political uncertainty prevailing at present.

In 2011, red tape and bureaucracy topped the list of CFO concerns but in 2012 the focus is on the threats presented by currency fluctuations and geopolitical risk. Nonetheless, CFOs remain under pressure to look abroad to grow their businesses and are continuing to invest overseas.

Our 2012 survey shows that a significant proportion of the CFOs questioned are setting their sights on a 'big seven' of attractive investment destinations: these 'safe haven' markets include not only the more established markets of the US, UK and Germany, but also the BRIC countries.

There is a clear shift in perception. The BRIC countries are inspiring more investment confidence and are seeing a boom in investment, with nearly half of the CFOs interviewed investing in, or planning to enter these markets, compared to just 29% in 2011. Meanwhile, these same CFOs are becoming increasingly wary of Southern Europe, parts of which they now see as risky as the politically unstable countries of the Middle East. This is clearly seen in the BDO Global Market Opportunity Index and - new this year - the BDO Global Risk Index.

The BDO Global Market Opportunity Index is again headed by China and the USA, but Brazil has moved up to third position, from sixth in 2011. In contrast, the BDO Global Risk Index puts Iran, Iraq and Greece at the top of the list of destinations perceived as most risky for inward investment by CFOs. Italy and Spain also feature in the top twelve.

The eurozone crisis is playing an important role too, with CFOs from Brazil and China in particular saying that it has had a large impact on their international expansion plans.

In 2012, CFOs all over the world are finding it more difficult to conduct business abroad - certainly compared with three years ago. They cite the poor economic situation, increased regulation and greater competition as the main reasons for this. Furthermore, approaching new markets with more caution means that the need for good local staff has come to the fore: almost half of the CFOs we spoke to give the need to secure good advice from reliable people on the ground as a major insight for successful international expansion.

MARTIN VAN ROEKEL
CEO

And this is where BDO comes in: with 1,100+ offices in 138 countries worldwide, we have the local knowledge and expertise to help our clients respond to these challenges. When asked who their most trusted sources of advice were when expanding into new territories overseas, accountants and tax advisers topped the list of the CFOs in our survey. BDO is proud to fulfil that role and help our clients navigate markets unfamiliar to them and minimize their risks when investing abroad. BDO partners across the world are known for offering sensible, actionable advice grounded in local knowledge and backed by regional and global experience.

This same methodology extends to our client service approach. Our competitors are not set up, as we are, to adapt to individual clients and provide the right service mix: we know that our clients expect more and are seeking a tailored approach which reflects the culture they work in, and the kind of business they are.

Our survey shows that CFOs overwhelmingly see customer service as key to their international success. This is a sentiment that we at BDO wholeheartedly endorse because BDO firms across the world have the freedom and flexibility to get client service right for their clients, in their markets. This ensures the best outcome for clients wherever they choose to operate.

Whether you are planning to take your first steps towards international expansion or are a seasoned investor, I hope you find the results of the BDO Ambition Survey 2012 interesting and the experience of your peers useful.

Yours sincerely

Martin van Roekel
CEO
BDO International Limited

2. INTRODUCTION

BACKGROUND, OBJECTIVES AND METHODOLOGY

This is the third edition of the BDO Ambition Survey. We have once again asked CFOs from globally aspiring companies how they view their growth prospects overseas, as well as looked at what is changing and what has made a difference to their plans, in 2012.

The BDO AMBITION SURVEY: GLOBAL OPPORTUNITIES 2012 assesses where established international businesses see the greatest opportunities for further expansion, what the opportunities and challenges are for investment in these markets, and which countries are the riskiest investments. The 2011 survey report showed that, despite economic and regulatory difficulties, ambitious businesses were confident about international expansion. This year's report looks at where CFOs are focusing their international investment, what their mood is and asks for their practical advice on the primary success factors when expanding overseas.

This thought leadership research is conducted among CFOs of globally aspiring mid-sized companies with international offices. It explores how ambitious companies can maximise business opportunities abroad and how they navigate the regulatory, economic and management challenges of cross-border growth.

This multi-country executive survey was designed and run by StrategyOne in close consultation with BDO and the research was conducted in the native language of each country.

In the inaugural BDO Ambition Survey in 2010 we surveyed 237 'C-suite' executives with a variety of job titles in ten countries. In 2011 we expanded our research to cover 13 countries and narrowed the respondents to Chief Financial Officers (CFOs - or their equivalent), interviewing 751 in total. This year we have broadened our study again to include 1,050 CFOs from 14 countries, and a greater focus on specific sectors.

The CFOs we interviewed represent businesses across North America, Europe, the Middle East, Africa, Asia Pacific and Latin America:

- Australia
- Brazil
- Canada
- China
- France
- Germany
- India
- Japan
- Netherlands
- Russia
- Saudi Arabia
- South Africa
- UK
- USA

RESPONDENT CRITERIA

As already mentioned, the BDO Survey records the responses of a specific group: the CFOs of internationally growing medium sized companies and documents the opinions and aspirations of those responsible for finance and investment decisions.

1,050 interviews were conducted across 14 countries with CFOs, Financial Directors and other Heads of Finance. All respondents' titles refer to their entire organisation (i.e. not a division or subsidiary) and all report to the CEO or similar. Strict screening on job title, reporting level and decision making was employed to produce credible CFO research for use both at a global and country level.

All interviews were conducted by telephone between 21 May and 26 July 2012 and lasted +/- 20 minutes.

Interviewees were sourced from Dun & Bradstreet, Hoovers and other internationally respected lists, with company details as follows:

- Size: globally aspiring medium-sized companies with revenues of between US$50m and US$2bn (no more than 20% of companies interviewed within a specific country had revenue of $1-2bn)
- International profile: respondent companies have international offices and /or are planning to open an international office in the next 12 months
- Industry sector: respondent companies were sampled from the following sectors, using Dun & Bradstreet sector sizing in each country when setting quotas:
  - Consumer (retail, tourism, leisure and hospitality)
  - Manufacturing
  - Natural resources
  - Real estate / construction
  - Professional services
  - Technology, media and telecoms

This year's survey included several additional questions, relating to the following topics:

- The eurozone crisis
- Factors impacting overseas expansion
- Customer service
- Attitudes to risk and perceived risky markets
- Country-specific investment factors and risks

3. EXECUTIVE SUMMARY

KEY POINTS

Mid-market companies are investing for growth overseas but are more cautious and focused

CFOs are focusing on BRICs; Southern Europe is seen to be risky

China leads the BDO Global Market Opportunity Index for the third year

Local people, knowledge and on-the-ground execution make investments successful

KEY FINDINGS

BDO's annual survey of over 1,000 CFOs from medium sized companies currently planning foreign investment has revealed that CFOs are still going for international expansion in order to drive revenues, although they are more cautious and more focused about where they choose to invest.

CFOs reported an average increase of 9% in their company's international revenues over the past financial year but their mood in 2012 is more subdued - only 24% of CFOs are very optimistic about their expansion plans, compared to 49% in 2011.

Nearly two-thirds (62%) of CFOs say they rely on international business to drive their growth, despite finding it more difficult now to conduct business abroad than three years ago. The three primary reasons they cite are the poor economic situation (31%), increased regulation (25%) and greater competition (22%).

This year, currency fluctuations and geopolitical risks have replaced red tape and bureaucracy as the top threats to successful foreign expansion. These worries have moved CFOs to focus investment on markets that are perceived to be safer investment bets.

As a result there is a boom in the BRICs - 45% of mid-market CFOs are focusing their expansion plans on the BRICs, compared to 29% in 2011. BRICs can no longer be termed 'emerging' markets – they are now seen to be preferred -and known- investment entities.

In contrast to the BRICs, CFOs see Southern Europe as being as risky for investment as the politically unstable countries in the Middle East.

China is the number one investment destination, topping BDO's Global Market Opportunity Index for the third year running. 69% cite China's market size as a key investment draw while 37% are primarily attracted by cheap labour.

CFOs have redrawn the map of investment risk and reward, with Iran, Iraq and Greece top of the perceived riskiest markets. The 'big seven' (China, USA, Brazil, India, Germany, Russia and UK) lead the index as attractive investment markets, due to size and customer potential.

France and Japan saw significant drops in the Index from 2011. France dropped from seventh most attractive country for investment to thirteenth and Japan comes in at twenty-seventh having last year been ranked seventeenth. Cultural and language issues are seen as barriers to success in both markets.

Once businesses have moved into a market, they generally don't pull out. Having a deep local knowledge and the best people and distribution on the ground is a primary success factor.

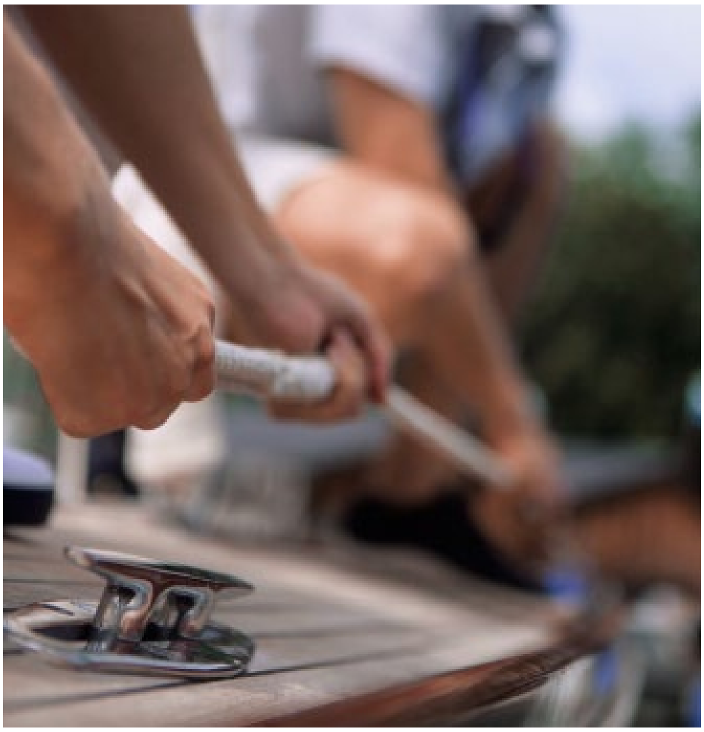
CFOs' top recommendation for expanding abroad is to have a local flavour:

"Find good local staff or partners and get good advice from them" (46%)

More than two thirds of CFOs see customer service delivery as crucial for international growth, with Brazilian, British and South African companies ranking this most highly.

When turning to others for advice, CFOs reported that accountants and tax advisers are their most trusted sources of advice in relation to international expansion.

"Understand the market and do your research" (44%)



4. BUSINESS MOOD & CONFIDENCE

KEY POINTS

CFOs remain optimistic about their companies' international expansion plans, but the mood in 2012 is more subdued than in 2011

Local experience is key to successful international expansion

The global economy continues to make it difficult for companies to expand abroad

OPTIMISM MORE MUTED

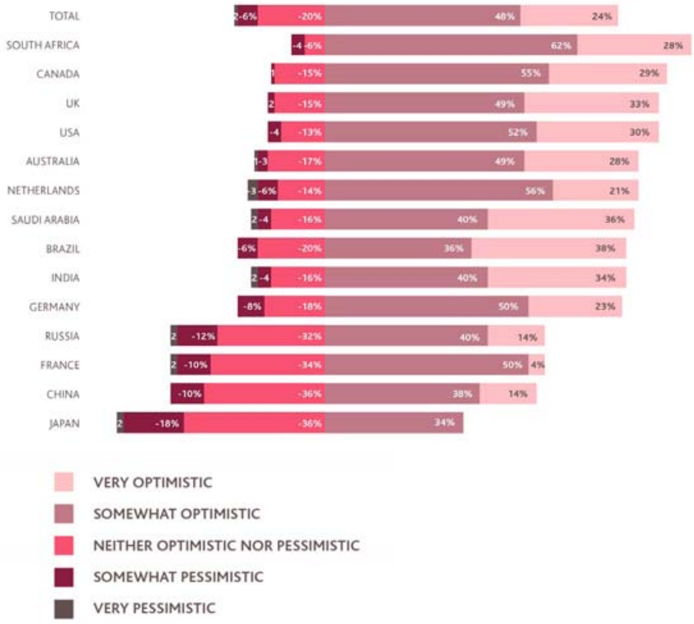
The vast majority of CFOs (72%) are optimistic that their company's international expansion plans in the next year will prove to be successful. However, this optimism is somewhat muted – only 24% say they are 'very' optimistic, while 48% are 'somewhat' optimistic. In 2011, 49% 'agreed strongly' and 38% 'agreed' that they were optimistic about their company's ability to expand abroad, indicating that the mood is therefore more subdued this year.

"Africa has a lot of potential and growing economies in which we are under represented, so there are a lot of opportunities for us to expand." *Consumer sector, South Africa*

Optimism is highest amongst CFOs in South Africa (90%), Canada (84%), the UK and the USA (82% each), and lowest amongst those in Japan (34%). It is also lower amongst those working in the manufacturing sector (66%) compared to other sectors.

OPTIMISM ABOUT OVERSEAS EXPANSION

Overall how optimistic or pessimistic are you that your company's international expansion plans in the next year will prove to be successful?



Pessimism is overwhelmingly driven by the economic downturn or economic uncertainty, and is given as a reason by well over half (56%) of CFOs. Beyond this, lack of sales demand and competition are the other factors mentioned by more than one in ten respondents (14% and 13% respectively).

"Our main market is the States. The economy in the USA has not recovered yet and the production cost in China has been rising." *Manufacturing, China*

For the optimists, the two main reasons for their buoyancy were that sales orders were up (cited by 26% of respondents) and they saw more market potential generally (18% of respondents).

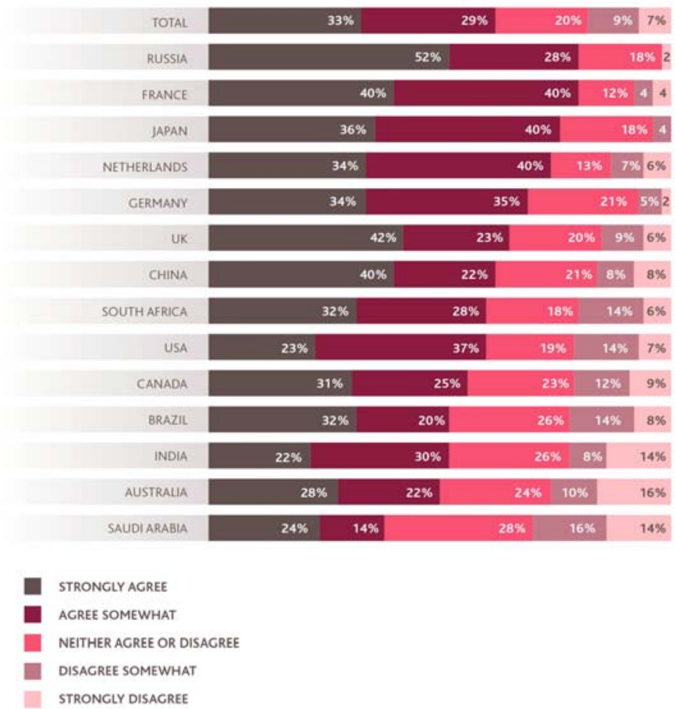
"Our track record in other markets is good, we tend to do well. The company is very strong and we have a lot of good resources on all levels in all the markets we are in." *Manufacturing, UK*

Almost two thirds of CFOs (62%) expect expansion abroad to drive growth, and therefore the majority do see international investment as crucial to the development of their businesses. However, fewer respondents compared to 2011 agreed that 'expansion abroad will largely drive my company's growth' (62% against 74%), indicating that while companies are still intending to expand abroad, they do not expect to reap the rewards they once did.

CFOs in Russia and France are most likely to see overseas expansion as driving their companies' growth, with 80% in each country agreeing with this statement, although the Russians are more emphatic: 52% strongly agree, compared to 40% of French CFOs and 33% overall.

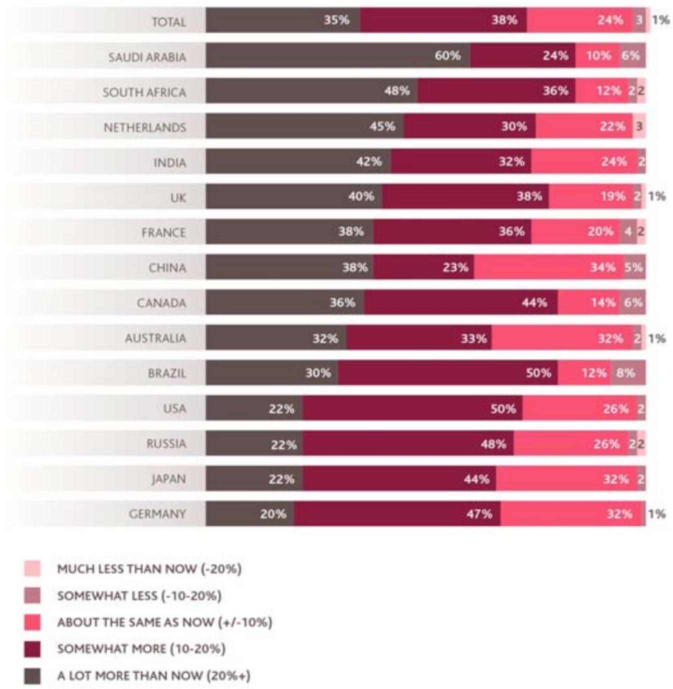
EXPECTATIONS OF OVERSEAS GROWTH

Expansion abroad will largely drive my company's growth



EXPECTED GLOBAL REVENUE

Thinking about the next three years, is the proportion of your company's total revenue representing the international side of your business likely to be...?



EXPECTED GROWTH

In addition to this, nearly three quarters of CFOs expect to see their medium term international revenues grow. A third of them report that, when considering the next three years, the proportion of their company's total revenue representing the international side of their business is likely to be significantly more than now (i.e. more than 20%). A further 38% expect it to be somewhat more (10-20%) and a quarter (24%) expect it to stay broadly the same. Only 4% think their international revenue will decrease.

"We already have a global presence, we have done our research and the study shows we have good opportunities abroad." *Manufacturing, India*

There is some variation by market. CFOs in Saudi Arabia are more optimistic about the proportion of their revenue that will come from abroad, with 60% expecting it to be considerably more than now. Respondents in the USA, Russia, Japan and Germany are least likely to expect their global revenues to increase significantly.

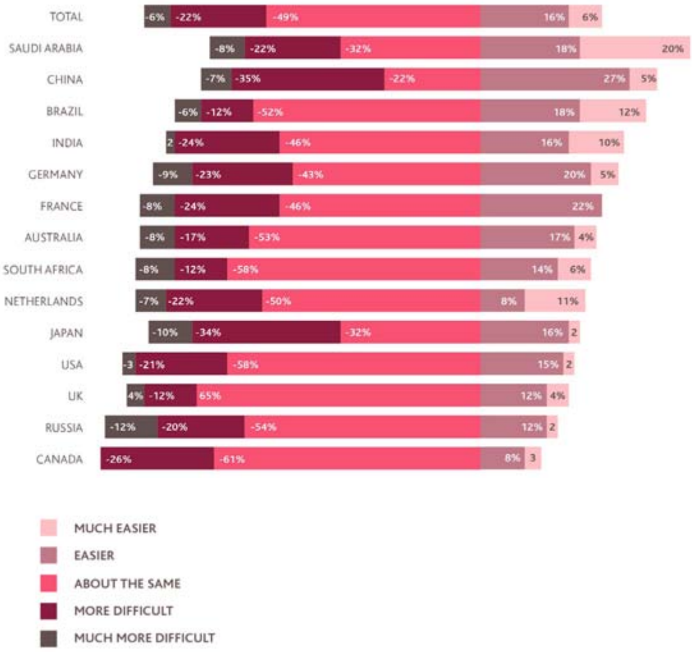
EASE OF CONDUCTING BUSINESS ABROAD

Slightly more CFOs say that their company finds it more difficult to conduct business abroad compared to three years ago: 28% find it more difficult and 21% find it easier. There are some interesting differences at the country level in comparison to 2011:

- 38% of CFOs in Saudi Arabia find it easier this year (compared to 26% in 2011)
- Last year, CFOs in Brazil were most likely to find conducting business abroad easier (44%); now just three in ten (30%) say this
- Japan has become more polarised, with 44% of CFOs (30% last year) saying that it has become more difficult but 18% saying it has become easier to conduct business abroad (compared to 12% in 2011)
- Fewer CFOs in India find it easier to expand than last year (26% compared to 38%)

EASE OR DIFFICULTY OF EXPANDING ABROAD

Compared to three years ago, does your company find conducting business abroad generally easier, more difficult, or about the same?



What's making it harder to expand?

The main reasons CFOs give for conducting business abroad having become harder over the past three years are the poor economic situation (31%), more regulation (25%), and competition (22%).

Although some respondents felt that the economic situation had improved and it was easier to conduct business abroad now compared to three years ago, twice as many CFOs were likely to say that the economic situation was making expansion harder rather than easier.

"[It has got more difficult] because of competition increases and the economic slowdown around the world. The exchange rate is quite bad as well with the dollar and the euro." *Manufacturing, India*

"Europeans don't buy as much of our product as they used to do before. The economic crisis made them less active in purchasing." *Manufacturing, Russia*

Regulation is cited as a reason by a quarter of CFOs.

"I think the regulation and registration of moving capital has got more intense and harder. For example anti-terrorism regulations, online and identity fraud etc. Even to open a business bank account can take three months." *Real estate / construction, Canada*

A fifth of CFOs (22%) cite competition as the reason it has become harder to conduct business abroad.

"Chinese and Korean competitors are offering their products at cheaper prices." *Manufacturing, Japan*

"From 2008, the overall economy was not very good. The global demand is reducing. Meanwhile, the competition is fiercer. There is also a price war in the domestic market in China. The profit is very low." *Manufacturing, China*

What's making it easier to expand?

Experience is cited as the reason most CFOs have found it easier to conduct business abroad compared to three years ago, with three in ten giving this as the reason.

"More experience of the market and regulatory framework - we have got past the learning curve." *Natural resources, Canada*

"Because we have more experience doing it. We are more familiar with the general processes we expect to go through." *Natural resources, UK*

A further 15% say that easing of regulation has made things easier and 14% say it is the improvement in the global economy.

"Because the rules and regulations have become better in a lot of countries, there are not as many restrictions now." *Technology, media and telecommunications, Saudi Arabia*

"Everybody cancelled their orders three years ago because of the economic environment going down so it's not as bad as three years ago now." *Consumer sector, Netherlands*

5. INTERNATIONAL EXPANSION OPPORTUNITIES

KEY POINTS

Overseas revenues are increasing but CFOs are cautious about where they invest their money, particularly when it comes to Middle Eastern and Southern European markets

The traditional, large economies are still seen as the safest bets for expansion abroad, thanks to their market size and access to new customers

BRIC markets are no longer seen as emerging – they are now regarded as safe, established investment opportunities

Russian, Japanese and Chinese companies are most willing to take risks when investing abroad

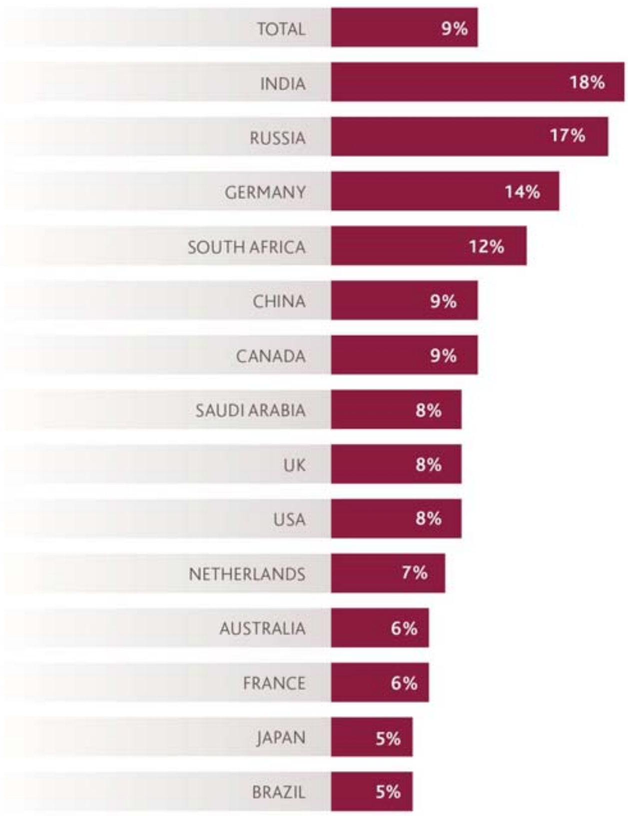
OVERSEAS REVENUES CONTINUE TO RISE DESPITE ECONOMIC CHALLENGES

Despite the challenging global economic climate, CFOs report, on average, a 9% increase in their company's international revenues over the past financial year. Overall, over half (55%) saw some increase, 29% saw no change, and 12% a decrease.

Indian and Russian companies have seen the highest average overseas revenue increases, 18% and 17% respectively, while Brazilian CFOs report the lowest increase (5%).

MEAN SCORE % INCREASE IN INTERNATIONAL REVENUES

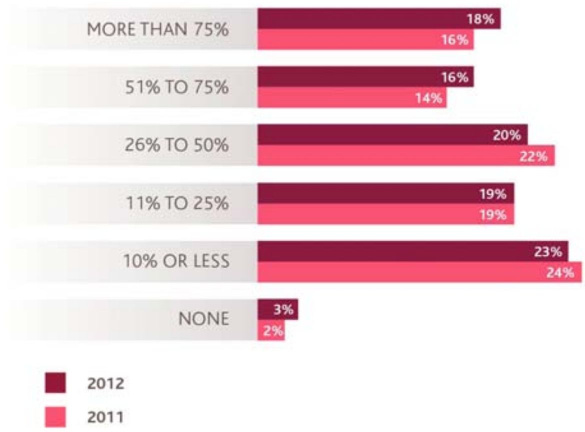
What approx. % increase or decrease in your company's international revenues have you seen in this current financial year over last year?



The proportion of companies' global revenues currently accounted for by sales outside the headquartered country has risen very slightly since 2011. A third (34%) of CFOs report more than 50% of global revenues coming from abroad, compared to 30% in 2011.

GLOBAL REVENUE

What proportion of your company's global revenue is currently accounted for by sales outside your headquartered country?



CASHED UP BUT CAUTIOUS

Although international revenues are increasing, CFOs are cautious about where they invest their money, and are clear about which risky markets to avoid. Mentioned by more than one in five, Iran heads the list of the countries considered most risky to invest in. Other Middle Eastern markets making the top ten include Iraq, Syria and Libya. Southern Europe is now viewed as a risky investment, with Greece ranking third and Spain seventh.

PERCENTAGE OF CFOS WHO VIEW COUNTRY AS RISKY TO INVEST IN – TOP TEN

1	IRAN	21%
2	IRAQ	18%
3	GREECE	18%
4	SYRIA	17%
5	LIBYA	12%
6	NIGERIA	11%
7	SPAIN	11%
8	EGYPT	10%
9	RUSSIA	9%
10	YEMEN	9%

WHICH COUNTRIES ON THIS LIST DO YOU REGARD AS BEING THE MOST RISKY TO INVEST IN?

Approximately one in five CFOs view Iran, Iraq, Syria and Greece as the most risky countries to invest in, but for different reasons:

Geopolitical risks are cited as the overwhelming reason that Syria, Iraq and Iran were seen as risky investment destinations, each cited by 98%, 98% and 72% respectively. In Greece it is the economic situation that is putting people off.

"Anywhere that's in the news for bad reasons you wouldn't consider entering." *Manufacturing, USA on Iran*

"Most of the countries in the Middle East and Africa are risky; you could set up a business today and lose it tomorrow." *Technology, media and telecommunications, UK on Africa*

80% of CFOs consider Greece as risky because of its economic problems, and 86% would avoid Spain for the same reason.

"The financial instability Spain is facing at the moment, the fact that civil construction came to a standstill and the external economical pressure from other countries will halt the Spanish economy in the next ten years." *Manufacturing, Brazil on Spain*

It is worth noting that Greece is top of mind as a risky destination – 11% of CFOs mentioned it first as a country that would be most risky to invest in. Overall, it is ranked as third most risky.

"Because of the financial state of the country and there is a chance they may have to pull out of the eurozone. It is a bad debt risk and it is not a place we would look to for sustainable growth." *Manufacturing, UK on Greece*

Elsewhere, corruption / ethics were cited by 44% as the reason that it was risky to invest in Russia, and 47% of CFOs felt the same way about Nigeria.

"The ethical point of view is different when compared with Canada." *Manufacturing, Canada on Russia*

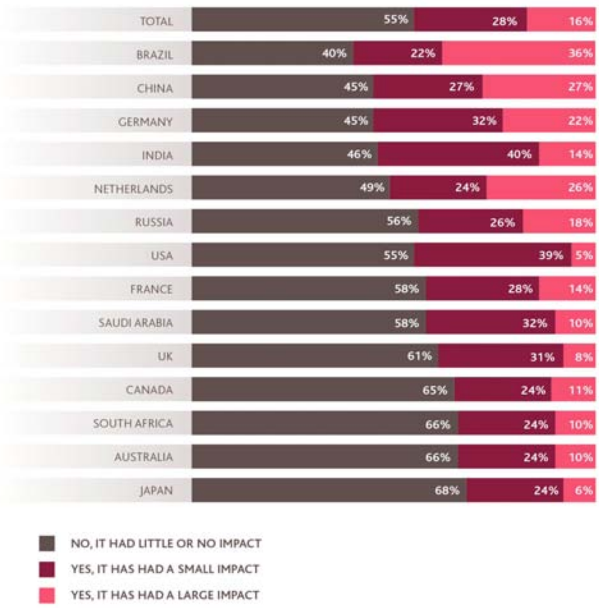
There is general consistency across countries and industry sectors as to the 'riskiness' of investing in these countries, with the notable exceptions of Brazil where 42% of respondents are particularly wary of investing in Greece, and the Real estate sector where CFOs in are most wary of investing in Iraq (30%).

GLOBAL IMPACT OF THE EUROZONE CRISIS

Just under half (44%) of CFOs report that the ongoing financial crisis in the eurozone has impacted their international expansion plans, with 16% saying it has had a 'large impact'.

IMPACT OF THE EUROZONE CRISIS

Has the ongoing financial crisis in the eurozone impacted your international expansion plans?



Reflecting on the global impact of the eurozone crisis, CFOs from countries both within and outside Europe have felt an effect on investment: Brazil (58%), China, Germany and India (each 54%), and the Netherlands (50%). The countries least likely to report that the crisis impacts their international expansion plans are Japan, Australia, South Africa and Canada: around two thirds of CFOs from these countries said the eurozone crisis had had little or no impact.

When asked if the eurozone crisis has made them more likely to invest in certain European countries, CFOs identify Germany as the one 'safe haven' in Europe, with over one in nine (12%) saying they would be likely to invest there. No other countries stand out. CFOs in Brazil and the Netherlands (two of the countries most concerned about the eurozone crisis) are most likely to say they would invest in Germany. And from an industry sector perspective, Professional services respondents are also most likely to say they would invest in Germany.

By contrast, CFOs are very clear as to which countries the eurozone crisis has made them avoid: nearly one in five (18%) say they would be less likely to invest in Spain or Greece, and 14% would be less likely to invest in Italy. Again, CFOs in Brazil and the Netherlands are driving this avoidance to invest, whilst in terms of sectors, CFOs in the Manufacturing and Technology, media and telecoms industries are most reluctant to invest in these Southern European countries.

ATTRACTIVE INVESTMENT OPPORTUNITIES

In the main, CFOs are concentrating their attentions on the more established, larger markets when planning investment abroad. Two thirds (66%) of respondents said that the USA, UK, Germany and the BRIC countries would be a particular focus for general expansion for their firms in the next three years, up from less than half (47%) in 2011. This would seem to indicate that companies have adjusted their investment intentions by sticking with more traditional markets to reduce risk.

"We can't talk about the USA without mentioning the size of their market and obviously that's a major factor. You get exposed to an unparalleled number of clients and business once you penetrate the US market. The US government also supports and invests in foreign businesses willing to trade there." *Manufacturing, Brazil on USA*

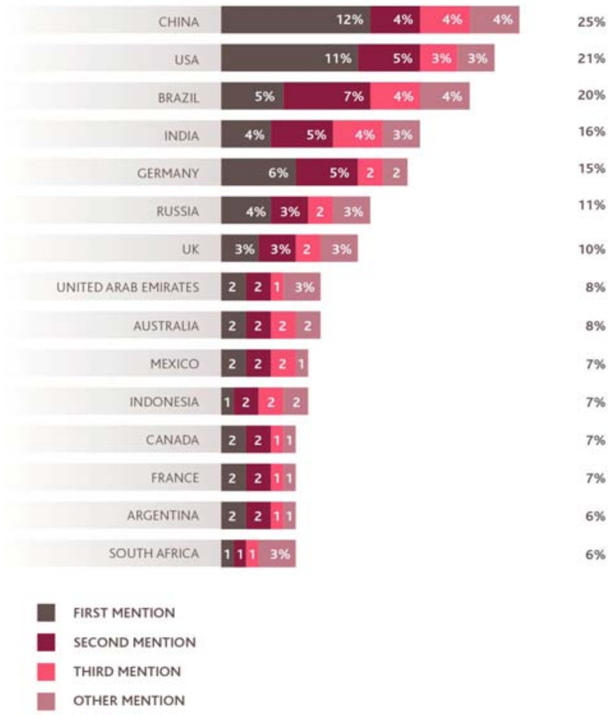
Growth in investment in the markets perceived to be attractive is driven by inward investment to China, up nine percentage points to 25% in 2012, and by Brazil, up from 6% to 20%.

Brazil's increasing investment appeal is now reflected in its top three ranking for general international expansion – it is the third most attractive market in 2012, up from sixth place in 2011. The appeal of Brazil is fairly consistent across the board in terms of sectors, and highest amongst CFOs in France, Canada and USA.

Germany and Japan are the countries whose CFOs are most likely to be focusing on expansion into China, at 47% and 50% respectively, while Canadian companies are the most likely of all countries to be directing expansion plans at the US market: 52% of Canadian CFOs say the USA will be a focus for general expansion.

MOST ATTRACTIVE COUNTRIES FOR EXPANSION

Thinking about your firm's international expansion plans more generally, which specific countries will be a particular focus for general expansion– these could be new or existing markets- in the next three years?



Turning to Europe, CFOs from the Netherlands are more likely than CFOs from other countries to invest in Germany (37%).

And when looking at industry sectors, Technology, media and telecoms is driving India's appeal, with 23% of CFOs from this sector globally planning to focus on India for general expansion. The USA is seen as an attractive market for all sectors.

Size matters. The top investment destinations of China, USA, Brazil, India and Germany are seen as offering the most attractive opportunities because of their market size and access to new customers. Market size is the one factor considered most important for all companies looking to expand internationally; access to new customers is in the top three.

"It's the biggest future market with very high growth rates for the automotive sector." *Manufacturing, Germany on China*

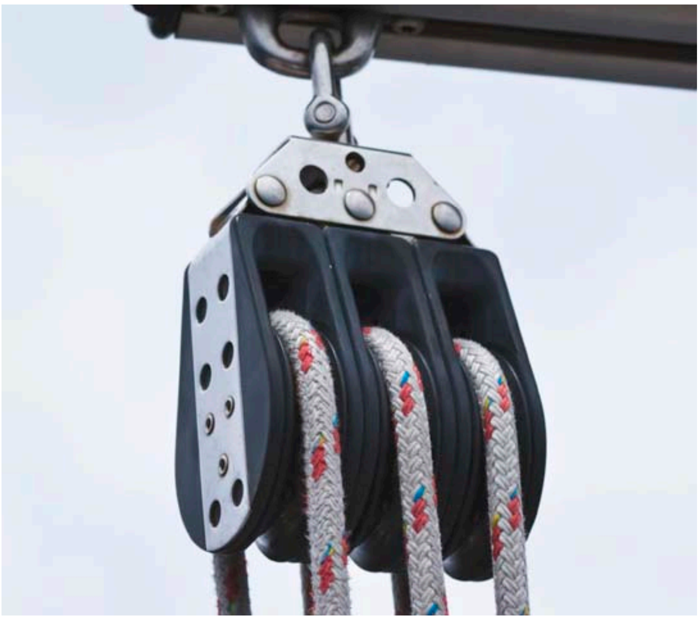
Where China and India are concerned, investment has additional attractions: higher growth rates are a key factor for about half the CFOs investing there, and the cheap labour rate attracts over a third of investors. High growth rates are also important when considering expansion to Brazil. For Russia, attractive profit margins are an important factor, mentioned by over a third of respondents (36%).

"It is a growing business sector, an expanding middle class, labour rates are lower there than anywhere else." *Consumer sector, Australia on India*

However, these countries are not seen as being without risks and challenges of their own, which tend to be more country specific than the investment attraction factors. For example, amongst CFOs who intend to focus on China, cultural and language barriers are seen as being the most important risk. In Russia, respondents from other countries are more concerned about corruption or ethics, while for the UK they are worried about currency fluctuations, which are also seen as the most risky aspect of investing in the USA. Notably, currency risk is regarded by one in eight respondents as having increased significantly in the past year.

The challenges and associated risks of investing in specific countries are explored further in section 6 of this report.

"We are doing some business now. There is a good relationship with local distributors and customers. The market is not full, there is enough space to develop our business in the country. We can enter other countries easily around Brazil." *Manufacturing, China on Brazil*



OPPORTUNITIES AND RISKS WHEN INVESTING IN DIFFERENT COUNTRIES*

COUNTRY	OPPORTUNITY FACTORS	RISKS / CHALLENGES
CHINA	MARKET SIZE (69%), HIGHER GROWTH RATES (53%), ACCESS TO NEW CUSTOMERS (49%), CHEAP LABOUR RATE (37%)	CULTURAL OR LANGUAGE BARRIERS (42%), CORRUPTION OR ETHICS (35%), FINDING THE RIGHT LOCAL MANAGEMENT (32%)
USA	MARKET SIZE (74%), ACCESS TO NEW CUSTOMERS (58%)	CURRENCY FLUCTUATIONS (41%), INTENSITY OF LOCAL COMPETITION (32%)
BRAZIL	MARKET SIZE (66%), ACCESS TO NEW CUSTOMERS (54%), HIGHER GROWTH RATES (44%)	CORRUPTION OR ETHICS (40%), FINDING THE RIGHT LOCAL MANAGEMENT (35%), CURRENCY FLUCTUATIONS (34%)
GERMANY	MARKET SIZE (65%), ACCESS TO NEW CUSTOMERS (56%)	INTENSITY OF LOCAL COMPETITION (36%)
INDIA	MARKET SIZE (64%), ACCESS TO NEW CUSTOMERS (50%), HIGHER GROWTH RATES (47%), CHEAP LABOUR RATE (35%)	FINDING THE RIGHT LOCAL MANAGEMENT (36%), CORRUPTION OR ETHICS (35%)
RUSSIA	MARKET SIZE (81%), ACCESS TO NEW CUSTOMERS (58%), ATTRACTIVE PROFIT MARGINS (36%)	CORRUPTION OR ETHICS (53%), RED TAPE (34%), CULTURAL OR LANGUAGE BARRIERS (32%)
UK	MARKET SIZE (56%), ACCESS TO NEW CUSTOMERS (56%)	CURRENCY FLUCTUATIONS (44%), INTENSITY OF LOCAL COMPETITION (37%)

QC2 WHICH OF THESE FACTORS ARE PARTICULARLY APPLICABLE TO YOUR COMPANY AS IT LOOKS TO EXPAND?
QC3 WHICH OF THESE RISKS ARE PARTICULARLY APPLICABLE TO YOU COMPANY AS IT LOOKS TO EXPAND?

*From those investing in these countries

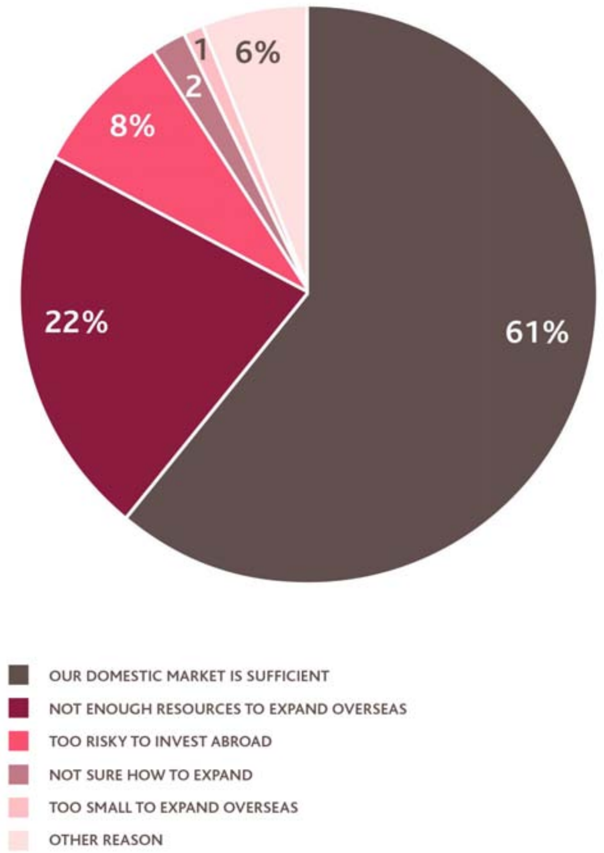
WHY NOT INVEST ABROAD?

CFOs who were approached for interview but were not intending to expand overseas in the next twelve months were not eligible to complete this survey. However, they were asked why they were not planning to do so.

Two thirds report their domestic market is sufficient, and a fifth say they do not have the resources to expand. Less than one in ten says their decision was because it is too risky to invest abroad. This indicates that companies choosing not to invest abroad are doing so because they have plenty to keep them going at home - not because they view overseas expansion as an inherently risky venture.

REASONS FOR NOT EXPANDING ABROAD

What is the main reason why your company is not likely to invest overseas in the next 12 months?

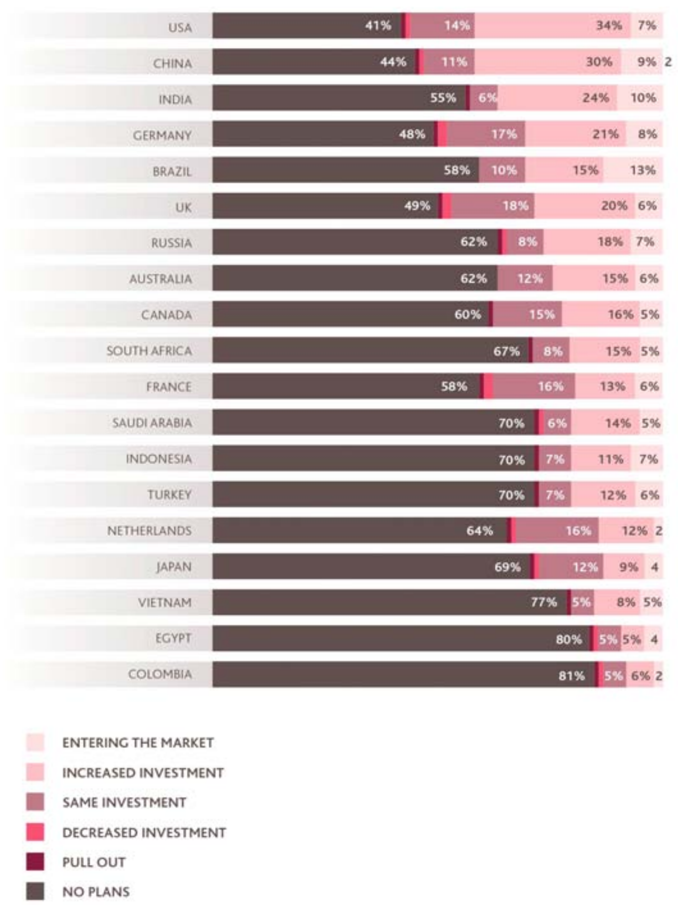


SPECIFIC INVESTMENT ACTIONS BY COUNTRY

CFOs were asked what actions they expected to be taking in the next year in a range of different countries, from entering the market to pulling out. It transpires that the USA and China are top of the 'go-to' investor markets and Germany, UK and the Netherlands are the 'stay-in' markets. Surprisingly, there are few 'pull-out' (i.e. divest) markets, indicating that companies are looking to make the best of investments they've already made.

ACTIONS EXPECTED TO TAKE BY COUNTRY

For each of the following countries, what actions do you expect to take in the next year?



The emerging pattern of CFOs preferring to focus on established bigger markets is further backed up by the fact that, when looking at the USA, UK, Germany and the BRIC countries, nine in ten are planning to either enter the market, increase their investment levels or keep them the same.

There is some variety in terms of which industry sectors and markets are driving expansion into which countries. When it comes to investment in the more established markets, CFOs seem to be sticking with those that are regionally or culturally close, but in the BRIC and emerging markets, they appear willing to invest, regardless of location or cultural ties:

- USA: as already noted, CFOs in Canada are most likely to be investing in the USA, with 61% saying they intend to increase their investment (compared to 34% of CFOs overall). Respondents in the Technology, media and telecoms (TMT) sector are also most likely to be planning to increase their investment in the USA (43%)
- Canada: CFOs in the USA are most likely to be intending to increase investment in Canada (23% against 16% overall)
- Germany: CFOs in the Netherlands and France are most likely to intend to increase investment in Germany (48% and 38% against 21% overall), although respondents in India are most likely to be planning to enter this market (28% against 8% overall). The TMT and Professional services sectors are also driving investment in Germany, with 30% and 26% respectively planning to increase their investment in this market
- UK: CFOs in the Netherlands and the USA are most likely to intend to increase investment in the UK (33% and 26% against 20% overall), and respondents in Germany and the Netherlands are most likely to be planning to invest the same amount as 2011 (36% and 31% against 18% overall)
- Brazil: A quarter (24%) of CFOs in the Professional services sectors are planning to increase their investment in Brazil, compared to 15% overall. Around three in ten Chinese and American CFOs are also expecting to increase their investments here
- China: Japanese CFOs are most likely to be increasing or maintaining investment in China, at 36% and 38% respectively (compared to 30% and 11% overall). The Chinese market also holds strong appeal for the Manufacturing sector with 35% of respondents planning to increase investment
- India: Planned investment in India is fairly consistent across countries and sectors, although 32% of CFOs in Saudi Arabia expect to enter this market (compared to 10% overall). The Professional services and TMT sectors are also driving investment in India
- Russia: Investment in Russia is largely driven by CFOs from China planning to enter this market (19% against 7% overall), as well as by the one in three from France, Germany and the Netherlands who intend to increase investment.

When looking at Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa (known as the CIVETS markets), these tend to be new entry markets for those investing there. However, more than two thirds of companies have no current plans to invest in CIVETS in the next year. This reflects CFOs' main focus on holding or building their investment portfolios in the BRIC markets, USA, UK and Germany.

South Africa is the most attractive investment market among the CIVETS, with 20% planning to enter this market or increase their investment, followed by Indonesia (18%) and Turkey (18%).

WHICH COUNTRIES ARE WILLING TO TAKE RISKS?

There is a marked difference in how aggressive versus how risk averse CFOs from different countries are. Overall, just over a quarter of CFOs interviewed agreed with the statement 'We are willing to take major risks when investing abroad' but this figure rises to nearly two in three Russian CFOs (60%) and nearly half of Chinese and Japanese respondents (46% and 44% respectively).

Russian CFOs are opportunity driven, with two thirds (64%) agreeing that 'the rewards when expanding abroad outweigh the risks'. They are also more likely to agree with the statement 'Expansion abroad will largely drive my company's future revenue growth' (80% compared to 62% overall). It would appear from this that CFOs of mid-sized Russian companies have an aggressive stance on overseas expansion – they're determined to do so to drive growth, and prepared to take the necessary risks to get there.

By contrast, CFOs in China and Japan are most likely to agree that 'a difficult economy at home has forced my company to look abroad', with nearly half agreeing with this statement, compared to a quarter overall. They are also the countries most likely to say their companies found conducting business abroad more difficult compared to three years ago. These factors might account for their more risky approach to international expansion: they are being forced to find new revenue streams away from their domestic markets.

WHICH COUNTRIES' CFOS ARE RISK AVERSE AND WHY?

The most risk averse CFOs (those who were more likely to disagree with the statement 'We are willing to take major risks when investing abroad') are from France, Brazil and the Netherlands.

Brazilians also tend to disagree that 'The rewards when expanding abroad outweigh the risks'. CFOs from Brazil are more likely than last year to say that conducting business abroad is more difficult than three years ago. Brazilian companies appear also most likely to be impacted by the Eurozone crisis.

CFOs in France are least likely to agree that 'A difficult economy at home has forced my company to look abroad' and most likely to agree 'Expansion abroad will largely drive my country's future revenue growth'. The fact that they see overseas expansion as having great potential but that they do not feel that they are being pushed involuntarily in that direction might explain their relatively risk averse attitude to overseas expansion i.e. they can afford to be cautious.

Nearly half of CFOs in the Netherlands said that 75% of their company's global revenue was currently accounted for by sales outside of their headquartered country, compared to less than one in five overall. This might account for the fact that they are less likely to take major risks when expanding abroad – they are already established overseas and so have less need to take further risks.

6. BDO GLOBAL MARKET OPPORTUNITY INDEX

The index was created from CFOs' stated intention to expand in specific countries. The arithmetic mean is based around 100 being the average intention to expand to all 20 countries listed.

The 2012 index reflects the themes in this report: the seven large, established markets of China, USA, Brazil, India, Germany, Russia and the UK are the ones that CFOs feel most comfortable investing in. In contrast to 2011, these seven countries all have expansion means of over 100. The other key differences noted since last year are that Brazil has moved from sixth to third place, Russia has risen from eighth to sixth place and France has dropped from seventh to thirteenth.

The seven most attractive investment opportunity markets between them made up nearly half of the world's GDP in 2011[1] , further emphasising the importance of market size and customer base as a key driver.

It is also important to note from the index that the countries that are viewed as having good investment potential are not necessarily the same countries as are investing. South Africa, Saudi Arabia and France are in the top five investing countries based on the number of markets expanded into, yet they are not seen as top inward investments in their own right.

(1) http://data.worldbank.org/data-catalog/GDP-ranking-table 2011

BDO GLOBAL MARKET OPPORTUNITY INDEX		2012	2011 RANK	POSITIVE CHANGE 2012 VS 2011
1	CHINA	251	1	=
2	USA	212	2	1
3	BRAZIL	198	6	+3
4	INDIA	158	4	=
5	GERMANY	147	3	-2
6	RUSSIA	108	8	+2
7	UK	104	5	-2
	ARITHMETIC MEAN	100		
8	AUSTRALIA	77	11	+4
9	UNITED ARABLIC EMIRATES		9	=
10	MEXICO	77	13	+3
11	INDONESIA	73	14	+3
12	CANADA	71	10	-2
13	FRANCE	67	7	-6
14	ARGENTINA	66	N/A	
15	SOUTH AFRICA	65	N/A	
16	ITALY	63	18	+2
17	SINGAPORE	54	N/A	
18	THAILAND	54	N/A	
19	POLAND	54	N/A	
20	VIETNAM	51	N/A	

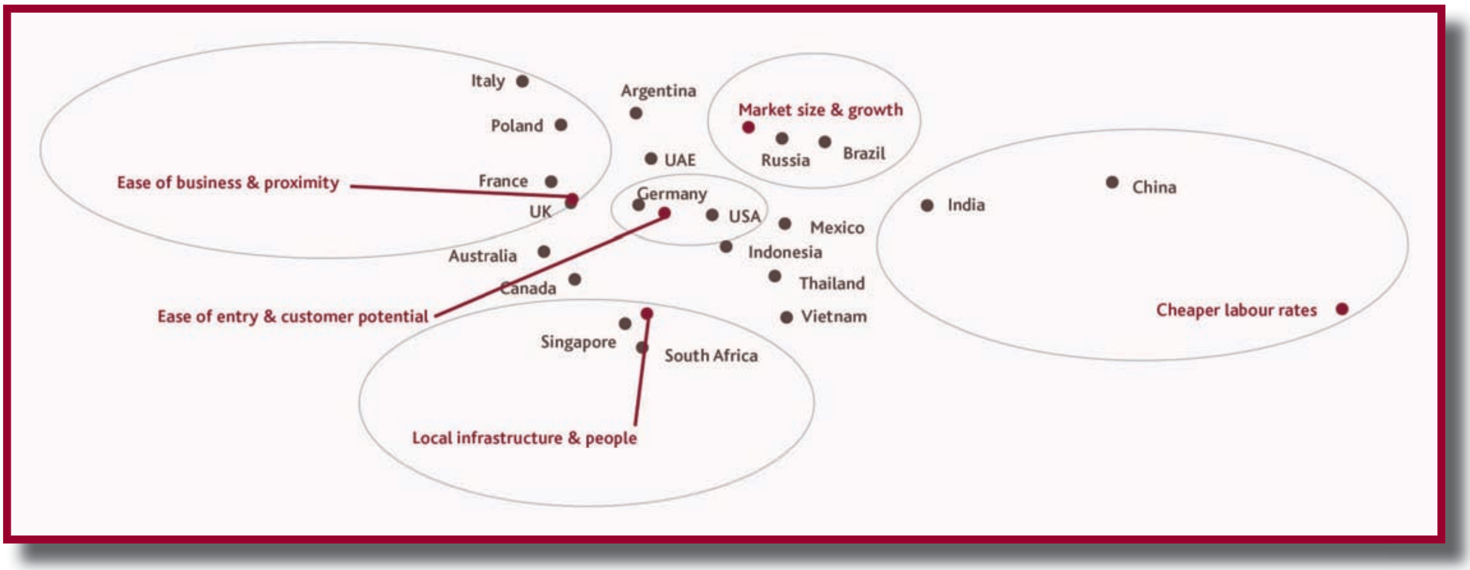
WHAT DRIVES EXPANSION?

To determine the top drivers of expansion abroad we analysed the most important reasons why companies expand internationally. Following this analysis, the different factors were grouped into clusters and are ranked here according to importance:

- Market size and growth
  - Market size
  - Access to new customers
  - Higher growth rates
- Local infrastructure and people
  - Government support or incentives to invest
  - Technological readiness and infrastructure
  - Favourable legal and tax environment
  - Efficient distribution networks
  - The availability of skilled personnel
  - Strong local partners and suppliers
  - Attractive profit margins
- Ease of entry and customer potential
  - Opportunity to be a market leader
  - Better opportunities abroad than in home market
  - Growth in internet or mobile e-commerce
  - A ready understanding of customer service
  - Strong existing client or customer relationships
  - Policy framework that promotes or allows competition
  - Under-exploited demand for the company's products and services
  - Willingness of management to invest time and capital to expand
- Ease of business and proximity
  - Familiar culture and language
  - Acceptable geopolitical risk
  - Acquisition or merger opportunities
  - Proximity to headquarters or hub markets
  - Access to local market expertise
- Cheaper labour rates

We conducted correspondence mapping analysis to explore which countries were more or less associated with the factors CFOs told us were important to them when expanding internationally. The following chart shows these five factor groups mapped with the top twenty countries from the Global Market Opportunity Index. This map shows which factors correspond most strongly with which countries when it comes to international expansion – the factors that are most strongly associated with certain countries are those which are positioned closest to them on the map.

COUNTRY CORRESPONDENCE MAP: OPPORTUNITIES



'Market size and growth' is closest on the map to Russia and Brazil while China and India are most closely associated with 'Cheaper labour rates'. Singapore and South Africa are most closely associated with 'Local infrastructure and people', perhaps indicating that they are seen as relatively easy countries to invest in when compared to their geographical neighbours in Africa and South East Asia. European countries such as the UK, France, Poland and Italy sit close to 'Ease of business and proximity' most likely thanks to their geographical location. 'Ease of entry and customer potential' is closest on the map to Germany and the USA.

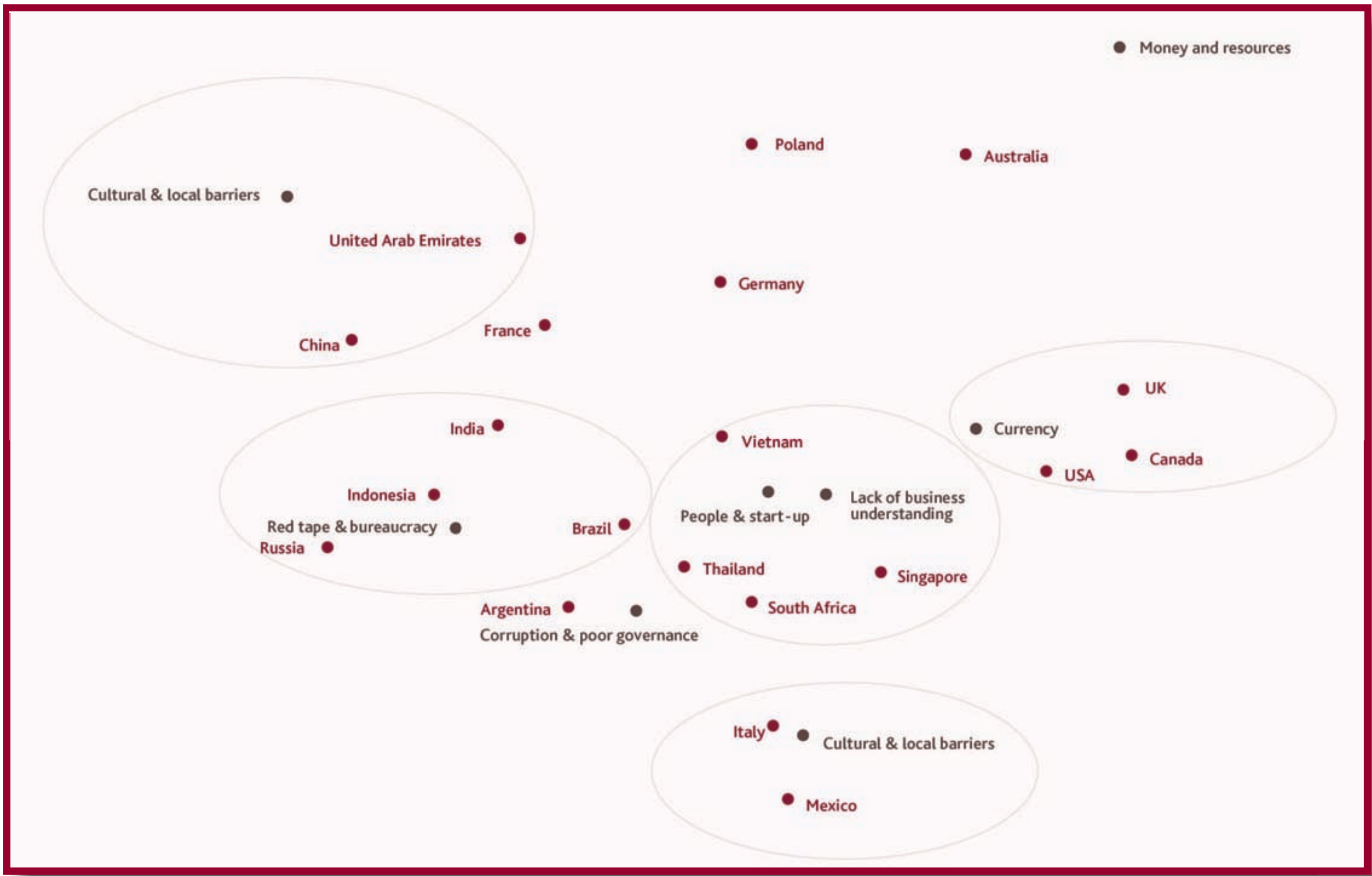
WHAT HINDERS EXPANSION?

The risks that CFOs said might hinder their expansion into certain countries were also grouped into clusters, ranked in order of importance as follows:

- People and start-up
  - Finding the right local management, staff, partners, suppliers
  - Start-up costs and time
  - Geopolitical country risks
- Currency
  - Currency fluctuations
- Corruption and poor governance
  - Corruption or ethics
  - Intensity of local competition
  - Insufficient legal and financial infrastructures
- Cultural and local barriers
  - Cultural or language barriers (and different business customs)
  - Foreign ownership restrictions
- Red tape and bureaucracy
  - Regulatory interference
  - Red tape, bureaucratic hurdles
  - State protectionism, trade barriers
- Lack of business understanding
  - Lack of brand awareness
  - Lack of understanding of customer service
  - Lack of quality suppliers
  - Uncertainty (general)
- Money and resources
  - Raising finance
  - Over-stretching or expanding too quickly
- Business barriers
  - Ability to manage environmental risks
  - Getting existing staff to relocate to this country

As with the opportunities, the following map shows the eight risk factors alongside the twenty countries from the BDO Global Market Opportunity index.

COUNTRY CORRESPONDENCE MAP: RISKS



In contrast to the opportunities map, this map shows that countries are less likely to be closely associated with specific risks.

The analysis shows that CFOs do not see finding the money to invest as a main issue: rather they are pragmatic in looking at local people on the ground and macro-economic factors in assessing investment risk. There are some country associations with specific risks: for example, the UK and the USA are closest to 'Currency' which is unsurprising given the fluctuations over the past few years.

The BRIC countries are most closely associated with macro environmental issues such as 'Red tape and bureaucracy', 'Corruption and poor governance' and 'Cultural and local barriers', whilst Asian emerging markets such as Vietnam and Thailand are more closely associated with the micro environmental risks of trying to do business there, such as 'People and start up' and 'Lack of business understanding'. Countries such as Germany, Poland and Australia, that are not placed close to any of the factors, appear to have no overriding risk associated with doing business in these countries.

Note on methodology:

The opportunity and risk correspondence maps are a visual representation of data from the questions 'Which factors are most important to your company as it looks to expand into COUNTRY?' and 'Which risks are particularly important to your company as it looks to expand into COUNTRY?' split by country mentioned in the question 'Thinking about your firm's international expansion plans, which specific countries will be a general focus for general expansion?'. The two questions were recoded to match the groupings produced from factor analysis before being row and column standardised. The analysis standardises the data using deviations from expected, so the resulting output shows a country's relative strengths and weaknesses rather than the absolute scores. This allows for comparisons when there is a particularly strong or weak country in the set. When interpreting the map each country should be interpreted on an individual basis with the profile being characterised by those attributes closest to it. Please note that this analysis is correspondence analysis, rather than driver analysis i.e. it shows which countries most closely correspond to certain factors, not which factors drive expansion into which countries.

7. BDO GLOBAL RISK INDEX

This index shows the top twenty countries deemed as being most risky to invest in by CFOs. (Note: CFOs were asked to assess the risk of investing in 88 countries from a prompted list)

Three of the four BRIC countries are considered amongst the top twenty risky markets; Russia ranks ninth, China thirteenth, and India twentieth (Brazil narrowly escapes, ranking twenty second). This shows that, while BRIC countries are seen as attractive markets for investment, as noted earlier, they also come with some inherent perceived risk.

BDO GLOBAL RISK INDEX

1	IRAN
2	IRAQ
3	GREECE
4	SYRIA
5	LIBYA
6	NIGERIA
7	SPAIN
8	EGYPT
9	RUSSIA
10	YEMEN
11	SUDAN
12	ITALY
13	CHINA
14	VENEZUELA
15	PAKISTAN
16	ANGOLA
17	LEBANON
18	ARGENTINA
19	ALGERIA
20	INDIA

8. DRIVERS & BARRIERS FOR GLOBAL BUSINESSES

KEY POINTS

When expanding abroad, CFOs see local people and partners as key to success - but also a major challenge

Currency fluctuations have replaced red tape as the biggest risk faced by CFOs when expanding overseas

IMPORTANCE OF LOCAL PEOPLE

Advice from CFOs when it comes to expanding abroad is to get the right local people in place. However, the vast majority of CFOs (77% compared to 72% in 2011) agree that finding local people with the right skills is a key challenge when investing abroad, rising to 88% amongst CFOs in Japan and South Africa and to 85% amongst those working in the Professional services sector. Those who 'Strongly agree' have increased to 46%, up from 37% last year.

In addition, finding the right local staff, partners and suppliers is also seen as the third biggest risk faced by a company when expanding abroad, although this is down from 2011 (20% in 2012 against 32% last year) when it was the second biggest risk.

"Human resources: building a team with the locals is the biggest challenge for us in all countries." *Manufacturing, USA*

WHAT IMPACTS ON COMPANIES' ABILITY TO EXPAND ABROAD?

When asked what would have an ongoing impact on their company's ability to expand abroad, macro-economics are seen as having the potential to have the greatest effect. Over three quarters (78%) cited the global economic slowdown as having an ongoing impact, two thirds (64%) the eurozone financial crisis, and 59% the likelihood of a double dip recession.

RISKS IMPACTING ON GLOBAL EXPANSION

GLOBAL ECONOMIC SLOWDOWN	78%
EUROZONE FINANCIAL CRISIS	64%
LIKELIHOOD OF A DOUBLE DIP RECESSION	59%
POLITICAL INSTABILITY (GENERAL)	49%
NATURAL DISASTERS E.G. JAPAN TSUNAMI	31%
OTHER WORLD EVENTS (GENERAL)	31%
MIDDLE EAST UNREST	30%
THREAT OF TERRORISM	20%
PRESIDENTIAL ELECTIONS (US)	15%

WHICH OF THE FOLLOWING, IF ANY, WILL HAVE AN ON-GOING IMPACT ON YOUR ABILITY TO EXPAND ABROAD?

Japanese CFOs feel particularly susceptible to global economic uncertainty, with over nine in ten (92%) expecting the global economic slowdown to have an impact, and 76% the likelihood of a double dip recession.

In terms of industry sectors, those working in Technology, media and telecoms (TMT) are most likely to fear the impact of the global economic slowdown: 84% think it will have an impact on their ability to expand abroad, while the Consumer sector is most likely to expect to be impacted by the eurozone financial crisis (70%).

Around half of CFOs (49%) expect political instability in general to have an ongoing impact on their company's ability to expand abroad, with this rising to 76% amongst those from South Africa and 66% for those from Saudi Arabia. Unsurprisingly, CFOs in Saudi Arabia are also most likely to cite Middle East unrest and the threat of terrorism as having an ongoing impact (62% against 30% overall, and 38% against 20% overall, respectively).

Around three in ten (31%) see natural disasters such as the Japanese tsunami (rising to 56% amongst Japanese CFOs), or other world events in general as having an ongoing impact on their company's ability to expand abroad.

A third of American mid-market CFOs say that the US presidential elections are likely to have an impact on their expansion plans.

CHALLENGES OF OVERSEAS EXPANSION

The relative risk factors of overseas expansion have changed since 2011. Last year red tape and bureaucratic hurdles were cited as a risk when expanding abroad by over a third of CFOs, topping the list of perceived risks. This year only 7% see this as one of the biggest risks of overseas expansion.

"The change of the prices in different countries. International prices because we sell oil and gas and if the prices change dramatically it impacts the ability to make investments." *Consumer sector, Canada*

Instead, in 2012, three in ten CFOs see currency fluctuations as one of the biggest risks faced by their company when expanding abroad, rising from a quarter in 2011. They are a particular concern amongst respondents in Brazil (66%), China (49%) and Japan (48%), as well as amongst those working in the Manufacturing sector (36%).

"A disaster in tourism, such as the revolution in Egypt last year which took a massive toll on our tourism sales to the country." *Consumer sector, Netherlands*

A further quarter (25%) see geopolitical country risks as the biggest challenge, rising to 36% amongst CFOs in South Africa and to 38% amongst those working in the Natural resources sector.

Again, this has risen as a perceived risk from 2011, when just 15% considered it one of the biggest risks. Geopolitical events can have far-reaching and varied consequences for businesses expanding abroad.

"Political risks within countries, to do with legal jurisdiction over where we operate." *Natural resources, Australia*

"If the USA slides in to another war somewhere it would have a major impact on US relations with other companies from other countries." *Consumer sector, USA*

Finding the right local management, staff, partners, suppliers is seen as a major risk by one in five CFOs, down from nearly a third in 2011.

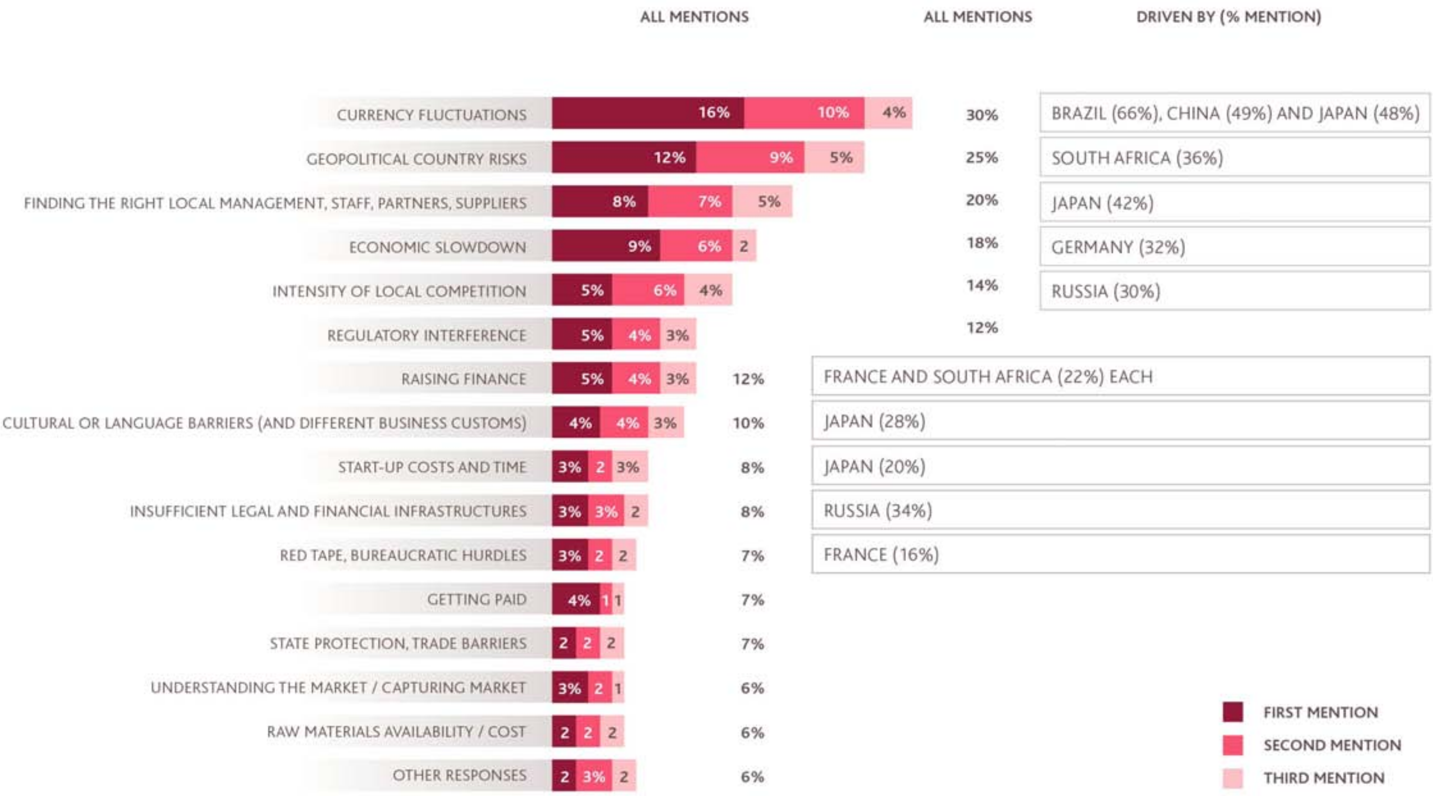
The economic slowdown was mentioned as a risk by 16% of respondents and the intensity of local competition by 14%.

"The main risk is the global economic situation. Or more precisely, a financial crisis in China is the biggest risk for us because it is our direct export market." *Manufacturing, Germany*

"It's getting really difficult as other companies are opening up with the same sort of product, which make things more difficult." *Manufacturing, France*

RISKS WHEN EXPANDING GLOBALLY

When expanding internationally what do you see as the biggest risks faced by your company?



9. CUSTOMER SERVICE

KEY POINTS

Customer service is seen as vital to international success and the key way in which companies can differentiate themselves

USA, Germany and UK are seen to have far better understanding of the importance of customer service than BRIC markets.

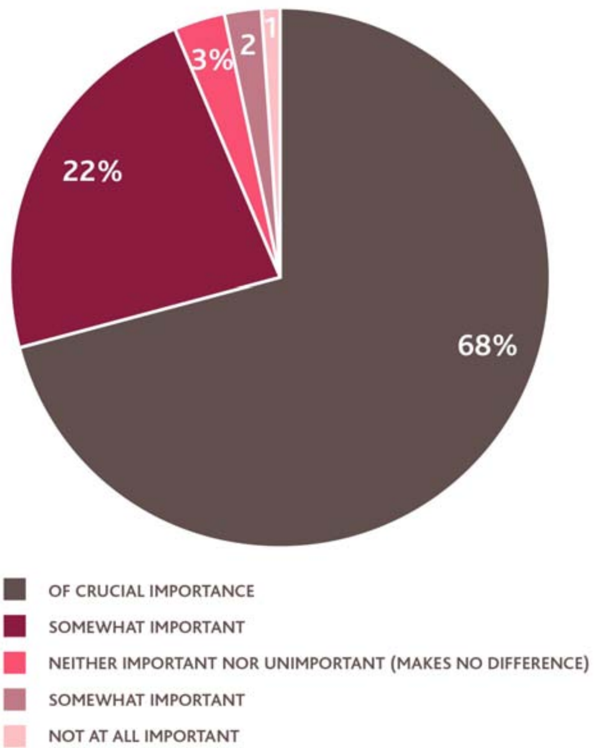
IMPORTANCE OF CUSTOMER SERVICE

CFOs see customer service as key to international success: 68% say it is of 'crucial importance', and 22% that it is 'somewhat important'. It is considered most important in Brazil, the UK and South Africa (where 92%, 83% and 80% say it is of crucial importance respectively).

It is of least importance in the Natural resources sector (only 55% say it is of crucial importance).

IMPORTANCE OF CUSTOMER SERVICE

How important is service delivery to your company's success in international markets?



For CFOs, the three biggest challenges when it comes to delivering customer service outside their home market are cultural or language barriers (19%), good transport and logistics (17%) and - again -finding good local staff and partners (14%).

Those in South Africa find transport and logistics to be the biggest challenge to the delivery of customer service abroad (38%), whilst respondents from Brazil (36%) and Japan (34%) feel that cultural or language barriers are most significant.

"Getting the product to the customer is the main challenge when delivering customer service, this includes transporting the product to the customer (due to the vast distances) and cultural differences which can cause problems." *Manufacturing, South Africa*

Respondents in the Consumer sector agree, with 24% citing cultural or language barriers. Some 20% in that sector are also more likely to struggle with finding local staff and partners, as are 21% of CFOs in the TMT sector.

"Language barriers and different customs make dealing with customer service difficult." *Manufacturing, Japan*

When asked to rank the main ways their company can differentiate itself (beyond the basics of delivering a quality product or service at a competitive price), CFOs cite customer service excellence as of most importance, followed by innovation, speed of delivery and company brand name. Just one in ten think social action (giving back to the local community) is one of the top three ways their company could differentiate itself.

WAYS A COMPANY CAN DIFFERENTIATE ITSELF

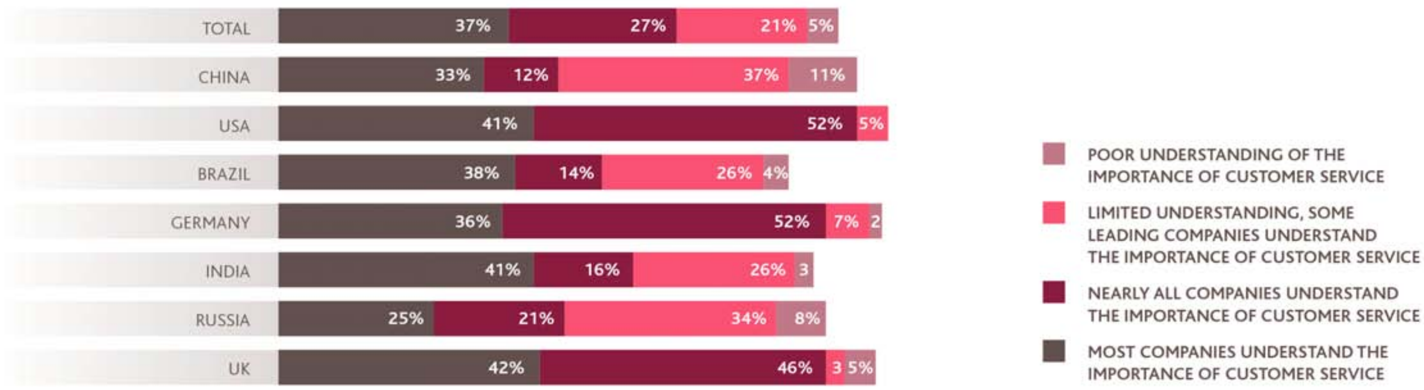
CUSTOMER SERVICE EXCELLENCE	78%
INNOVATION	64%
SPEED OF DELIVERY	59%
COMPANY BRAND NAME	49%
SOCIAL ACTION (GIVING BACK TO THE LOCAL COMMUNITY)	31%

CONSIDER WHAT GIVES YOUR COMPANY A COMPETITIVE EDGE IN OVERSEAS MARKETS. BEYOND THE BASICS OF DELIVERING A QUALITY PRODUCT OR SERVICE AT A COMPETITIVE PRICE, WHAT ARE THE MOST IMPORTANT WAYS YOUR COMPANY CAN DIFFERENTIATE ITSELF? FROM THE FOLLOWING CHOICES, PLEASE RANK THE THREE TOP WAYS TO DIFFERENTIATE YOUR COMPANY.

When asked about customer service in specific countries, impressions vary greatly by country. The USA, Germany and the UK are far more likely to be seen as having companies that understand the importance of customer service than China, Brazil, India or Russia, showing that while the BRIC markets are certainly seen as attractive expansion opportunities, investment in these markets is not necessarily as straightforward.

IMPRESSIONS OF DIFFERENT COUNTRIES' CUSTOMER SERVICE LEVELS

Thinking about (COUNTRY), how would you assess the general understanding of the importance of customer service among business' in (COUNTRY)?



10. INSIGHTS & RECOMMENDATIONS

KEY POINTS

CFOs see accountants and tax advisers as their most trusted sources of advice

Their chief insights for international expansion and overseas revenue generation are to get good local staff and to ensure an adequate business and cultural understanding of the market

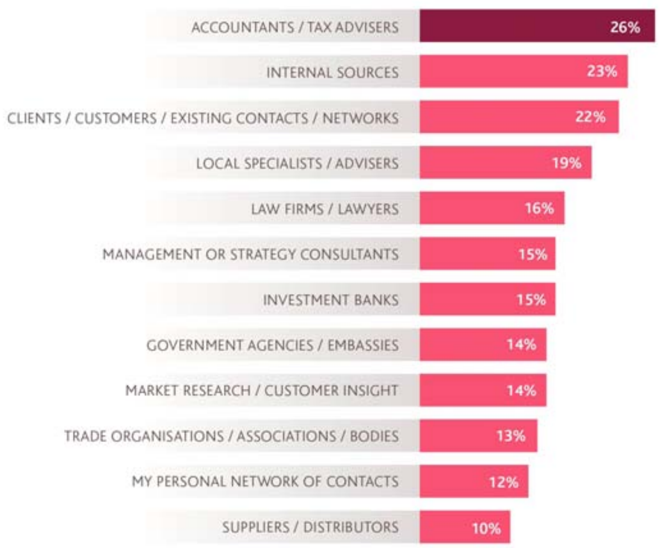
WHO TO TURN TO FOR ADVICE

When asked from a prompted list of who the trusted sources are that CFOs turn to for advice about international expansion, accountants and tax advisers came top. Over a quarter (26%) of CFOs cite them as trusted external sources, ahead of internal sources (23%) and clients / customers / existing contacts (22%). Just under a fifth (19%) turn to local specialists / advisers.

Although accountants and tax advisers are the most trusted sources of advice to CFOs overall (all mentions), internal sources are actually most top of mind, with 16% mentioning these first (compared to 12% for accountants and tax advisers).

SOURCES OF ADVICE

What are the most trusted sources you turn to for advice about international expansion?



CFOs in the Real estate and Natural resources sectors are most likely to turn to accountants and tax advisers (38% and 36% respectively), whilst in the Professional services and TMT sectors (31% and 29% respectively), CFOs are most likely to choose internal sources. In the Manufacturing sector 28% of respondents said they would consult clients / customers / existing contacts.

From a country perspective, CFOs in the UK and the USA (43% and 40% respectively) prefer the counsel of accountants and tax advisers, whilst their Russian counterparts are likely to choose internal sources (48%). Chinese and French CFOs are most likely to turn to clients / customers / existing contacts (59% and 46% respectively).

RECOMMENDATIONS FOR INTERNATIONAL EXPANSION ACTIONS

We asked CFOs to give their peers of similarly sized medium-sized companies some top recommendations for expanding internationally, based on lessons they had learnt so far.

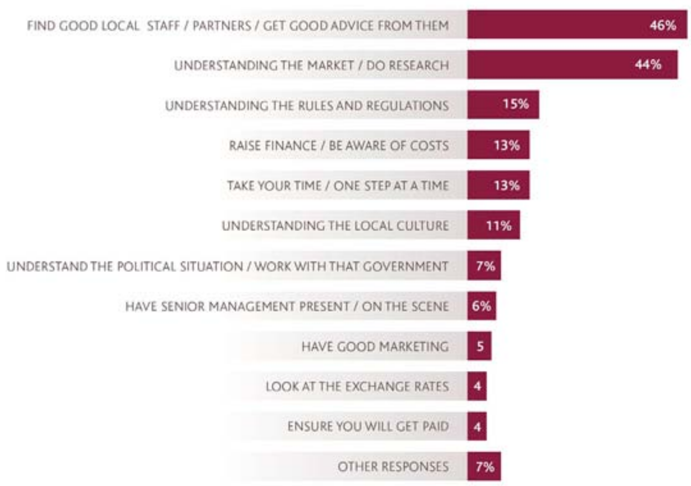
Overwhelmingly, two due diligence lessons with a local flavour stand out, each endorsed by over four in ten CFOs:

1) 'Find good local staff or partners and get good advice from them' (46%)
2) 'Understand the market and do your research' (44%).

Beyond these, 'Understand rules and regulations' (15%), 'Raise finance / be aware of costs' (13%), 'Take your time / one step at a time' (13%) and 'Understand local culture' (11%) are other recommendations mentioned by more than one in ten respondents.

TOP RECOMMENDATIONS FOR EXPANDING ABROAD

If you were to give a CFO of a similar sized company your top three tips for expanding internationally, based upon your lessons learned so far, what would these be?



CFOs in South Africa and those in the Real estate sector are most likely to advise finding good local staff or partners (70% and 60% respectively). The recommendation to understand the market and do research is most likely to be driven by CFOs in Brazil (74%), as well as those working in Professional services (53%).

"Get the correct local partners, because every culture of doing business can be different from country to country. Not necessary to do a joint venture, but work with the people who understand both countries' mentality." *Natural resources, Netherlands*

CFOs emphasise that local know-how is the essential ingredient to a smooth and successful international expansion. They further emphasise the value of partnering with people who really understand the local culture and working practices. It isn't enough just to send people out from the mother country: the people managing the set-up abroad need to have a really thorough understanding of the place they are working, either because they are local themselves or because they have invested significant time and effort learning about the new market.

"Use local suppliers and staff who are familiar with the culture and language, rather than send Australian staff who do not understand the culture and language fully." *Consumer sector, Australia*

"Find good local partners, because they will be more aware of how the market works internally, and how you need to manage relationships with government and any other regulatory bodies. They should also be knowledgeable of the culture." *Technology, media and telecommunications, UK*

CFOs advocate doing sufficient research before entering a market, not least to ensure that they are adequately prepared as and when issues arise. It is seen as important to be fully abreast of the ways of doing business in particular countries, from the customer base to competitors to business etiquette.

"Make sure you research, enough, about the financial culture of the country. What I mean is understand how their market system operates. The Latin American system operates very differently from the European." *Manufacturing, Brazil*

"Take into consideration the market research reports before investment; it helps to make the right decision." *Manufacturing, Russia*

"The first thing is to do a sufficient market analysis, which includes all aspects of the foreign market like the situation of the competitors, the employment." *Professional services, Germany*

CFO LEARNINGS

Respondents were asked if they had faced any particularly memorable or difficult challenges when expanding into particular countries. CFOs are most likely to have had challenges expanding into China and the USA, cited by 9% and 8% respectively although this is not surprising given that these are also the markets CFOs are most likely to be expanding into. Japanese and American CFOs were most likely to have had challenges expanding into China, while Canadian CFOs were most likely to have had challenges expanding into the USA, which, as we have seen, they do regularly.

"We saw some local difficulty in getting all the permits for manufacturing our product. It was not an easy process. Currently we are looking at also manufacturing in India and it is pretty much the same as China. It is a time consuming process, very organised, but all very bureaucratic." *Manufacturing, Netherlands on expanding into China*

Around one in three (28%) had regulation-related challenges, 16% had had challenges relating to finding good partners / staff / local expertise, and a further 14% had had challenges specifically relating to the local culture of the country they were expanding into. Four in ten CFOs had had regulation-related challenges in India, Brazil or Russia and a further third in China (among those investing in these countries). Finding good partners / staff / local expertise was a challenge for a fifth of CFOs expanding into China, the USA and Germany.

"We had to get our product accredited by the customers. It was very challenging: because we were new to the country they increased the rules and regulations and made them more intense. We don't know why it was, possibly because we had no presence and they insisted on stringent tests of our product. Unfortunately this took a lot of time and money." *Technology, media and telecommunications, UK on expanding into the USA*

AVOIDABLE MISTAKES

Respondents were then asked what errors to avoid when investing in particular countries (this information can be directly compared with the Recommendations section overleaf). Overall, the main mistakes are seen as not getting good staff / partners (19%), not understanding the market / doing sufficient research (17%), not knowing the rules and regulations (14%) and not understanding the local culture (10%).

"Right local team who can manage regulations and regularly update us on what should be done, how to do it and with whom to do it." *Technology, media and telecommunications, USA, on investing in Brazil*

When expanding into China, the biggest hazards to avoid are not getting good staff / partners and not understanding the market. Similarly CFOs who had expanded into Brazil or India also feel that the biggest mistake is not getting good staff / partners. For Russia, not understanding the culture is to be avoided. When expanding into Germany, CFOs think it is important not to make the mistake of not knowing the rules and regulations of the country. When asked about the hazards of expanding into the USA or the UK, CFOs are most likely to say they could not think of any.

"Don't mess with the Government - their Government is very different from ours in the West. Same applies for all the different kinds of regulations you need to fulfil - mistakes are not forgiven, you face a heavy fine, so you need to be compliant and aware of what is needed and expected of you." *Real estate / construction, Netherlands on investing in China*

"Make sure the company is fully aware of the actual market, this is very important for the business growth and to know the company's competition." *Manufacturing, Brazil on investing in Germany*

When asked if there was anything they would do differently if they were investing from a new beginning in particular countries, an encouraging four in ten (41%) of CFOs said that they would not have done anything differently. 14% would have found local expertise / good partners, rising to around one in five of CFOs investing in Germany, Brazil, China or Russia. One in ten would have done better research more generally, rising to 22% of CFOs investing in India.

"It's very important to have local partners and use local expertise and bring one or two people from your base but use people who know how to do business in that particular country." *Real estate / construction, South Africa on investing in Angola*

"We would perhaps take more time on the expansion into the market - we normally rush in and this can normally work for us, but not in Russia." *Manufacturing, UK on investing in Russia*

"Probably invest earlier with local resources and be more flexible in the business plans and strategies." *Consumer sector, Canada on investing in India*

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