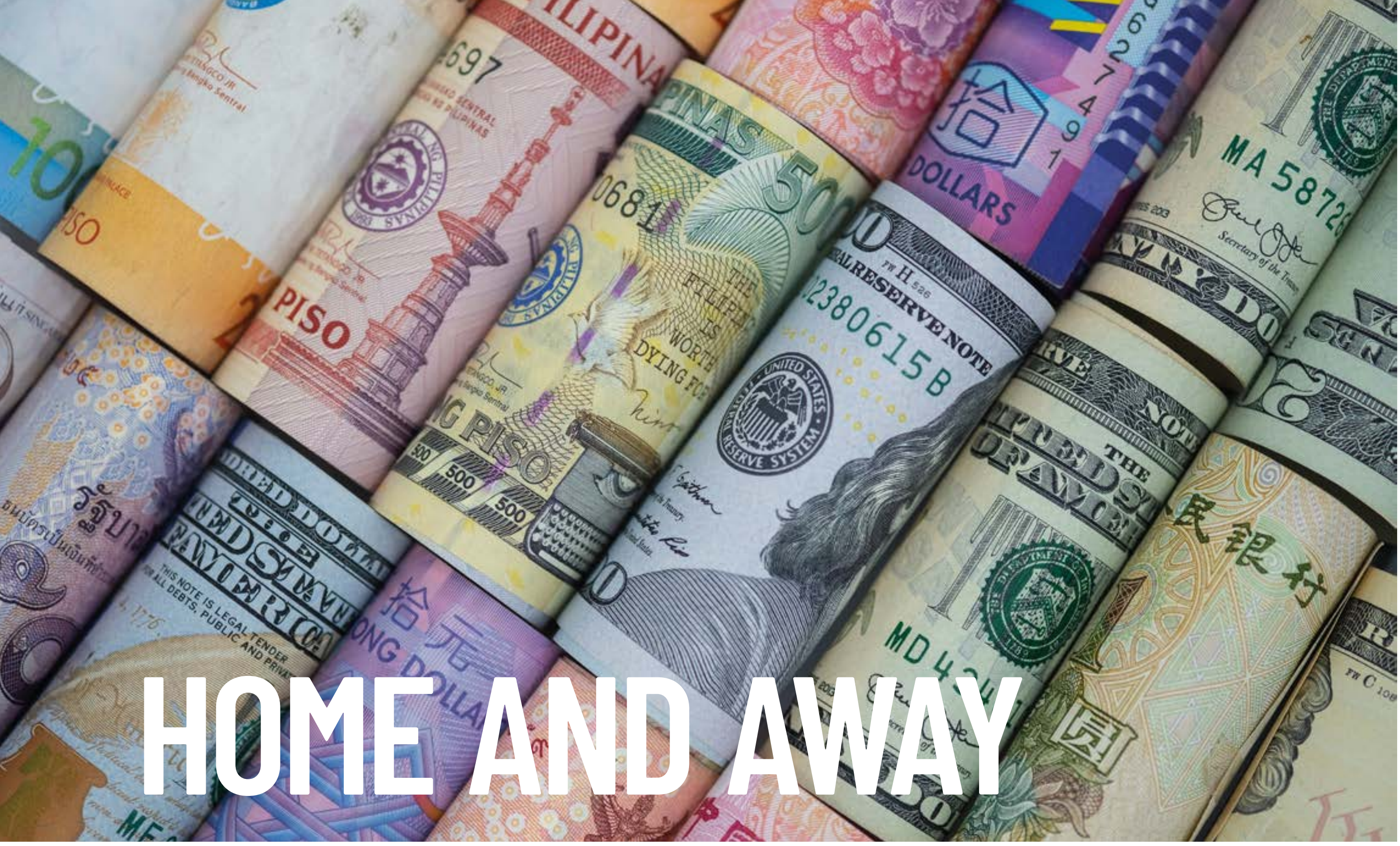


HOME AND AWAY

How significant is foreign investment for businesses? We ask experts about related opportunities, benefits and potential challenges in today's economic climate

Foreign money once carried a certain cachet in British business. For decades, overseas investment was treated as a marker of arrival — proof that a company had moved beyond the confines of the UK market and into the realm of serious international ambition. Today, though, foreign investment feels less like a trophy and more like a necessity.

British companies are confronting sluggish domestic growth, higher borrowing costs, persistent inflationary pressures and an increasingly competitive global economy. At the same time, international investors – from private equity firms and sovereign wealth funds to Asian conglomerates and American venture capital – scour the UK for promising assets, attracted by its legal stability, innovation ecosystem, and comparatively lower operating costs than the US.

The result is a new era of cross-border dealmaking in which businesses are forced to ask difficult questions. Where should they expand? Which investors should they trust? How much of their culture can they preserve once global capital enters the room?

For advisers working at the centre of international business, start by abandoning old assumptions about where growth really lies.

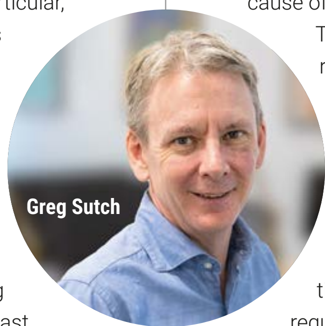
"Simply put: focus on the markets with the greatest potential for your business," says Greg Sutch, chief executive of the Oxfordshire-headquartered consultancy, Intralink. "Disruption to global trade – combined with stagnant economies in Europe and the US – means we now find increasing numbers are looking to Asia. It's a dynamic, rapidly growing region that offers huge opportunities for corporates, SMEs [small and medium-sized businesses] and startups alike."

New markets

For years, British companies expanding overseas tended to gravitate toward what felt familiar: the US, Australia, Canada, Europe. Shared language, similar legal systems and recognisable business norms lowered the psychological barrier to entry. But advisers say the centre of gravity is shifting.

Sutch points to India in particular, a market where pro-business reforms and government initiatives have made the environment increasingly attractive for British firms.

"Ambitious British entrepreneurs need to be bold and gear up to invest in the world's fastest growing economies, including Southeast Asia, India and China," he says.



Greg Sutch

That shift is also being reflected in private capital markets. According to Richard Aston, senior partner at KPMG UK, investors are now treating international exposure not as a luxury but as a form of risk management.

"UK investors are increasingly looking beyond the domestic market in search of growth and diversification," says Aston. "Among upper mid-market private equity houses there is a growing focus on overseas investment and businesses with established international operations."

Familiar terrain

Still, investors rarely leap blindly into unfamiliar terrain. Aston says British investors continue to favour markets that feel commercially and culturally adjacent to the UK.

"Germany, Belgium, the Netherlands and the Nordic countries are often viewed favourably because of their cultural and commercial similarities to the UK," he says. "The US also remains highly attractive because of the scale of the opportunity."

That caution reflects a wider reality of global expansion: despite the rhetoric of borderless business, local knowledge still matters. Companies may be able to sell products worldwide online, but scaling internationally requires navigating regulatory systems, cultural expectations, labour markets, pricing sensitivities and new ways of building trust.

"First and foremost, do your homework," Sutch says. "When seeking to enter an overseas market, you need to understand not only your own sector but the economic and cultural context."

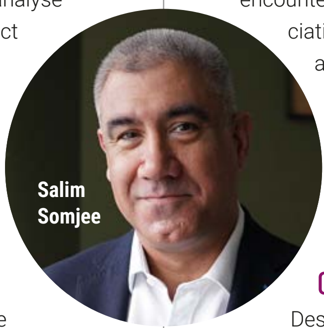
That process often reveals uncomfortable truths. Some markets may appear attractive from a distance but prove too competitive, too heavily regulated or too price-sensitive once properly analysed. In some cases, advisers say, the smartest strategic move is not expanding at all; avoid over-reaching.

"This shouldn't happen if you've done your homework," Sutch says. "You do that by obtaining essential information about the market – size, characteristics, trends, competitors, pricing, regulation and so on."

Crucially, advisers stress that desktop research is not enough. Businesses need direct engagement on the ground before committing serious resources.

"You do it by approaching real potential customers, partners or investors to test the market and get feedback," Sutch says. "And it's vital that you listen, analyse and contextualise your product or service within the new market environment.

"If all your prospects are saying 'no' or 'maybe', if it's taking you too long or if it's costing too much, you've probably over-reached or misread the market."



The challenge is even more complicated when investment flows in the other direction – when overseas capital enters a British business. For founders, the appeal is obvious: access to larger pools of capital, faster scaling opportunities, new networks. But foreign investment also introduces risks around governance, culture, control and strategic direction.

Lawyers Salim Somjee and Helen Garner of Birketts say businesses seeking overseas funding often underestimate the complexity involved: "If a company is considering raising investment from abroad and they haven't received a direct approach from an overseas investor, any company should be cautious about how it seeks to raise those funds."

Legal mazes

Different jurisdictions come with different securities regulations, disclosure requirements and tax implications. In the US, for example, exemptions may be available, but there are "regulatory hurdles and reporting obligations it could be easy to fall foul of".

The structure of the investment matters too. Overseas capital can inadvertently complicate tax-efficient schemes, including SEIS and EIS reliefs, and corporate restructuring designed to facilitate international investment can create problems down the line.

As a result, preparation is key, say Somjee and Garner: "When raising funds from abroad, you are going to need tax and legal advice. Structural changes in the corporate group may have unintended consequences."

They also emphasise understanding the motives and behaviour of potential investors – the relationship may last years.

"Culture is hugely important," they say. "It's about getting to know them and get a sense for what it would be like to work with them, not just when things are going well, but also when there are bumps in the road."

Misaligned expectations between investors and management teams can undermine even otherwise successful transactions.

"The difficulties we most commonly encounter arise from a limited appreciation of UK transaction trends and established market practices," Somjee and Garner say. "Ultimately, it is the management team that investors are relying on to deliver their return."

Great Britain?

Despite recent uncertainty around the UK economy, Britain remains highly attractive.

"From the many corporate and individual clients we speak to, the UK continues to be viewed positively by overseas investors," Aston says. "It remains one of the most common 'first step' destinations for growing businesses from Europe, North America and much of Asia looking to expand internationally."

Several structural advantages work in Britain's favour: the language, strong transport and financial connectivity, respected legal institutions, globally recognised universities – and, according to Sutch, its innovation ecosystem.

Craig Bowers, partner at Cripps, says: "The UK remains an established and attractive investment destination, underpinned by a robust legal framework, skilled workforce and deep pools of private capital. Alongside this, there is an increasing focus on ESG [environmental, social and governance] considerations within investment decision-making, with key sectors – particularly technology and financial services – continuing to attract international interest."

Sutch adds: "It's far less expensive to do business in the UK than the United States."

Aston notes that, with higher corporation tax and the end of non-dom, Britain is "no longer seen primarily as a low-tax destination", but, he says, overseas investors still view the system as "fair and predictable".

Matthew Swansbury, director, Saffery, says: "Bottom line: there is opportunity for UK businesses to benefit from foreign investment. However, it is sector specific and where an opportunity does arise, businesses must be well positioned to capitalise."

For founders, though, perhaps the hardest question is not financial but philosophical: how do you preserve the essence of a business and avoid diluting its qualities?

"Your legacy should not stay intact if that means rigidly imposing your product, prices and business practices on an overseas market," Sutch says. "Because, to succeed, you almost always need to localise.

"Striking the right balance is key to successful overseas expansion."

In practical terms, advisers say that this means building trusted local teams, developing strong operational plans and resisting the temptation to scale too quickly.

Somjee and Garner argue that founders expanding abroad should prioritise personnel who understand both the company's values and the realities of the local market. "You will want to ensure that the team in place is trusted by you and understands your business and goals," they say.

Sutch offers six 'golden rules' for international expansion: prioritise carefully; do your homework; understand regulations; commit long term; use regional gateways such as Singapore, and know when to leave.

"If the worst happens, 'fail fast'," he says. "Too many companies soldier on for years only to exit later, at great cost."

International growth is no longer simply about planting flags in new markets. It is about adaptability, local intel and strategy.

For British companies, the stakes feel high. Economic growth at home remains subdued, but opportunities abroad continue to expand rapidly. International capital is available, but competition for it is intense. The companies that succeed will not necessarily be the biggest or the boldest; they will be the ones balancing ambition with realism.

Or, as Sutch puts it, the ones willing to rethink what global growth really requires.