

News Release

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The rise of micro-multinationals

Expanding overseas used to be an option only for the biggest companies, who could invest the time and money needed to succeed. Entering a new market meant researching local regulations, identifying the competition and travelling to meet potential partners.

But technology has redrawn the business landscape over the past 20 years, making it easier for companies to enter overseas markets at a relatively early stage. We are seeing the rise of a new type of business – the “micro-multinational”.

“The internet has brought down many of the barriers. It is easy for companies to research online and network across borders. Entrepreneurs can make a presentation to a potential client in a different continent and time-zone from the comfort of their own office. At the same time, efficient logistics have reduced the cost of transporting goods, in particular benefitting medium-sized businesses with a turnover of around USD50m-USD250m,” shared Ng Wei Wei, Acting Head of CMB & Country Head of Corporate - Commercial Banking, HSBC Malaysia.

Slower growth at home may also be a push factor. Compare the sluggish conditions in developed markets with emerging markets. In China and India, for example, GDP grew 6.9 per cent and 7.4 per cent respectively in 2015 despite short-term challenges. The growth of the middle class and continued industrial development have the potential to create further opportunities over the longer term.

According to Wei Wei, smaller and medium-sized businesses can harness new technology to compete for market share. The popularity of social media means that a single low-cost video that goes viral can attract customers in a way that would once have been possible only with a big advertising campaign. A favourable mention from an online celebrity such as a vlogger can build brand awareness overnight.

And micro-multinationals typically have a simpler management structure than their larger counterparts, meaning they can take advantage of new opportunities such as these more quickly. Some make a virtue of their streamlined structure, innovating swiftly to keep up with market trends.

The ability to sell to a much broader audience, meanwhile, can make it cost-effective for businesses to focus on a specialised product. Some micro-multinationals have found a niche producing a tailored component or service – such as a mobile phone aerial, or logistics tracking system – for other, bigger businesses.

But while it has undoubtedly become easier to expand overseas, challenges remain.

Companies seeking to establish a presence overseas have to decide whether to do so on their own or set up a joint venture with a local partner. Navigating new markets successfully calls for specialist skills, whether acquired through nurturing internal expertise or recruiting employees with experience of working in a larger multinational. And understanding the needs of overseas customers, employees and partners remains crucial.

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HSBC Bank Malaysia Berhad

(Company No. 127776-V)

Registered Office and Head Office:

2 Leboh Ampang, 50100 Kuala Lumpur, Malaysia.

Web: www.hsbc.com.my



“Fortunately, help is at hand. Micro-multinationals can tap many different sources of advice including local chambers of commerce, government export services and specialist consultants. Banks, as well as offering financing and insight into new markets, can introduce entrepreneurs to other companies that have overcome similar challenges. The earlier companies seek advice, the sooner they can get a feel for the risks and challenges, as well as the potential rewards of expanding overseas,” said Wei Wei. “The world is continuing to shrink as technology becomes increasingly widespread. For those with ambition and a global mindset it could be a huge opportunity, whatever the size of their business.”

For more information about micro-multinationals, please do refer to the report '[Rise of the micro-multinationals](#)'.

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Media enquiries:

Marlene Kaur +603 2075 3351

marlenekaur@hsbc.com.my

Joanne Wong +603 2075 6169

joanne.p.m.wong@hsbc.com.my

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