



Whitepaper on the Unternehmerperspektiven Study 2019

How safe are the markets? Managing risks in international business

The degree of internationalisation in the German SME sector is stable. **52 per cent** of companies do business abroad. **81 per cent** score points with the **competitive ability** of their products. But: **Geopolitical turbulence** is changing **planning security**. What can **banks** do to minimise the risks? What expectations do companies place on the world of **politics**?

The survey of 2,000 entrepreneurs provides **answers** to these questions!

The most important findings

Proportion of exporting companies stable since 2007

- German products are **competitive at international level** (81 per cent). Companies see interesting potential in the USA (16 per cent), Canada (24 per cent), Russia (23 per cent) and China (13 per cent).
- Geopolitical events **lower planning security** (64 per cent) – with consequences for the evaluation of trading partners. China for example is regarded as being more reliable than Russia and the UK.
- Increasing protectionism and global issues such as climate change pose **particular challenges**. The diesel crisis facing the automobile industry affects 45 per cent of all German exporters regardless of their sector.

Agility counts: Strategies on the part of exporting companies

- Depending upon their target markets exporters face widely differing challenges and **react flexibly**.
- Tendencies in the strategies to overcome these: Smaller SMEs **focus on core products** (63 per cent) and the domestic market (50 per cent), larger companies **set store by innovation** (78 per cent) and international diversification (65 per cent).

Conclusion: There are no patent recipes for dealing with risks in international business. The growth opportunities for German businesses remain great – also away from the countries in which established trading partners are located.

Dealing with risks: Banking partners, politics and best practice called for

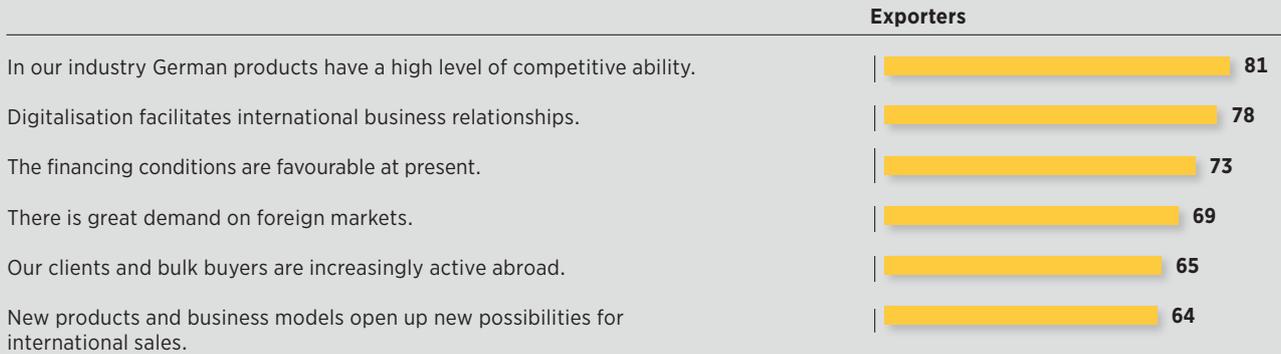
- Obstacles to expanding abroad to do business are bureaucratic requirements (77 per cent), price fluctuations with raw materials (57 per cent) and currency risks (53 per cent). Companies with untapped export potential **overestimate the challenges**.
- Banks are called upon to assist with operational issues: companies see a **need for optimisation** with the implementation of regulatory requirements (52 per cent) and digitalisation (44 per cent).
- The world of politics should be more committed to the **politico-economic interests** of German companies.

Conclusion: Companies would like better support. Banks are in demand as a partner in the internationalisation process. Financial instruments help to hedge against currency and default risks. Successful exporters show how growth can be attained in foreign business.



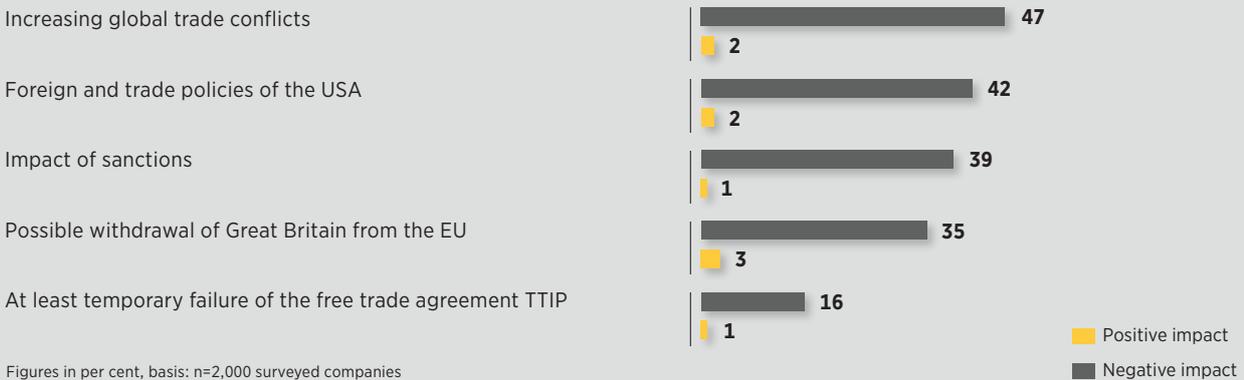
The key results at a glance

Opportunities and potential of internationalisation from the stance of exporting companies



Figures in per cent, basis: n=1,033 surveyed companies which market products or services abroad

Impact of current events and developments



Figures in per cent, basis: n=2,000 surveyed companies

Instruments used in financial management



Figures in per cent, multiple responses

*Exporting companies which are extremely or very satisfied with the **profitability of their foreign business** (self-evaluation in acc. with question 2), basis: n=182 surveyed companies



Recommendations for action: Utilise growth opportunities

Recommendations for action may be derived from the study as to how companies can receive support from banking and business partners.

1. Hedge against currency and default risks

Only every second company exporting abroad hedges against default and payment risks. When it comes to hedging against currency and raw material risks the proportion is even lower. **Banking partners are the right port of call for this.** Risk minimisation is important for smaller and medium-sized companies in particular if they want to make a successful start to their internationalisation.



2. Exchange of findings with successful exporters

Companies which are satisfied with their profitability to an above-average degree and large companies hedge their activities and risks in foreign business significantly more frequently. **Hedging is clearly a factor for business success.** Companies with foreign ambitions should adopt the practices of these successful companies. **Networking events such as Unternehmerperspektiven can help in this respect!**



3. Support from chambers of foreign trade

The comparison of exporting companies with those who are still hesitating although they have potential shows: **the operational obstacles when doing business abroad are overestimated.** Chambers of foreign trade are on hand to offer help and advice when it comes to country-specific issues. They can help assuage the concerns of companies at a practical level and provide assistance.



Representativeness for SME companies with an annual turnover of € 2 million upwards

In the framework of the study first-level managers from 2,000 companies with an annual turnover of at least 2 million euros were surveyed. The size distribution is representative on the basis of turnover tax statistics.

Method: Telephone interviews (CATI) with a duration of approx. 20 minutes, **survey period:** November 2018 to February 2019
Execution: Forsa

