



TECHNISCHE HOCHSCHULE NÜRNBERG  
GEORG SIMON OHM

# Technical University Georg-Simon-Ohm Nürnberg

## Faculty of International Business

### Project Work

**Topic:** Impact of municipal promotion for foreign  
SME investment

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**Abstract:**

The aim of this document is to analyze the impact of municipal promotion program for foreign SME investment Nürnberg Fürth for Excellence – Business Support Center, within the scope of a project work. All activities around the collection of information are briefly summarized, followed by a detailed analysis on each category of the conducted survey and rounded up in a calculation model. As a result, an estimation of the gains generated by the promoted companies as well as a forecast for the future development are provided.

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## 1. Nürnberg Fürth for Excellence – Business Support Center - Introduction

### 1.1. Introduction into NFFX Project

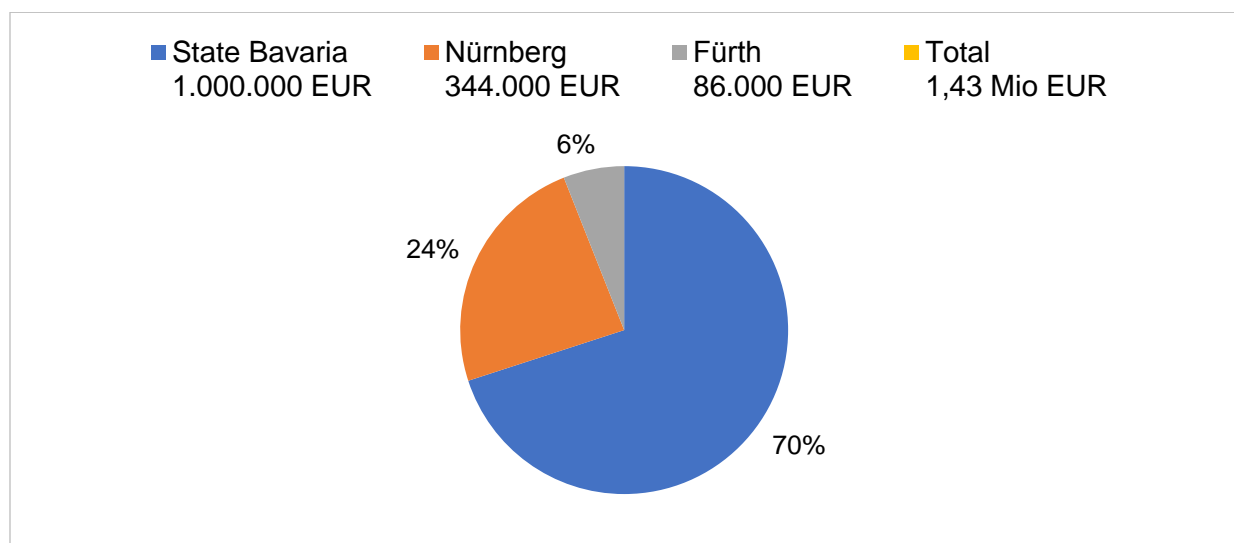
The Business Support Center Nürnberg-Fürth was founded as an inter-community partnership between the two cities to foster the position as an internationally attractive business location. With funds provided by the Bavarian Ministry of Economic Affairs and Media, Energy and Technology and by the cities Nuremberg and Fürth, NFFX is supporting small and medium sized international companies.

The aim of the support program is to increase the attractiveness of the region for foreign investors and companies and help them to settle down in order to create jobs.

### 1.2. NFFX - Business Support Center 1.0

The first funding program was running from November 2011 till May 2016. 117 companies from countries such as China, India, Japan, Poland, Russia, Austria and many more applied to receive the financial aid from NFFX. In the end 33 companies were selected and supported.

The reimbursement of costs included the service package of office leasing costs as well as office services, support from lawyers, notaries and tax advisors, and integration/relocation service. The costs were covered by NFFX up to a maximum of 10.500 EUR. The total scope of the first funding program accounted to 1.43 Mio EUR. In Figure 1 the distribution of the capital in percentage is illustrated. It becomes clear that the State Bavaria is the main source of financial resources. Foreign trade and attracting companies to Bavaria is of high importance for the region, as it is the most important success factor in terms of growth, prosperity and jobs.



Graph 1 Scope of NFFX 1.0

### 1.3. Partners



#### Invest in Bavaria

On behalf of the **Bavarian State Ministry of Economic Affairs and Media, Energy and Technology**, Invest in

Bavaria supports companies from Germany and abroad from a wide range of sectors to settle down in Bavaria to start or expand their business.

The Business Promotion Agency started in 1999 and offers companies right from the beginning different services to assist and help them through all stages of setting up a business:

- Planning and Preparation
- Location Search and Location Selection
- Implementation
- Growing in Bavaria

The service is free, confidential and individual. (Invest in Bavaria, n.d.)



#### Nürnberg Chamber of Commerce and Industry

The origin of the Nürnberg Chamber of Commerce and Industry (CCI) was already in 1560 in Nürnberg

when the merchants declared the “new market regulations”. This was the start of the economic autonomy in Nürnberg and thus also the start of the CCI.

Nürnberg Chamber of Commerce and Industry is an entrepreneurial organization with the aim to promote business. As a body incorporated under public law with a statutory contract, the CCI represents the interests of Central Franconian business to the public.

- The CCI provides systematic startup support and economic expertise especially for new businesses. It offers advice and examinations for prospective entrepreneurs and their staff in the personnel, goods and hazardous material traffic, catering and in specific trade areas.
- The CCI links up regional suppliers and users. They provide information about trends, promotional opportunities and introduce companies to the relevant network.
- It offers services to promote and consolidate foreign trade relations such as: country specific consulting, cross- cultural competence trainings or trainings for creation of international teams.

(Nürnberg Chamber of Commerce and Industry, n.d.)

### Bavarian Business Center Network- BBCN



Founded in 1996 the BBCN is providing offices and secretarial services in Nürnberg. (Bavarian Business Center Network, n.d.)

Companies can choose from 4 different locations:

- In the heart of Nürnberg: Färberstraße 20
- 5 minutes from the city: Fürther Straße 27
- In the southwest of Nürnberg: Südwestpark 37/41
- Close to the Airport Tower: Flughafenstr. 118

The project is further supported by the cooperation between the cities of Nürnberg and Fürth and the Department of Economic Affairs Nürnberg.



Department for  
Economic Affairs

### **1.4. Promotion sectors**

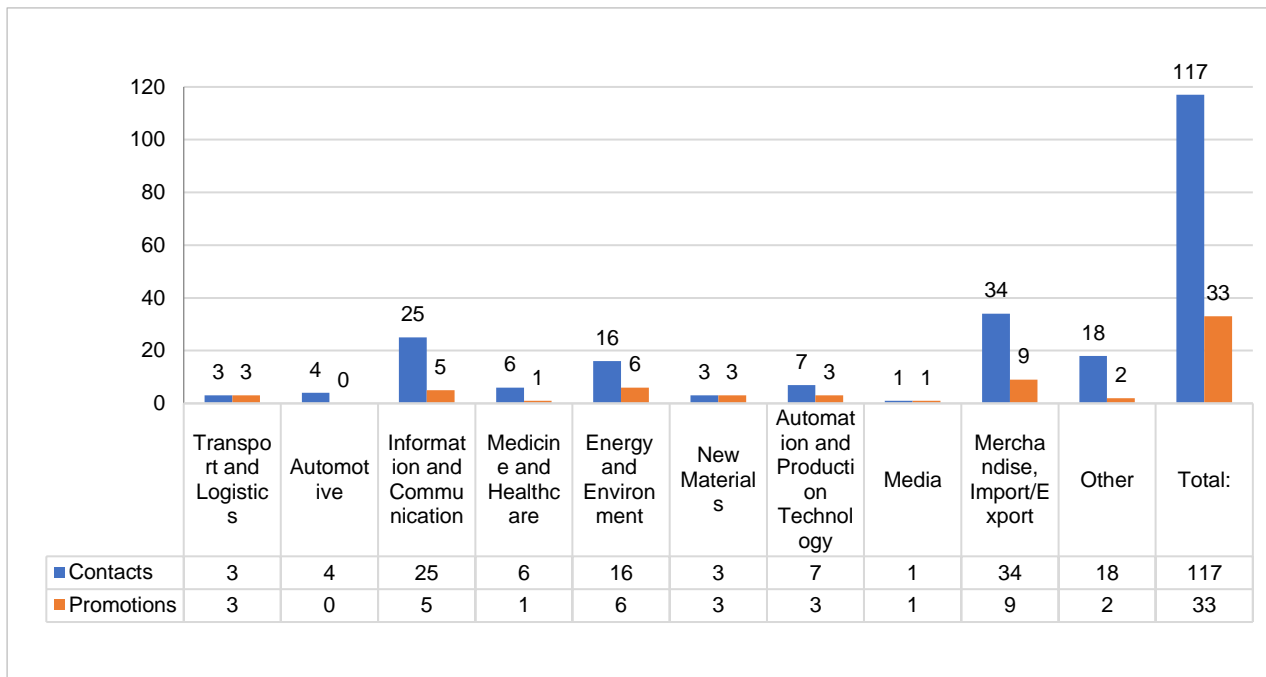
The State Bavaria has set up different clusters in which companies within the same branch benefit from each other and build up a network. The State concentrates on 17 different branches which belong to the following five areas:

- Digitalization (e.g. Information and Communication technologies, Mechatronics and Automation)
- Energy (e.g. Energy and Environmental Technologies)
- Health (e.g. Medical Technology, Biotechnologies)
- Materials Engineering (e.g. New Materials, Chemical Industries)
- Mobility (e.g. Automotive, Aerospace)

By promoting cooperation between companies and research institutions, the State Bavaria is aiming to create a dynamic and self-organizing process of growth and development. In this way, the clusters also bring small and medium sized companies with less experience closer to know-how. (Bayerisches Staatsministerium für Wirtschaft und Medien, Energie und Technologie, n.d.)

In the following graph, it can be seen in which sectors the foreign small and medium sized companies of NFFX 1.0 (2011-2016) are located. The blue bar illustrates the 117 firms, which applied for the funding program of NFFX 1.0. The orange bar represents the 33

selected corporations. The majority of the applicants are dedicated to the export and import of merchandise. 34 out of 117 businesses belong to this sector. 25 companies of the applicants work in the information and communication sector and form together the second biggest group. The same trend can be observed for the promoted firms.



**Graph 2 Promotion sectors**

### 1.5. NFFX – Business Support Center 2.0

The second phase of the funding program, which supports foreign companies for 6 months, has been started in June 2016 and will run until the 31<sup>st</sup> of October 2020.

Thanks to the business partner BBCN, companies can choose between four different office locations in Nürnberg. During the first 3 months of the funding period NFFX 2.0 is offering companies a virtual office including specified office and secretary services. During the remaining 3 months, a real office will be provided which also includes specified office and secretary services.

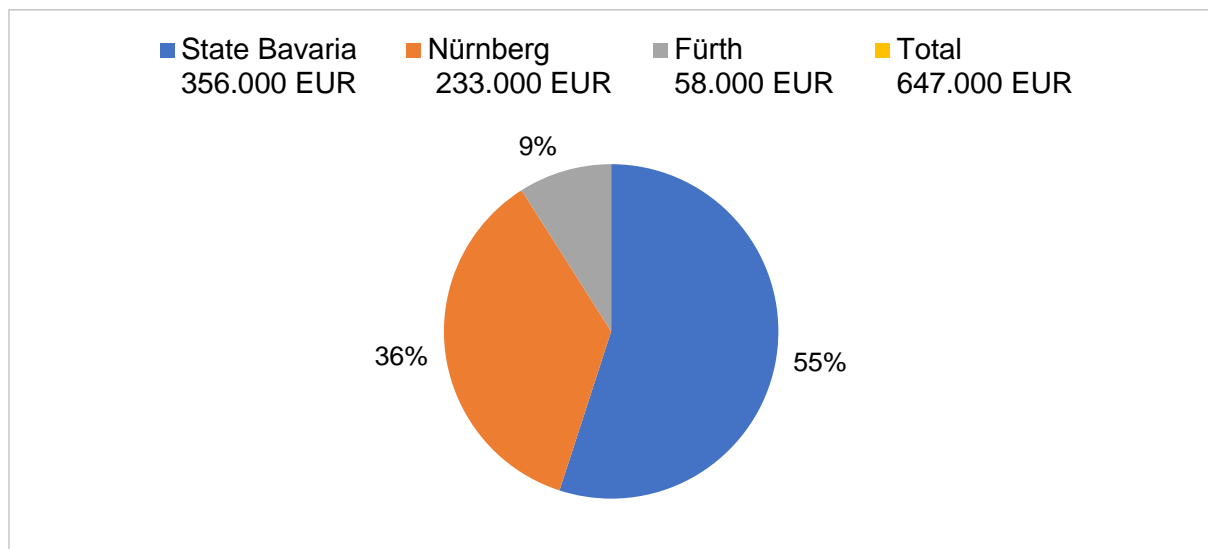
Apart from the cost-free rent of the provided offices, companies can also request NFFX to provide them with contacts to:

- Lawyers, tax advisors, notaries, integration service and additional service providers,
- Invest in Bavaria, the Chamber of Commerce and Industry Nuremberg and to the cluster managers of a preferred industry sectors in Bavaria

Most of the mentioned services are **not** free of cost.

In order to receive the financial support by NFFX the foreign companies have to comply with the following conditions and funding terms: (Nürnberg Fürth for Excellence, n.d.)

- Currently no headquarter, office or branch located in Germany
- Company is well established and have positive reputation in the market in its respective home country
- NFFX has to be provided with a detailed business plan
- Company has not obtained any “de minimis” aid over the last three fiscal years as specified in the aforementioned Commission Regulation



**Graph 3 Scope of NFFX 2.0**

## **2. Project Work – Scope, Timeline and Activities**

### **2.1. Scope and Objectives**

Within the scope of the project work, the team has been assigned to conduct a comprehensive research on the results of the first phase of the project of NFFX – Business Support Center 1.0 and calculate an estimated return on investment for the city of Nürnberg and Fürth, realized through the municipal promotion program. The prerequisites for the collection of the required data include the conduct of surveys and personal interviews with a given selection of the promoted companies. Therefore, the collected results include a balance of both empirical and individual evaluations, gathered during the live meetings with the managers of the promoted companies. During the exploration phase, an extensive amount of information has been collected, which have been classified in six different sections, namely:



- General information about the company
- Investment and expansion reasoning
- Business and financial performance
- Human capital status
- Network connections in the metropolitan region of Nürnberg
- Evaluation of the support received through NFFX – BSC

Within these categories, various questions of general nature with a discreet approach towards company's sensitive information have been included. The extraction of exact and precise figures is therefore excluded as a deliverable. The assumptions, analysis and calculations presented later in this document are therefore following the structure of the categorization. Each section is examined and scrutinized individually in the first half of the document and an aggregate output of the findings is then presented within the calculation model.

## **2.2. Timeline and Main Activities**

The activities of the project work can be divided in four separate phases, which are the following:

- Phase I. Introduction and information distribution
- Phase II. Survey creation
- Phase III. Company interviews
- Phase IV. Information analysis, presentation of preliminary findings and final report

**Phase I.:** This phase encompasses the time frame from the preliminary introduction into the project until the distribution of a list with promoted companies which were selected as suitable for interview and were interested in participating in the research.

**Duration:** 6 weeks

**Description:** During the first lecture in the middle of March all assignments have been distributed and the teams have been assembled. The first meeting with the project partners took place on the 23<sup>rd</sup> of March, in which the basic information regarding the municipal promotion program has been provided, including the major investment sectors and achievements of the promotion. Furthermore, the second phase of the promotion project has been introduced, in which an update of the promotion scope has been undertaken. During the meeting, the general expectations and requirements by the project partners have been defined and the base for analysis has been provided.

The initial task of the project work included the development of a draft for the Project Plan, in which the main activities and dates have been specified. The Project Plan has then been distributed within a week for approval. The next major task involved the creation of a rough

draft for survey, which has been consequently discussed thoroughly with the project partners during the second review meeting on the 27<sup>th</sup> of April. Most significantly, as agreed during the initial meeting, a list with 10 selected promoted companies considered as eligible for interview has been provided to the team.

**Phase II.:** This phase covers the time from the creation until the approval of the official survey template, which was to be distributed to the promoted companies.

**Duration:** 1 week

**Description:** As a result of the second meeting with the project partners, the team has been challenged with the task to significantly extend and update the structure of the survey, incorporating questions covering both the tangible and the intangible aspects which could be considered as contribution achieved by the municipal promotion program. As promised, a 9-page survey has been delivered within a week time. The survey template, on which the findings of this document are based, can be found under Annex 2.

**Phase III.:** This phase involves all the activities around the getting in contact with the 10 promoted companies, distributing the surveys and setting up appointments for live meetings and respectively interviewing the managers of the companies personally.

**Duration:** 4 weeks

**Description:** Once the team has been presented with the list of the promoted companies to be interviewed, the next step was to make a general inquiry through a research on the Internet, on their official webpage and the media. After having learnt more about the general facts of the companies, their sector of activity and product and service portfolio, the next step was to contact them by mail and phone. Establishing a contact with the managers, however, proved to be a difficult task, due to a number of reasons, such as time pressures due to their overbooked schedules, business travel or general unavailability. As a result, by the end of May, the team has conducted 5 personal interviews and 8 online surveys have been filled in and forwarded back to the team.

**Phase IV.:** Analysis of all information collected during the interviews and provided in the surveys

**Duration:** 8 weeks

**Description:** Consequently, the team has gotten into contact with all of the 10 companies provided to it, received a filled in survey from 9 of them and had a positive answer for personal interview with 6 of them. Therefore, the forecasted 30% of sample coverage out of the 33 promoted companies could not be completely reached. Nevertheless, the actual

sample coverage amounts up to 27%, which ranks up as a sufficient base for the following estimations and calculations.

A graphical time chart of the project plan, including the main phases and activities, can be found under Annex 1.

### 2.3. Approach

As a team of five members, both individual and group efforts have been utilized in the approach. Each team member has been responsible for contacting two companies, however most of the personal interviews have been conducted by at least two members, with only one exceptional case. Furthermore, each team member has been assigned with the analysis of a category of the survey, which has then been discussed, aligned and harmonized with the results by the other team members and presented in the findings below.

## 3. Findings and Analysis of the Survey

### 3.1. Assumptions

As a result of the group's evaluation, there are grounds to believe that the official settlement of the promoted companies has been exposed to various internal and external risks, therefore in the further analysis an **average** success rate for official settlement of **85%** and 15% exposure to risk of withdrawal is to be considered.

Furthermore, the time factor of the promotion needs to be taken into account. In the analysis, it has been identified that the promotions of 6 out of 9 companies took place in year 2015. Therefore, the following factors for the period are assumed:

Year	2011	2012	2013	2014	2015	2016	Total:
Time factor	-	10%	15%	25%	35%	15%	<b>100%</b>
Number of companies promoted	-	3	5	8	12	5	<b>33</b>
Success rate	-	80%	80%	90%	95%	80%	<b>85%</b>
Number of companies settled	-	2	4	7	11	4	<b>28</b>

Considering the fact that the NFFX program has been first initiated in November 2011, it is believed that due to the short time no promotion took place in 2011 and therefore it will not be included in the further analysis. Furthermore, in 2012 the program has been in its trial phase, when the number of contacts has been gradually increasing. However, out of these contacts, it is assumed that only 10% of the promotions took place within that year and with the following years the share has been increasing, with most of the promotions taking place in 2015. For simplification reason, the whole period of 2016 will be used in the calculations, instead of the actual project end in May 2016.

Moreover, considering the risk exposure of 15%, it concludes that a total of 28 promoted companies have been successfully established and have growing progress in their business performance in the region and 5 out of the 33 companies have withdrawn from the expansion due to various reasons, such as formal obstacles with authorities, market rivalry, language and cultural barriers or financial difficulties.

As mentioned before, the findings of this paper are based on actual figures out of 9 companies, which are **extrapolated using the straight-line method and mean values** on the remaining 19 companies. Furthermore, it has also been taken into account that the sample provided by the project partners represents the top performing companies which have received the promotion. In order to keep the results as objective as possible and within an optimal probability range, it is assumed that the remaining 19 companies have a slower pace of development and are performing on a level lower than the other 9. Moreover, it is assumed that since all companies are start-ups, they do not make any profits during the first year of their operations. Additionally, in the findings it was discovered that half of the interviewed companies have not yet successfully achieved a positive return on investment. Therefore, it will be considered that only a share of the companies settled would have made profit during the second years of their establishment. These assumptions are later on reflected and supported in numbers in the calculation approach.

### 3.2. General Information about the Company

Within this chapter, the companies with which the team has established contact and conducted the survey, as well as the interview shall be introduced. They represent a number of various economic sectors and countries of origin, therefore the estimations based on the data provided from them cover a wide range of the promotion sectors.

Name	Parent Company	Origin	Business Sector	Legal Form
<b>Fox Velution GmbH</b>	Fill Ges m.b.H	Austria	New Materials, Processing, Manufacturing Engineering	GmbH
<b>REIDEM Warenhandelsgesellschaft GmbH</b>	Shanghai Trust & Young Co.,Ltd	China	Automation/Mechatronics, New Materials	GmbH
<b>Vanadis Power GmbH</b>	Vanadis (Dalian Bolong Holding Group Co., Ltd,	China	Energy Technology	GmbH
<b>CCILP GmbH</b>	Changchung International Land Port Co.Ltd.	China	Logistics	GmbH
<b>IndoCon, Indonesia Consulting RS GmbH</b>	PT Mega Inovasi Organik (IndoCon)	Indonesia	Communication &Sales	GmbH

<b>We-TV Deutschland GmbH</b>	We.TV	France	Internet, E-Media	GmbH
<b>PERANTECH GmbH</b>	Asan Tavazon Asia Co., Ltd.	Iran	Engineering Supply	GmbH
<b>SEIKI Deutschland GmbH</b>	SEIKI Corp.	Japan	Medical Technology, Automotive,	GmbH
<b>ISHIGAKI Europe GmbH</b>	ISHIGAKI Company Ltd.	Japan	Energy Technology	GmbH

To provide further understanding of the operating sectors and product portfolio of the promoted companies, the following three top performing companies will serve as an example:



**SEIKI Deutschland** is a manufacturer of runnerless equipment for plastic and rubber injection molding. SEIKI is committed to engage in global environment

conservation activities to contribute to the world's major issues, such as promoting a low carbon society, a recycling-oriented society, a society coexisting with nature. The headquarter of SEIKI Corporation is located in Japan however it owns also offices in North America, Europe and Asia.

In the year 2015 SEIKI Deutschland GmbH settled down in Nürnberg with the help of NFFX. It has chosen the region Nürnberg/Fürth in order to expand its client base and to explore new markets because of the strong competition in its home market.

The product portfolio of SEIKI Corporation consists of: (Seiki Corporation, n.d.)

- Hot runner (Runnerless system for thermoplastic resin)
- LSR and Rubber Runnerless Molding System
- Controller
- Manifold
- Hot Half



**CCILP GmbH** is the subsidiary of the Changchung International Land Port Co. Ltd located in China. CCILP is connecting China/Europe via Russia by

railway. Thanks to the location in Nürnberg it is now possible to transport container within 15 days from Nürnberg to North China. It is quicker than by ship and cheaper than by air.

CCILP GmbH settled down in Nürnberg in the year 2015/2016. The driving force to move to Nürnberg was exploring new markets, expanding the client base, benefitting from the first mover advantage and finding new talents. The area Nürnberg/ Fürth offers the perfect location for a logistic company such as CCILP, as it has not only an airport and a huge railway system but also a harbor.



**ISHIGAKI Europe GmbH** is a 100% owned subsidiary by ISHIGAKI Company Ltd. based in Nürnberg. It is specialized in the manufacture

and supply of ISHIGAKI innovative range of solid/liquid separation equipment in Europe, Middle East and in the Africa market.

The headquarter of ISHIGAKI is located in Tokyo, Japan. With subsidiaries, offices and representatives it is present in over 50 countries.

Its product portfolio consists of: (Ishigaki, n.d.)

- Filter Press
- Screw Press
- Polishing Filter



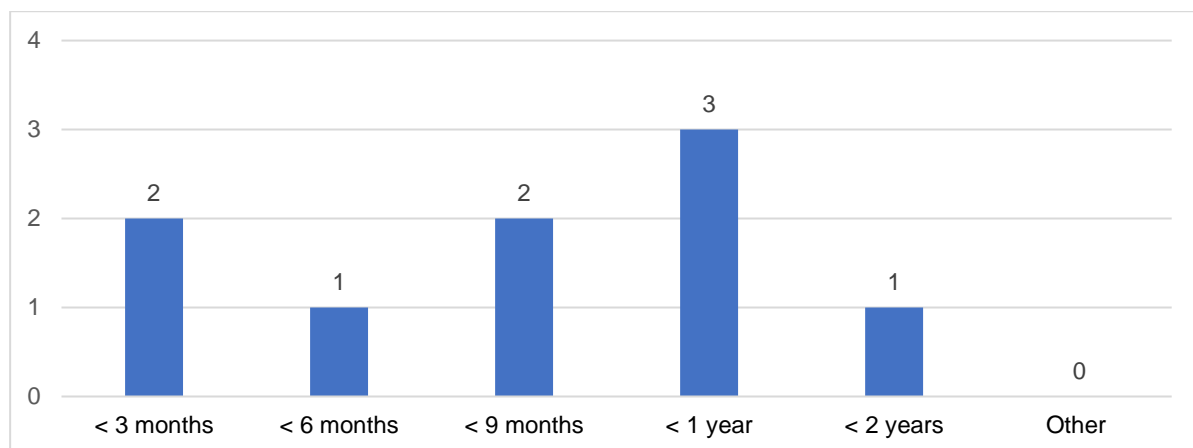
### 3.3. Investment and Expansion Reasoning

When calculating the return on investment for a specific region an element to be considered is the planning and realization of the market entrance as well as the cost figures of the companies connected to it. Therefore, the first section called investment and expansion reasoning shall analyze integral aspects a firm needs to consider when entering a new market. In first place, it shall support the understanding of the firms' reasoning to expand and invest in the area of Nürnberg and Fürth, as well provide insight into the variations in duration concerning the decision-making process and of the expansion phase. Moreover, it shall provide a rough outline to get an overview over the past investment costs, that the businesses have faced when entering into the German market, and the current monthly fixed costs, as well as over the corporations' financial resources needed for covering these expenditures. Thus, the formulated questions of the questionnaire, which were addressed to the nine companies, can be roughly classified into four subgroups: time management, arguments for the choice of location, establishment of necessary divisions, as well as financing and investment issues. For this purpose, the questions regarding this part will not

follow the original order in the questionnaire. How these particular aspects will assist the Wirtschaftsreferat Nürnberg in the evaluation of its program Nürnberg Fürth For Excellence (NFFX) will be covered separately in each of the four fields.

As mentioned above the first subcategory deals with the general time management of firms when entering into the German market, especially when settling down in the metropolitan area of Nürnberg, Bavaria, on the basis of the nine companies in question. The aim was to get an overview over the time span needed for consideration and decision making before contacting NFFX as well as to get an impression of the time period starting from the beginning of expansion until the official establishment.

Thus, to receive particular information the first question asks: *“When did you begin to consider the opportunity of investment in Germany, before establishing contact with NFFX Program?”*.



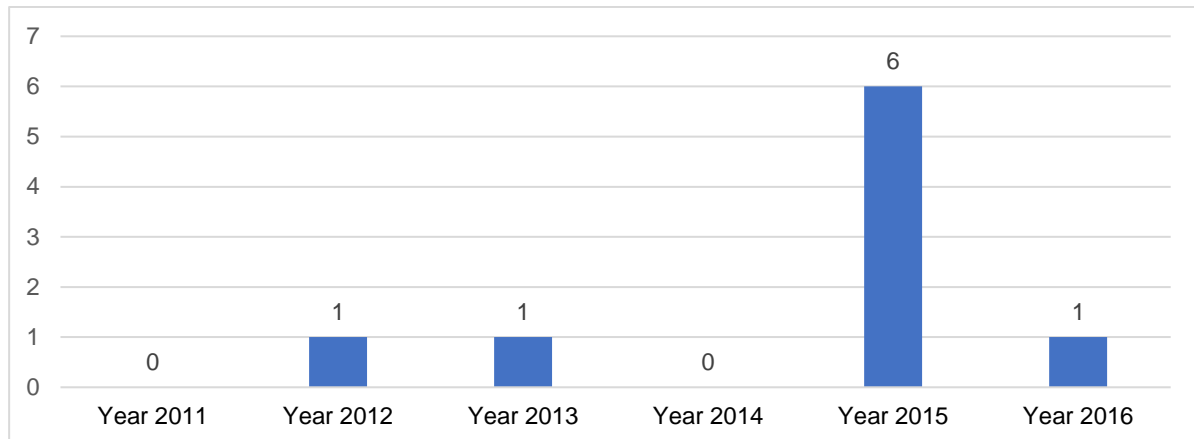
**Graph 4 Q8: When did you begin to consider the opportunity of investment in Germany, before establishing contact with NFFX Program?**

As it can be observed in the graph, six pre-formulated options are given. The answers chosen ranges from less than three months to less than two years. The most frequent choice is less than one year. The answer “< 3 months” is chosen by the corporation originating from Austria and the joint venture firm, as the partner company’s location was already in the region, thus the minor distance to Germany and the non-existent language barrier might be reasons for contacting NFFX relatively quickly in the near short run. When taking a look at the other results the distance seems not to play a role, as a Japanese company only needed less than six months and two Chinese businesses took less than nine months for establishing contact, in contrast to a French company needing less than one year and thus more time for their first approach of NFFX. Therefore, it can be assumed that the distance is not the only reason for the different time spans in establishing the first contact. Also, other aspects need to be taken into account by the companies, which defer the time period, for



example aspects concerning the market/ environment, their product characteristics and organization, as well as personality related elements (Wei, 2017a).

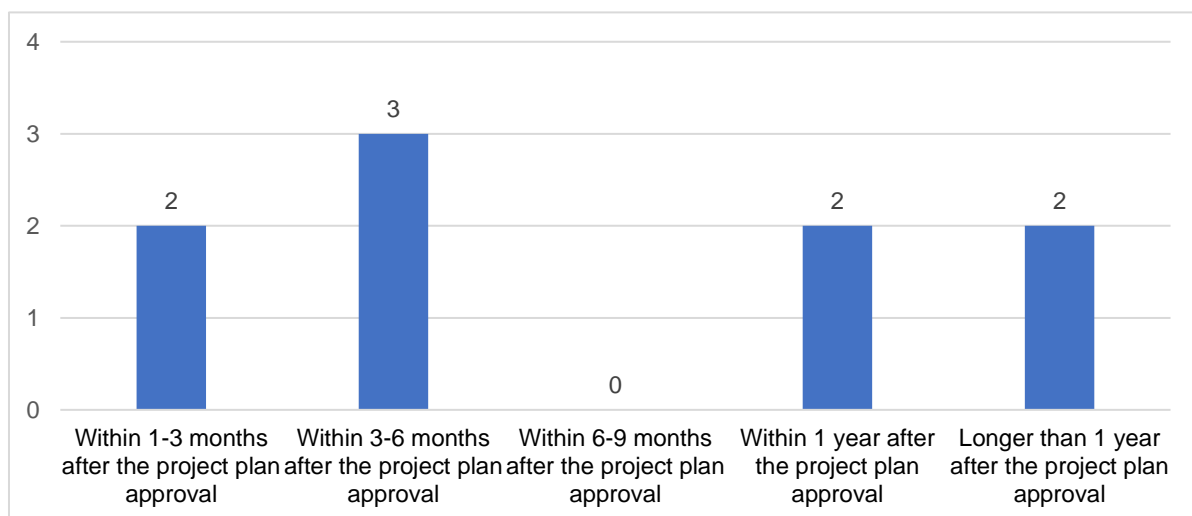
The next question regarding this section states: “*When did the expansion to the area of Nürnberg/ Fürth take place?*”.



**Graph 5 Q10: When did the expansion to the area of Nürnberg/ Fürth take place?**

Again, six options are given for the companies to choose from. The answers are ranging from the year 2011, in which the program began, to the last year of financial support by the NFFX – Business Support Centre 1.0 in 2016. As derived from the chart, in the year 2015 six out of nine corporations were starting their expansion into the metropolitan area of Nürnberg. Only two Chinese firms were already entering the German market in the years 2012 and 2013.

The last inquiry formulated is “*How long did the expansion phase last until the official establishment?*”.



**Graph 6 Q12: How long did the expansion phase last until the official establishment?**

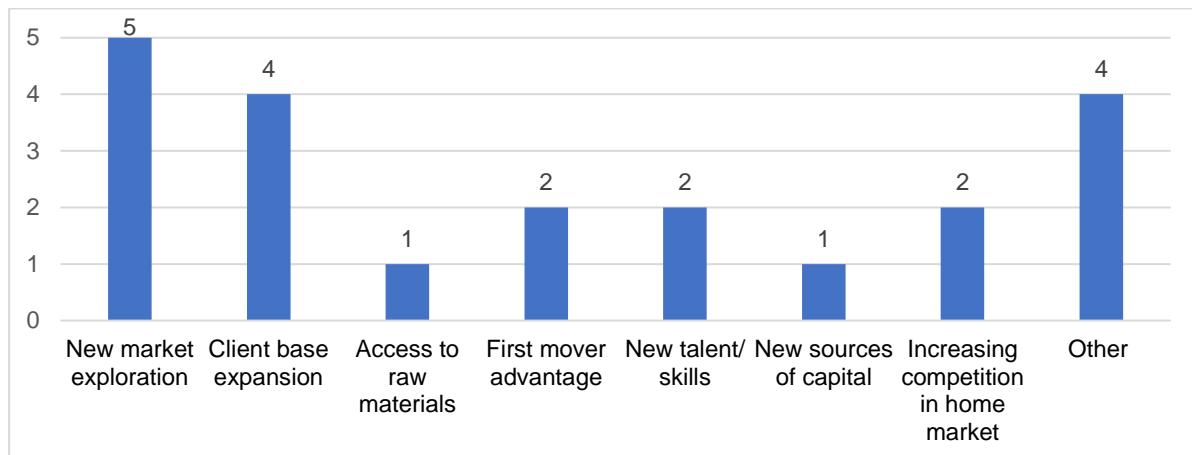


Again, to facilitate answering the questions raised in the questionnaire five answers are provided, enabling the businesses to choose from several time frames encompassing the time beginning from the date of the project plan approval until the final official establishment. Five corporations state that it lasted at least or less than half a year. However, the others' expansion phase took at least more than nine months or longer than one year after the project plan approval, leaving a gap of approximately three months in between those two groupings. The reason for this significant difference is on account of facing smaller or bigger difficulties that have arisen when the firms were entering into the German market. For the ones with a time period of less than half year were confronted with difficulties after the expansion phase, such as cost pressure or customer acceptance, and mainly law and governmental issues. On the other hand, companies needing a lot of time had to deal with severe obstacles within the expansion phase, e.g. opening up bank accounts and immigration office policies. The explanations for these difficulties will be taken up again with more detail later on in the report.

All in all, the first part of the investment and expansion reasoning does offer an overview on the general facts, such as the amount of time needed for the first contact and the start of expansion phase. This data is not taken in need for the calculations, but for the aspect of getting a better insight into the location decision making process of the businesses before getting in contact with NFFX. However, this question needs further investigation and research to give precise arguments on how to address foreign companies and their concerns, as well as on how to shorten in general the amount of time needed for the location decision making process. This knowledge might be able to support the city's competitiveness by improving the communication channels and its advertising strategy. Another but more important objective is to obtain more information in regard to the last question of this subcategory. It is perceived as crucial for NFFX's success to see how long it takes for the firms to start their business after having been granted their financial aid. It demonstrates the amount of time passing by until the actual objective of NFFX is realized, which is to benefit the region with foreign businesses offering new job positions to the citizens, also implying to get something in return from the foreign firms for the financial support.

The second subgroup can be shortly described as the arguments for the choice of location. It is concerned with the major aspects that made the corporations choose Germany, so the country itself, and especially with the focus on the metropolitan area of Nürnberg for setting up their business. The objective of the two questions is to get a better understanding of the reasons behind their expansion into the German market.

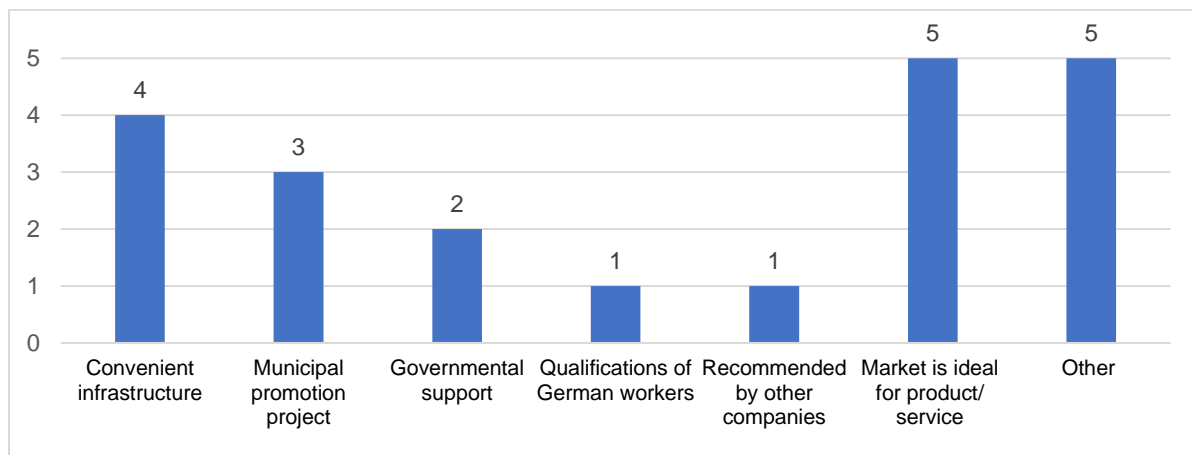
The first question that is asked in that regard is: *“Which are the arguments behind the expansion into the German market? There could be more than one answer possible.”*.



**Graph 7 Q9: Which are the arguments behind the expansion into the German market? There could be more than one answer possible.**

The first seven answers are pre-formulated, however the last option “Other” provides the companies with the possibility to name additional arguments that were essential for them to choose Germany as their new location. The main arguments chosen are “New market exploration”, which is ticked by five firms, and “Client base expansion”, which is selected four times. The aspect of exploring new markets is assumed to become even more important in the future on account of several reasons. The accelerated process of globalization is one of them, which can be observed in today’s world policy by concluding trade agreements such as CETA or the one between the European Union and Japan. Furthermore, corporations originating from Asian countries, especially China and India, seek to invest in developed countries to achieve a better access into the European market (Wei, 2017b). This phenomenon can be observed as three of the surveyed companies have their origin in China, two are from Japan, and another is a joint venture formed on account of the cooperation of a German and Indonesian corporation. Moreover, as it can be derived from the graph, four out of nine firms state additional aspects, which are the following: Lower cost than in the originating country with at least the same level of quality, method to penetrate European market, a joint venture consisting of an Indonesian company and a German business already located in the area, as well as the opportunity of working within or together with an existing R&D network.

The next question aims more specifically at the reasons for selecting the region and thus asks: *“Which were the reasons behind the decision of investment in the state of Bavaria and particularly in the area of Nürnberg/Fürth? There could be more than one answer possible.”*.



**Graph 8 Q11: Which were the reasons behind the decision of investment in the state of Bavaria and particularly in the area of Nürnberg/Fürth? There could be more than one answer possible.**

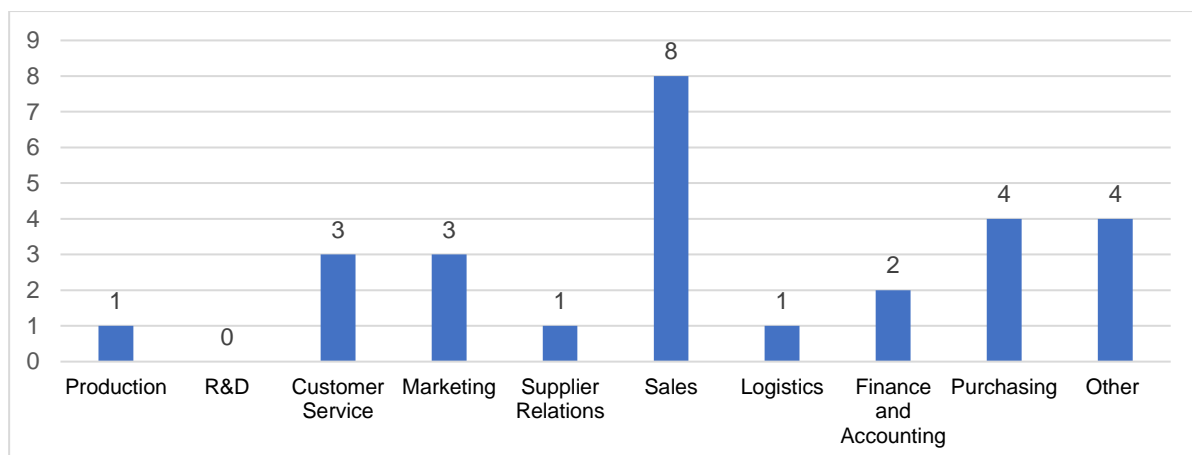
Again, six choices are already provided to the companies, but again the last option “Other” can be used to specify and individualize the answers, if needed. The most frequent arguments are the “Market is ideal for product or service offered”, which is chosen by five firms, and the “Convenient infrastructure”, which is marked as important by four corporations. The latter is a significant reason, which is assumed to be also in the future a driving force for Nürnberg. As the metropolitan area is located central in the European Union, it is a convenient and advantageous location for foreign businesses having the desire to penetrate the European market. Moreover, this aim is supported by the availability of various transportation routes, such as important highways connecting integral European cities, railway tracks, important waterways like the Main-Danube Canal and air cargo on account of the Albrecht Dürer Airport Nürnberg, which is closely located to the city (City of Nuremberg – Office for Economic Development, 2014). As an outlook, the factor “Qualifications of German workers” is supposed to become more integral in the decision-making process of companies as well. But this will be covered in more detail in a later section of the report. Additionally, five out of nine firms mention additional arguments for them to choose the metropolitan area of Nürnberg as their final location of business. These are the good cost level in comparison with other towns, personal reasons or preferences, e.g. in regard to the language, and the location of either the partner company or of the former sales representative.

Summarizing the second subcategory of the section investment and expansion reasoning, it can be derived that Germany in general is of significant interest for firms, as it provides them with a new market to explore and with the opportunity to enhance its customer base, both leading to the higher objective of increasing profits. As Germany is a highly developed country, implying higher production costs, in general outsourcing and cost reductions are not

the underlying goals, however it still can be achieved by businesses as seen by the individual answer “Lower cost than in the originating country with at least the same level of quality”. The area of Nürnberg and Fürth was specifically chosen based on the fact that the market is ideal or at least suitable for the products or services offered by the respective companies. The convenient infrastructure as well as in third place the municipal promotion project NFFX – Business Support Centre 1.0 are essential elements for the corporations to select the region. This set of data is also not used for the calculation of the return on investment, however provides important information about the motives of the firms and again about their decision-making process.

After having covered the aspect of time management and arguments for the choice of location, now the subgroup concerning the establishment of necessary divisions by the foreign companies in the area of Nürnberg and Fürth has to be considered. Its objective is to provide information on the type and number of departments established.

Based on the need for more information in this regard, the question reads: *“What type of divisions or departments have been established in the area of Nürnberg and Fürth?”*



**Graph 9 Q13: What type of divisions or departments have been established in the area of Nürnberg and Fürth?**

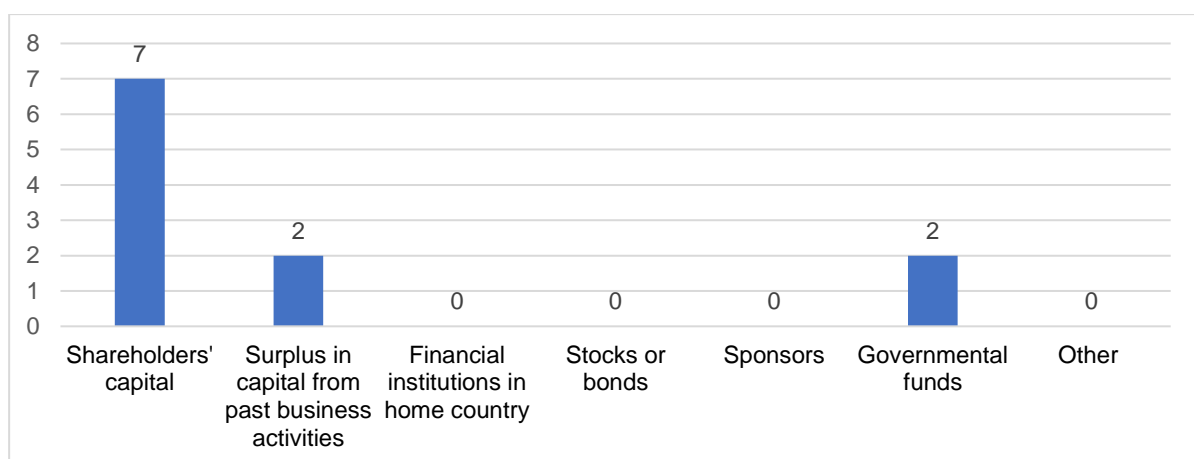
Ten pre-formulated answers are offered encompassing a broad range of common departments the corporations are able to choose from including the answer “Other”, which is leaving room for naming additional divisions established by the foreign businesses. The most popular choice was “Sales” being selected by eight out of the nine corporations, followed by the option “Purchasing” being elected by four firms. Taking another point of view, it can be derived that each company established on average three departments. Furthermore four additional divisions were mentioned, which aren’t comprised in the above listed categories. These are international affairs, project support, communication and maintenance. In the future, some firms plan to further expand their business activities in the area of Nürnberg and

Fürth, such as the creation of an administrative center or the cooperation with production facilities.

The implied needs for employees, offices, production facilities, as well as additional fixed and variable costs may be derived by taking into account the number of created departments of the surveyed firms. However, as the survey sent to the companies includes various questions covering integral aspects such as expenditures, financial performance, employment and network connections, this segment is more important for having an insight over the variety of departments established in the region by the different businesses rather than for considering it to be part of the calculations. Besides the present aspect this section already provides a brief outlook concerning the prospective expansion plans by the different businesses. These developments will imply additional benefits for the region, as they entail more job positions needed to be filled by locals and financial gains for other local production companies. However, this will be taken up again and explained in more detail later on in the report in the next section called business and financial performance.

Eventually, the last subcategory shall be covered, which can be described as financing and investment issues. The purpose of this section is to learn more about the costs that the firms face when entering a new market and need to cover on a monthly basis, providing essential data for the calculations on the return on investment for the area of Nürnberg and Fürth.

Before discussing the results concerning the expenditures, it is important to understand the financial background of the companies. Thus, the first inquiry asks: *“Through which type of source was the investment financed?”*

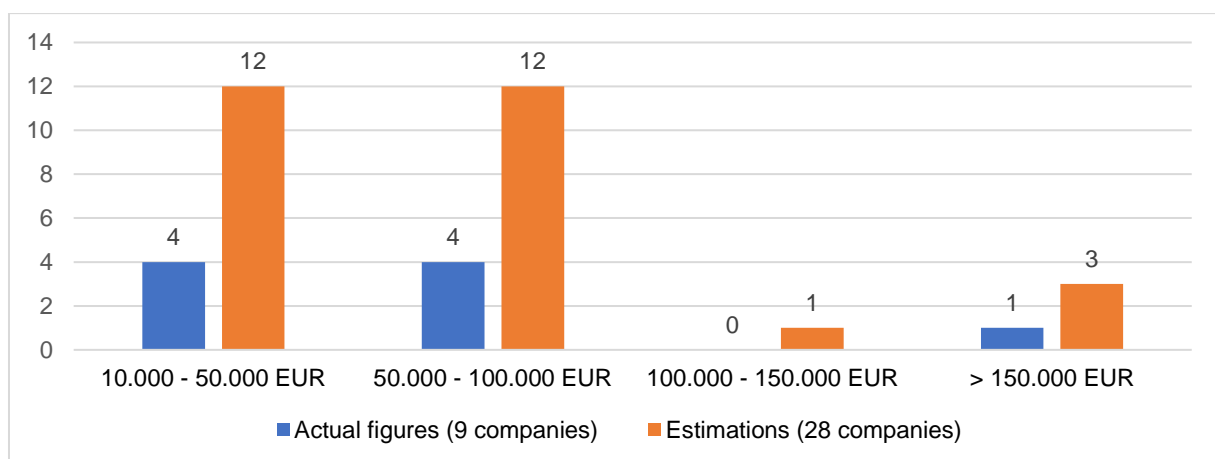


**Graph 10 Q15: Through which type of source was the investment financed?**

The six choices given to the companies can be separated into two fractions. On the one hand, there is internal financing describing the situation in which the foreign investment is based on the firms' own shareholders' capital or on surplus in capital from past business

activities. On the other hand, exists the option of external financing, which is described by the possibility of making use of financial institutions in the home country, sponsors, governmental funds and stocks or bonds for supporting financially the goal of setting up a business in a foreign country. Based on the results obtained from the questionnaires, seven companies made use of their shareholders' capital for investing abroad and two other firms had sufficient amount of capital left over from their past business activities, so that it could be used for their expansion plans. As indicated before these two aspects fall under the category of internal financing and therefore demonstrate the clear preference to external financing. Only two corporations additionally mention the aspect of benefitting from governmental funds by their home country.

The second question addresses the necessity for data in regard to the initial investments needed for the calculations on the return on investment for the metropolitan area of Nürnberg. Therefore, it says: *"Under which range would you assign the initial investment into the establishment (e.g. travel costs, registration taxes, formalities etc.)?"*

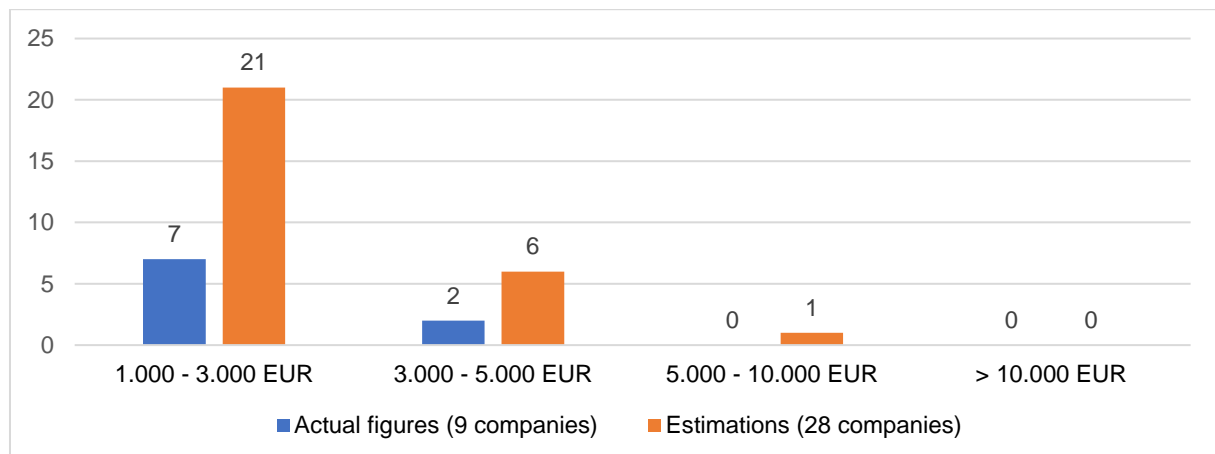


**Graph 11 Q14: Under which range would you assign the initial investment into the establishment (e.g. travel costs, registration taxes, formalities etc.)?**

Due to the concern that the firms might not be willing to provide explicit private data regarding their initial expenses, asking for specific numbers is avoided and instead ranges of up to 50.000 EUR are introduced with the aim to raise the corporations' willingness to cooperate. Based on the results of the questionnaire by the nine companies the range of 10.000 EUR to 50.000 EUR, as well as the scope of 50.000 EUR to 100.000 EUR are the most common, except for one business stating to have used more than 150.000 EUR for its initial investment. The estimations were developed on the basis of 28 companies, as the reason is explained in an earlier part of the report. Taking into account the given answers by the surveyed corporations and making projections for the 28 firms, the average amount for initial investment is derived to be 50.000 EUR per business, which was discussed and

ratified by Prof. Dr.-Ing. Wei. Thus, this value will be used as an essential input factor for the return on investment.

The last question of the subgroup financing and investment issues concerning the section investment and expansion reasoning asks for the expenditures firms face per month, so it reads: *“Under which range would you assign the monthly fixed cost for rent, electricity, utilities, etc.?”*



**Graph 12 Q16: Under which range would you assign the monthly fixed cost for rent, electricity, utilities, etc.?**

As the graph gives away again ranges are used for the four available options based on the same reasoning given for the question regarding initial investment. The various ranges given are 1.000 EUR to 3.000 EUR, 3.000 EUR to 5.000 EUR, 5.000 EUR to 10.000 EUR and above 10.000 EUR. Seven out of nine companies have chosen the first option stating expenditures being below 3.000 EUR. The other surveyed firms state to have a slightly higher monthly fixed cost ranging from 3.000 EUR to 5.000 EUR. The estimations are obtained by considering the results of the nine corporations being interviewed and extrapolating it for the succeeded 28 businesses, which are leading to the results visualized in the graph. Aligning with the obtained results and as discussed with Prof. Dr.-Ing. Wei the average fixed cost per month is assumed to be in the ranges of 1.000 - 3.000 EUR, which will be taken into account for the calculations on the return on investment of the program Nürnberg Fürth for Excellence (NFFX).

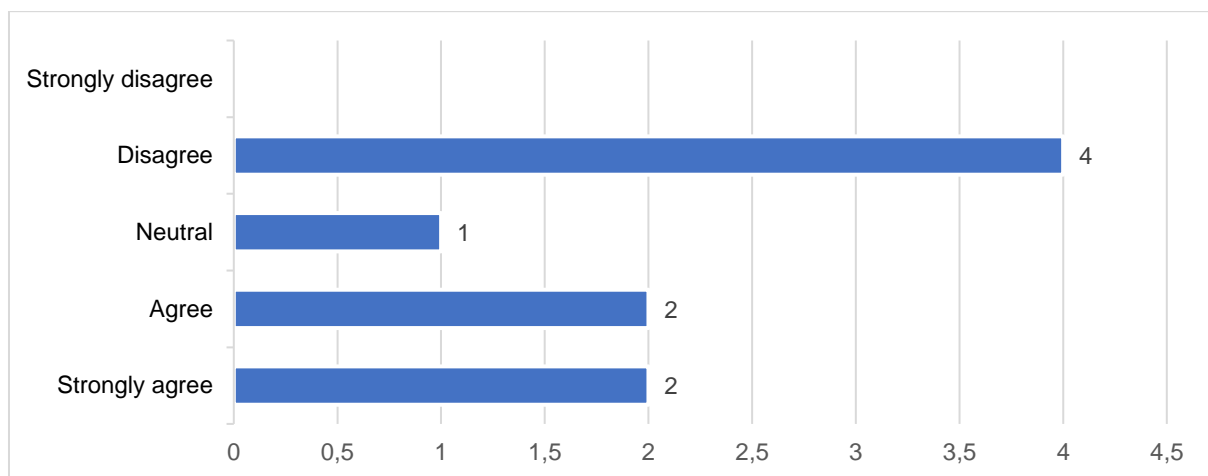
All in all, the last subcategory financing and investment issues encompasses monetary elements such as the starting capital and the fundamental costs to bear, which are integral for companies wanting to establish business in another country. These cost figures are also of importance for the specific regions in this case the area of Nürnberg and Fürth, as they form the firms' first financial return to the cities and their communities. Therefore, the focus is specifically put on the sources for investment capital, as they are important for the long-term

success of the business abroad, and on the initial expenditures needed for the establishment and on the monthly fixed costs including the expenses for rent, electricity, utilities and more. The underlying objective is to receive integral information about the corporations' financial background and feedback regarding their cost figures, which are of interest to the project partners of NFFX and needed for the further development of the project in the manner of supporting the calculations on the return on investment. The outlook concerning the NFFX Business support center 2.0 and the resulting variations in corporations' investment and monthly fixed costs were left out due to the reason of going beyond the project work's framework and the lack of information and data to prove the underlying assumptions.

### 3.4. Business and Financial Performance

This section of this report is to evaluate the business performance of the surveyed companies. All results shown below are directly extracted from the surveys distributed to the participating companies.

- **Performance on Return on Investment**



**Graph 13 Statement to Q17: We have achieved a satisfactory return on investment until now**

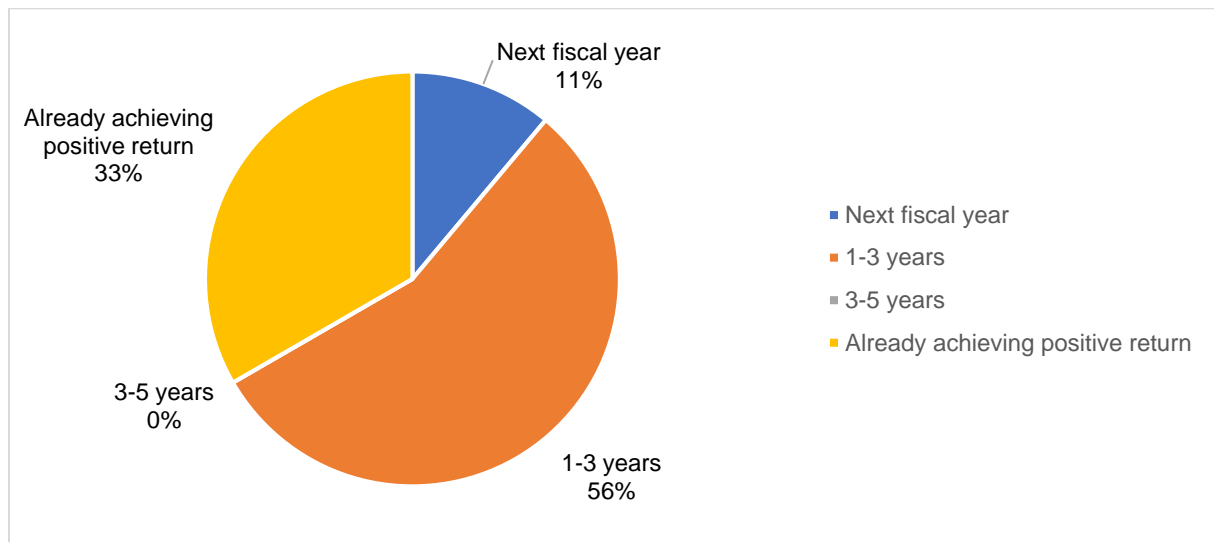
The diagram shows how satisfied the companies are with the return on investment they have achieved so far.

It clearly shows that more than half of the companies are dissatisfied with their return on investment and still struggle to achieve a positive one. However, these figures do not come as a surprise given the fact that the companies surveyed still are in their infancies and getting back the money invested takes time and effort. Yet, none of the companies seemed pessimistic about their future when interviewing them. For many of them, they could not as



quickly as desired reach their target revenue as they came across several obstacles, e.g. unforeseen competition, different market structure or higher than expected costs.

- **Period in which companies hope to achieve a positive return**

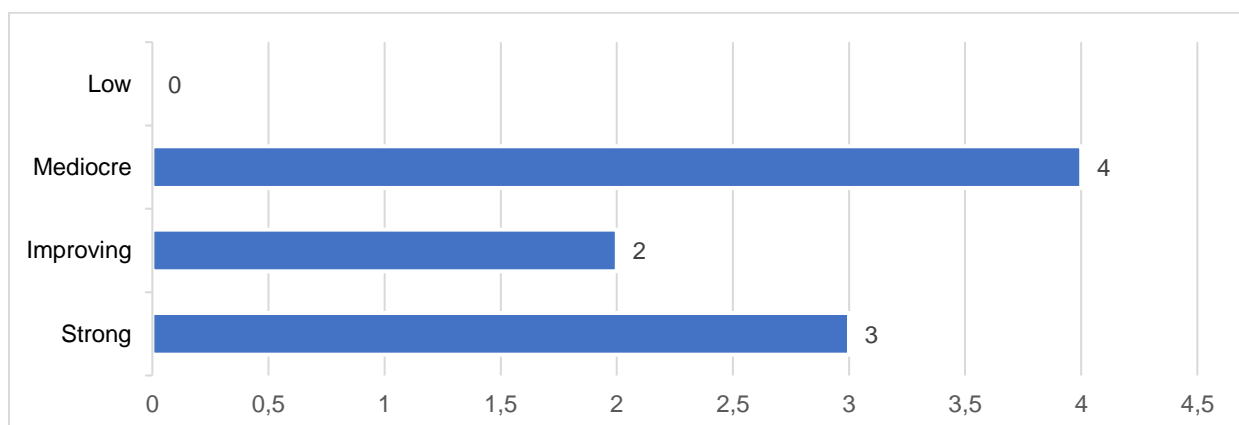


**Graph 14 Forecast on positive RoI to be achieved in:**

Even though most companies were dissatisfied with their current return on investment, they were still optimistic with approximately 56% saying that they expect to achieve a positive return on investment in the next 1 to 3 fiscal years. That is a very promising outlook for the companies as they all sound quite optimistic about themselves staying here for business.

This optimistic outlook is just as important for the success of the NFFX project since companies that will not achieve their targets will sooner or later go out of business and thus negatively affect the profitability and success of the project to the region.

- **Overall business performance**



**Graph 15 Business performance evaluation**

Evaluating the business performance of the companies, almost half of the companies estimated their performance as mediocre.

Contrary to that, more than 50% saw an improving or strong performance. This means that most of the companies see potential in the business region Nürnberg/Fürth.

The benefit of a strong business performance is that as more and more companies get wind of the profit potential, the more companies will come to this region and thus be beneficial for local citizens as more jobs will be created and more services will be rendered to them.

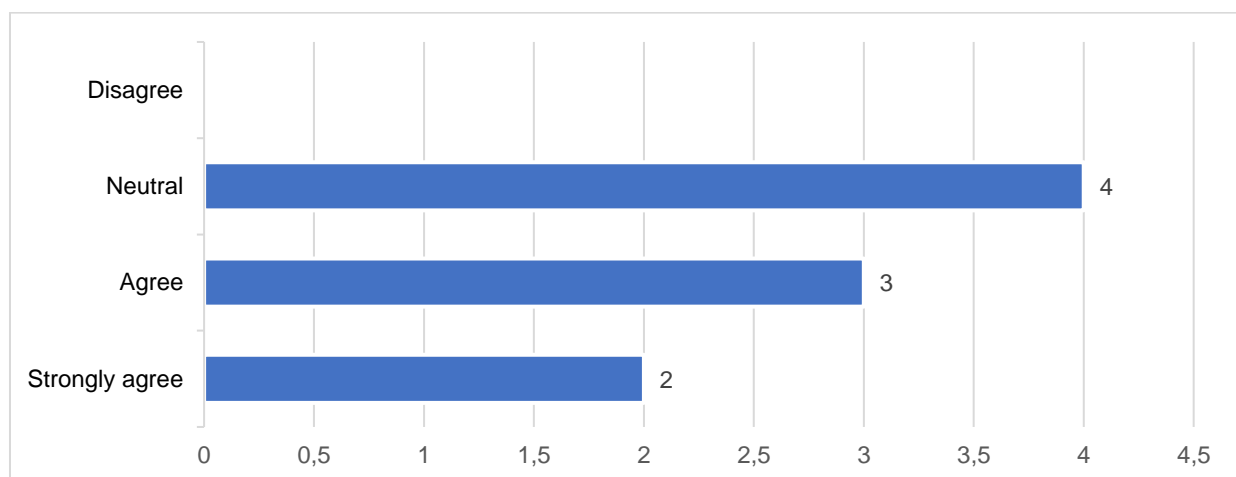
However, especially one company was pointing out to Nürnberg not being competitive in terms of airfreight. It was argued that it was extremely difficult to import or export goods to Asia and hence Nürnberg was not as competitive as other German cities such as Hamburg or Frankfurt.

All in all, the companies were more than happy with the possibilities of the business region Nürnberg and saw a future for their companies.

This number looks promising if one takes into consideration the fact that the project is still very young and thus companies have not yet had many years of business here in Nürnberg.

When interviewing the companies, the team got a positive impression of the companies and they all seemed to believe in a bright future of their subsidiary in the region.

- **Business relationships with local suppliers/companies**



**Graph 16 Statement to Q17: We have built up strong business network in the region**

Quite beneficial for the business region of Nürnberg is the fact that most of the foreign corporations have created a business network with local companies such as Siemens.

This means that local companies will benefit from an increase in incoming orders and thus boost their own business performance. They (local companies) could even go further and forge relationships across-borders and expand their supplier network.

However, some companies found it difficult to establish a business relationship, be it because of lack of suitable local suppliers or lack of competitive prices.

A company also pointed out to the fact that negotiating prices in Germany is almost impossible as local companies have a prearranged fixed pricing list which leaves them with no power to negotiate prices.

However, the previously mentioned is not necessarily a drawback of the business region or Germany in general but a mere fact of a discrepancy between cultural backgrounds.

Those that were able to establish a relationship with local firms were quite content with the amount of support they received.

- **Major difficulties of international investment**

All companies agreed that the immigration policy and getting all formalities sorted out was one of the biggest hurdles of entering Germany.

They equally found it difficult to open a bank account in Germany as countless of forms needed to be filled out and handed in. It was also criticized that the lack of English knowledge of bank employees made things even more complicated than they had already been.

In addition to that, local banks were only trained in doing national business, however, when a company asked for issuing a letter of credit as a means of payment, the bank referred them to their affiliate bank in Munich which could only cope with this matter. This means that in order to be more attractive to foreign companies, local banks need a better knowledge and understanding of international transactions and means of payment.

Another bank related issue was the excessive bank fees for transferring capital from China to Germany. Especially for Chinese companies it was difficult to understand the German market which made the beginning rough and bumpy as German business is very different from the Asian way of doing business. Asian companies also had to quickly adapt to the different practices in Germany.

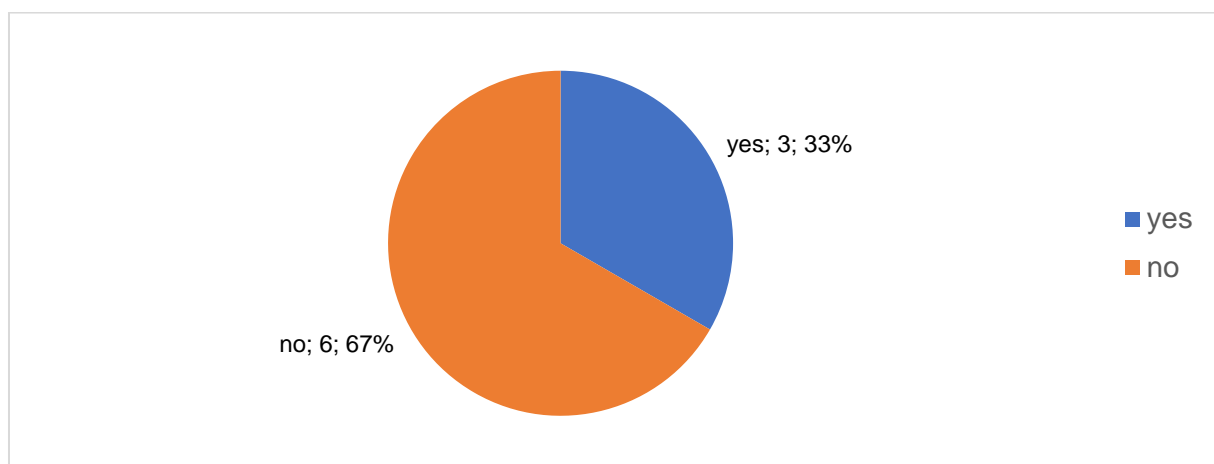
Nevertheless, this may not to be considered as a huge hurdle or drawback of coming to Germany since each country has its own culture and business behavior and thus it is the

foreign company's obligation to collect information on the target country upfront and to quickly adapt to local manners and behavior.

A Japanese company mainly exporting their products from Germany to Japan found the comparatively low-price level to be a major problem. This caused them difficulties as their products are very pricy compared to others. Hence, they have a high pressure on finding cheap suppliers in Europe to be able to push prices down and thus remain competitive in the German market.

Furthermore, a company entering the already saturated market was faced with a big challenge of staying competitive. When entering the market, they realized that 30 competitors already existed in the market which made it impossible to get a lead in the market by effective pricing as influencing the market price was not possible.

- **Cooperation of companies with educational institutions**



**Graph 17 Q23: Have you established cooperation with local educational institutions, such as high schools and universities?**

The cooperation with local educational institutions such as the Friedrich-Alexander University or Technical University of Nürnberg was fairly dissatisfying as only one third confirmed that they had connections to local educational institutions.

These international companies might be of special interest to these universities given the fact that both of them offer the study program "International Business".

One of the companies said they had already found a local student that would have written their thesis with them, but the university bailed out last minute and thus left student and business with nothing at hand.

It might need an effort on both sides: for once, the universities might need to get in direct contact with the new companies and the international companies might need to actively seek for “new blood” for their business.

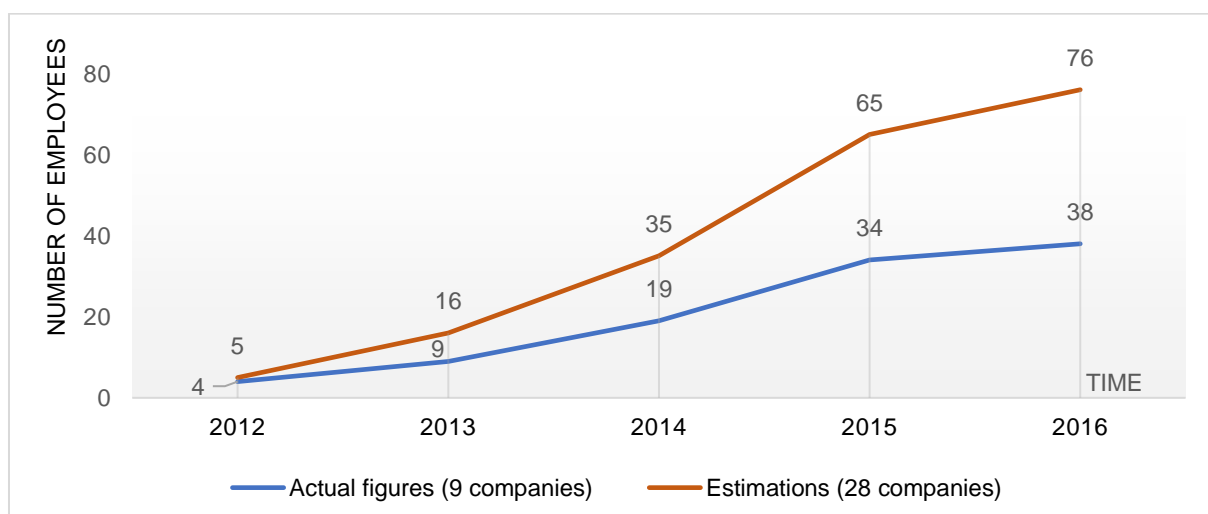
These international companies could be a great job opportunity for business studies graduates. So, if the relationship between universities and international companies can be strengthened, not only the graduates but also the companies would benefit from that.

### 3.5. Human Capital Status

In this category, following factors shall be explored:

- Number of employees at the time of the settlement then and now
- Remuneration and fringe benefits
- Age structure
- Employee skills
- National to international ratio
- Recruitment channels

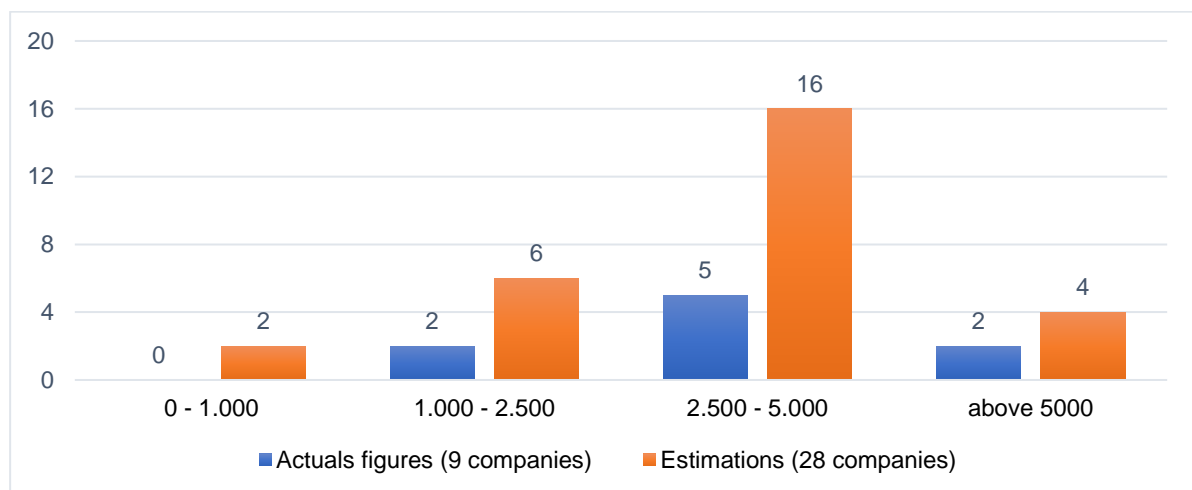
Beginning with the most significant factor, namely the number of workers employed as a result of the expansion, the actual figures from the 9 surveyed companies reveal that an average of **1,5** people were hired at the beginning of the settlement which sums to a total of **14** people. Currently, these 9 companies are employing **38** people, which is the solid proof of employment increase by round about **37%**. This leads to a new average of **4,3** people. Out of these two averages, a mean of **2.7** employees is calculated as a realistic variable, considering the diverse total performance levels of the different companies. Extrapolating this number over to the total of 28 companies, the total current employment increase of **76** people has been calculated. Aligning these numbers with the time factors, the employment development can be depicted as follows:



**Graph 18 Employment development**

The second factor is considering the remuneration and the special benefits provided to newly hired employees. As the aspect of remuneration includes internal information, ranges of possible amounts were assigned, out of which the companies could choose from. Nevertheless, some of the companies were reserved with regard to this information, as it directly concerns the remuneration of the managers and directors of the company.

As displayed on the graph below, none of the interviewed 9 companies provides salaries under 1.000 and only 2 of them perform in the middle range of 1.000 – 2.500. The majority of them provide monthly salaries in the range of 2.500 – 5.000 EUR. Two of them inclined that the question directly concerns managers' income, therefore they would not like to specify the amount and for the case it is assumed it covers the range of above 5.000 .



**Graph 19 Ranges of employee remuneration**

Out of these actual results, a mean of 3.300 EUR/month or round about **40.000 EUR/year** per employee will be taken, which will be later on implemented into the calculation method.

For the estimations on the total of 28 companies, a similar procedure is assumed, considering the fact that the companies are all start-ups and require experienced professionals and field experts to handle the expansion process. However, it is also considered that some of them might utilize the freelance or part-time services as to handle fluctuations in demand or effort required, therefore 2 of them are assigned in the range up to 1.000 EUR.

Having the international aspect in mind, the interviewed companies have presented a highly flexible and modern managerial model, with the employees being perceived as the main asset of the company and the main focus is the nourishment of their competences by providing a number of fringe benefits. These benefits provided by most of the companies include flexible working hours, home office, on- and off-the-job trainings and of course bonuses and paid holidays.

As mentioned above, for the establishment of the subsidiary it was been required professional workforce on a significantly high career level. These findings have been further supported by the age structure of the employees. 5 out of 9 companies confirmed that the average age of their workers is between 29 – 39 years old and the remaining 4 companies cover the range of 39 – 59 years old. Furthermore, 7 out of the 9 companies have Bachelor or Master degree as a prerequisite for the recruitment.

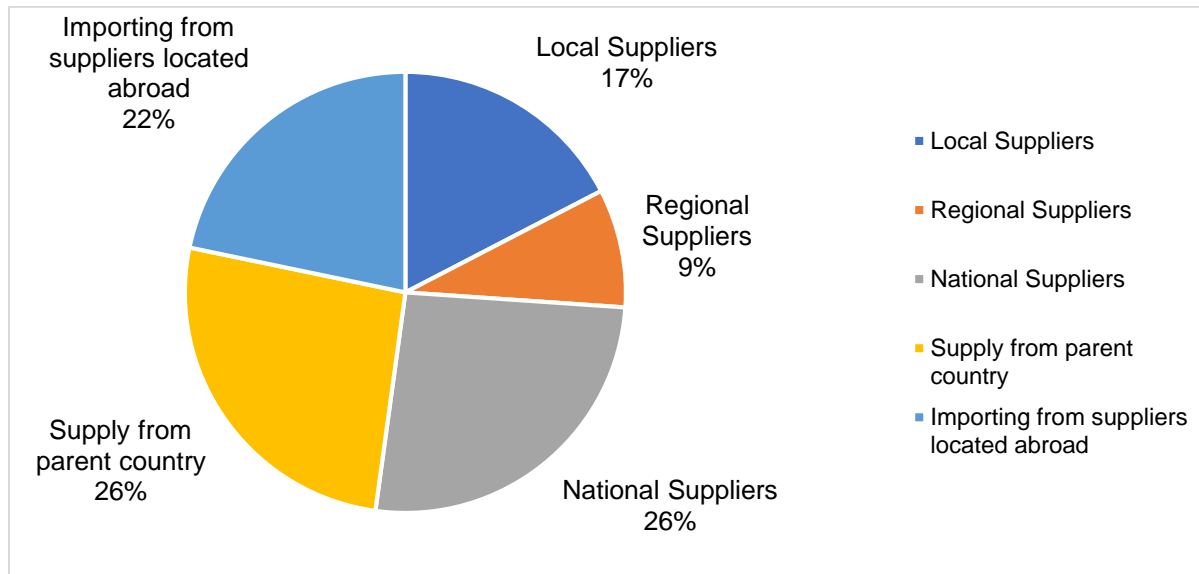
Coming back to the international aspect, from the actual figures it has been weighted out that the national to international ratio is 30/38. The companies were also required to explicitly specify if the family members also joined in the relocation process and in most of the cases there has either been no direct relocation (such as in a case of joint venture) or solely the project managers were involved.

Naturally, the language skills required for the positions are quite diverse, with German and English as a main prerequisite as well as the language, in which the mother company operates. Due to this diversity, it has proved to be a challenge for some of them to find the suitable candidates for the open positions.

Currently, in 6 out of 9 companies there are open positions and 3 have already established connections with educational institutions as a recruitment channel. On the other hand, 6 companies also trusted the task of recruitment to specialists of job agencies or have promoted the open positions on the official webpage of the company.

### **3.6. Network Connections in the Metropolitan Region of Nürnberg**

One important factor to measure was the relationship between local companies and the foreign companies already settled in Nürnberg. Attracting Foreign Direct Investment is expected to have several benefits and advantages, such as the introduction of new technologies, marketing and management skills. Although these benefits are viewed as important, particular emphasis is placed on the contribution of FDI to increasing productivity and competitiveness of the domestic industry (Javorcik, 2004, p. 605). A big part on these increases in productivity and competitiveness goes strongly linked to the connections and cooperation the current promoted companies have with local or domestic companies. In order to measure and forecast domestic industry productivity resulting from the demand of the foreign companies, the survey prepared by the team covered questions to see how the cooperation between local and foreign companies is developing.



**Graph 20 Location of main suppliers**

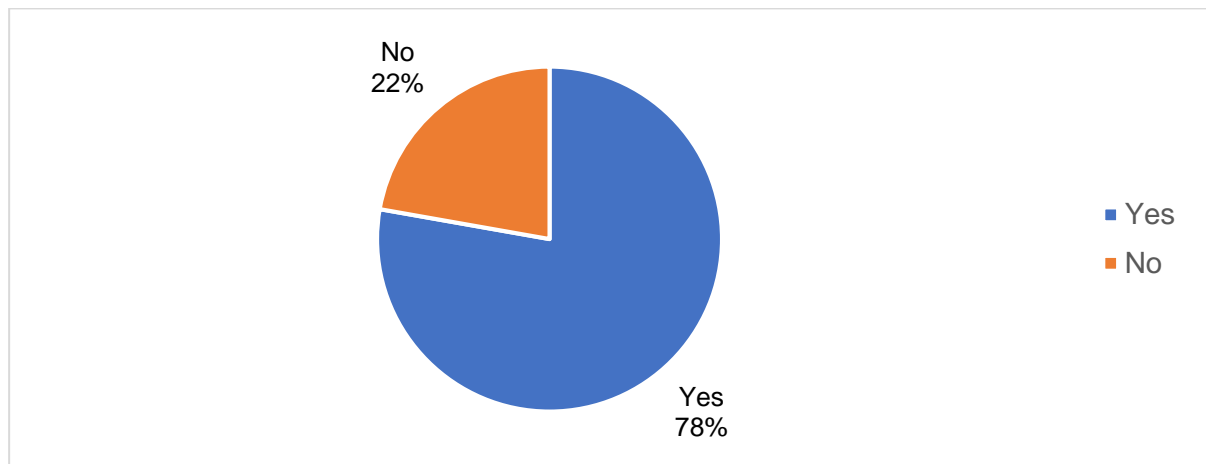
Taking into account the local, regional and national suppliers, a positive result in regards with supplier cooperation can be observed. Suppliers located inside of Germany account for 52%, and from this number 17% of the suppliers are located in Nürnberg. Since all the companies founded by NFFX belong to different industry sectors, they have different demands in regards of materials, quality and services. All the components, material and services demanded can create new market opportunities for local companies, encouraging local suppliers to increase quality, output and productivity. The increase in volume and variability of products and services leads to an overall improvement of the market's quality and size (International Monetary Fund, 2015). Furthermore, productivity and efficiency can benefit from collateral effects resulting from the transfer of direct knowledge and higher quality requirements (Connect Americas, 2012).

However, it is important to consider that even though more than half of the suppliers are German, 48% of the companies' suppliers are located abroad. From the interviews held with the nine companies, the team concluded that the firms are indeed using local, regional or national suppliers, but for some of them their primary supplier is still their parent company. The reason behind this could be to reduce the risk of spillover of knowledge or because some components, materials or services needed are not yet offered by local suppliers.

Nevertheless, the survey performed to the nine companies also showed that most of the companies, namely 78%, are planning to join in cooperation with more local companies. This cooperation will involve strong network connection with local suppliers, distributors, research and development partnerships and strong connections with the main local competitors. Considering a big number of the companies were established in the year 2015



and that most of them already work with local companies, it can be estimated that the cooperation will continue to increase and the region can certainly benefit from it.



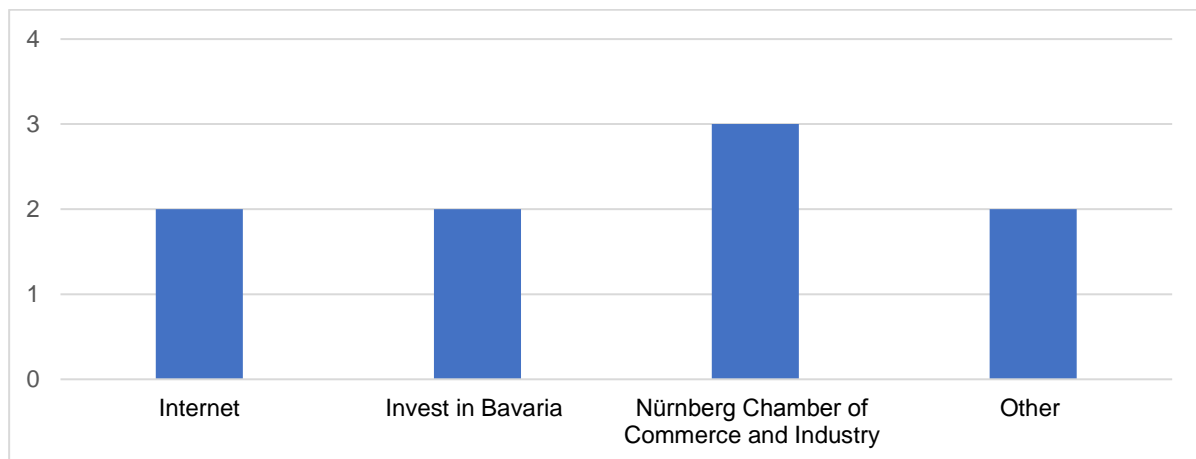
**Graph 21 Q39: Have you considered joining into cooperation with local companies?**

Moreover, technology-driven services and the cultural and creative sectors are becoming more and more relevant in the region. Competences in key cross-sectional technologies including digitalization, embedded systems and power electronics demand for innovation across industries. As an economic region, Nuremberg has succeeded in meeting the demands of global markets with key future-oriented technologies. The strengths of the European Metropolitan Region of Nuremberg lie in the IT, transportation, automation, medical, healthcare, energy and environmental industries (NFFX Business Support Center, 2016). This represents an assurance that suppliers will meet demands of the foreign companies driving the current number of local, regional and national suppliers (52%) to grow.

### **3.7. Evaluation of the support received by NFFX – BSC 1.0**

The service provided by NFFX goes beyond the financial funding, companies benefit from the support and administrative services as well. The implementation as well as performance of the support provided by NFFX is an essential part that had to be evaluated. Mainly because the evaluation can provide lessons, highlights of significant accomplishments or the program potentials and offer recommendation for improvement. Allowing NFFX to take into account all these points to assure a better implementation of the second phase of the project. In the following graphics and paragraphs it will be illustrated the overall performance in accordance of the nine companies interviewed.

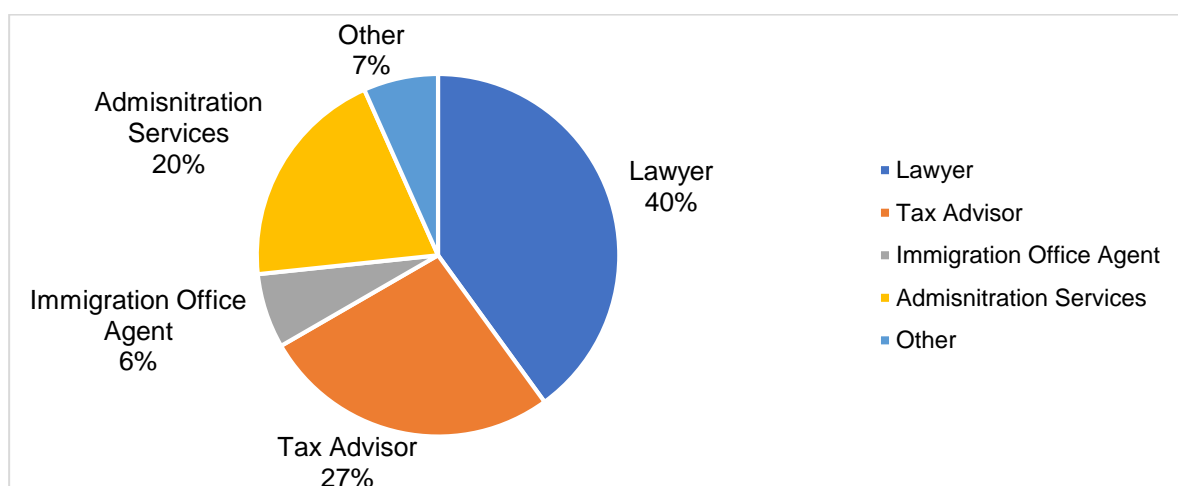
- **Promotion channels**



**Graph 22 Q40: How did you find out about NFFX – Business Support Center?**

The promotion and communication of the project was done through different channels. The main objective is to reach companies that can be part of Nürnberg's growing economic sectors. Concluding from the graphic above it can be stated that all the communication channels have proven to be efficient, especially the Nürnberg Chamber of Commerce. Furthermore, from the personal interviews the team has found out that one of the main sources was the word of mouth. Some of the companies have become aware of the project during events or through contacts. Continuing spreading and communicating what the project is about through the right people can definitely result beneficial for reaching the appropriate companies in the future.

- **Services provided by NFFX**

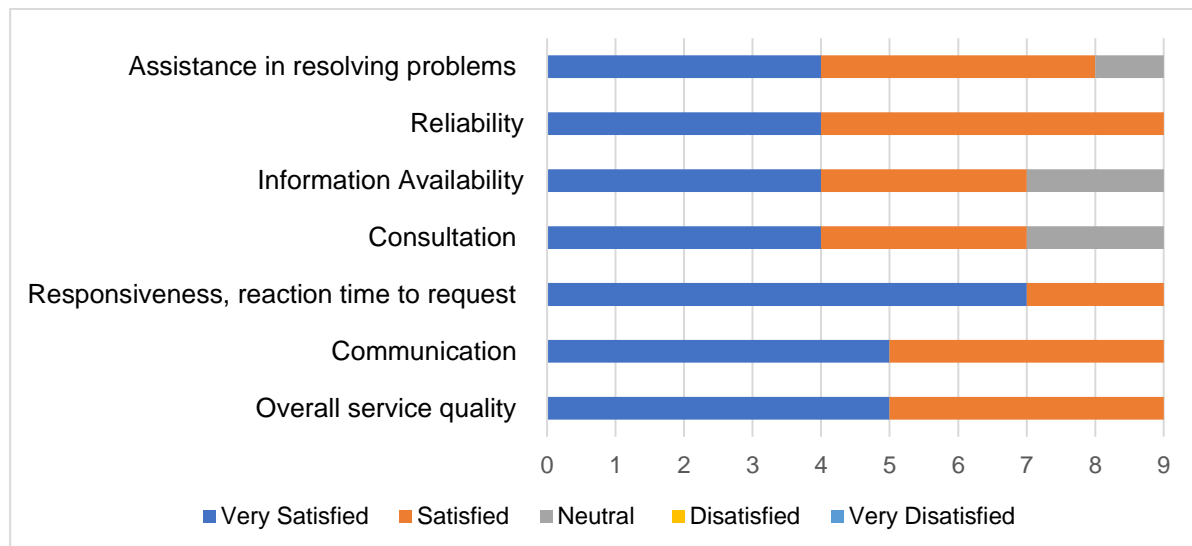


**Graph 23 Services provided by NFFX that companies used**

The services NFFX provides include lawyers, tax advisors, immigration office agents and administration services. From the results of the surveys it can be derived that the most used service is lawyers (40%) followed by tax advisors (27%). Nonetheless it is observed that all

the services are used by the companies. Furthermore, around 78% of the companies are still in use of the services acquired at the beginning, meaning they are essential not only at the beginning stages but also during the daily business activities.

- **Evaluation of services and support provided**



**Graph 24 Companies' Satisfaction**

For the implementation of the second phase of the project the quality and performance of the first municipal promotion is of great significance. The different points to measure the companies' satisfaction towards NFFX are illustrated in the graphic above. All the points listed rank from 'Very Satisfied' to 'Satisfied', leading to the conclusion that the overall performance, support and quality of the service provided by NFFX is remarkable. NFFX mostly excels on being reactive and responsive to requests and consultation from the companies, proving the existence of an essential pillar of support for the companies whenever they have inquired or confronted difficulties. Moreover, companies agreed, that one of the most beneficial aspects about the project was the financial as well as administrative support given when establishing their companies in Nürnberg/Fürth. In addition to that, the network connections provided as well as the shared offices made the settlement process much easier and quicker, allowing the companies to immediately start focusing in their main business activities. Nevertheless, companies see room for improvement in different aspects. As for most of the companies the language barrier can represent an obstacle, a more careful support is recommended. A closer look up on processes, problems, adaptation within the first weeks/months of settlement as well as the most appropriate support towards visa processes, housing search and opening of bank accounts is recommended. Another important recommendation for the upcoming phase of the project is to have a more cautious selection of service givers, such as lawyers or tax

advisors and also to make sure the network provided matches the necessities of the company.

#### 4. Return on Investment – Description of the Main Sources of Return

Having covered all aspects of the survey the team has conducted and the information it has extracted from it, within this chapter the returns estimated out of the collected data shall be summarized.

In order to calculate the return on investment (RoI), the main sources of gains need to be considered first. Taking into account the limited amount of data collected and the large extensity of the probable advantages the region has realized through the investment program, the analysis of the returns will be divided in the following 4 categories:

Category 1: Initial equity investment for company's establishment

Category 2: Direct income for the government

Category 3: Revenue generated for the local economy from the company's operations

Category 4: Social benefits to the host country from SME investment

The first category includes the capital invested into the establishment of the companies, which includes the share capital and all further initial costs on registrations, consultation etc. The second category covers all direct inflows to the government reserve in the form of taxes and social security contributions. The third category incorporates a number of indirect benefits for the local economy generated by the company's operations, such as rent, utilities, legal and business services and insurance. Lastly, the intangible benefits of SME investment to the host country have been also analyzed as they have from theoretical perspective a considerable impact. However, there is no formal way on how to measure and assign numbers to these benefits and therefore they are only discussed briefly.

##### 4.1. Initial Equity Investment for Company's Establishment

Probably the most significant item of the initial investment into establishing a subsidiary abroad is the share capital. As all of the interviewed companies are operating under the limited liability form (German: Gesellschaft mit beschränkter Haftung (GmbH)), this means that for the establishment a minimum **share capital** of 25.000 EUR is required. This share capital remains within the company, nevertheless it is to be considered a direct benefit as it is invested into a business within the region.

Furthermore, there are plenty of further cost considerations for the establishment of a subsidiary abroad, which need to be carefully estimated in a business plan. According to (Queensland Government, 2016), the common start-up costs include:

- Market research
- Preliminary accounting and legal advice
- Rent and lease agreement advice
- Statutory requirements such as registration, licenses, permits and insurance
- Legal and professional costs
- Translation services
- Technics, equipment, office supplies
- Staffing and wages
- Travel expenses
- Telephone, internet, utilities

As most of these expenses occur on site, they shall be calculated as a direct benefit provided to the region. As a result, the full amount of capital invested by the companies will be summed up and included in the calculations.

## 4.2. Direct Income for the Government

### ▪ Business Taxation

In the guide “Doing business in Germany 2016” provided by Moore Stephens Europe, 2016, a clear overview on the tax system in Germany is provided. According to the guide, the main taxes imposed on businesses operating in Germany are the corporate income tax (Körperschaftsteuer), trade tax (Gewerbesteuer), value added tax (Umsatzsteuer) and personal income tax (Einkommensteuer), which is to be discussed separately. Starting with the **corporate income tax (CIT)**, all companies under the AG and GmbH form are subject of taxation since they are the branches of foreign companies and therefore have an imposed tax rate of 15% on taxable income as well as 5,5% solidarity surcharge based on the CIT (Moore Stephens Europe, 2016). The local **trade tax** is imposed on all commercial business operations with the purpose to finance the communal infrastructure, it is on average around **15%** and has two components for the calculation – federally set base rate (Steuermesszahl) of 3,5% and a locally set multiplier (Hebesatz) of a minimum value of 2 (Moore Stephens Europe, 2016). The **value added tax** is in contrary borne not by the business itself but by the end consumer with a standard rate of 19%, which nevertheless flows into the economy. According to the (Bundesministerium der Finanzen, p.20, 2016), the aggregated percentage of imposed tax on the company’s net income amount to 29.83%, which shall be rounded to **30%** in the calculation method.

### ▪ Personal Taxation

Depending on the tax class and the yearly remuneration amount, the tax on disposable income of the employee could vary in the ranges between 8% and 45%. Considering that the average income calculated in the findings totals 40.000 EUR/year and the average age structure of the employees is between 29 – 59 years old, it is assumed that most of them are under the tax class 3 as married, which leads us in the ranges of 8% and 17%. The mean of

the two averages would then be **12%** which will be later on implemented in the calculation model.

- **Social Security Contribution (Governmental Part)**

Social security in Germany can be found in the form of health, nursing care, pension, unemployment and accident insurances. As the social security is both covered by the employee and the employer, the funds have two sources of inflows. For the calculations and with regard to this section, the pension and unemployment insurance shall be considered. According to GTAI - Germany Trade & Invest (n.d.), the employee/employer share in percentage of the gross wage for pension insurance is 18,7% together and 3% for unemployment insurance, which will be applied in the calculation model.

#### **4.3. Revenue Generated for the Local Economy from Company's Operations**

As a direct benefit generated for the local economy, the following elements will be considered:

- **Rent**

Naturally, every company would need an office space, in which it can conduct its business activities. Since most of the companies are operating in the service sector and are furthermore in their initial phase, there is no great necessity for a large office space. The companies which are in the manufacturing sector and have higher rate of fixed cost would be excluded for the calculation due to insufficient amount of information about them. For the calculation purpose, an average the costs for rent and utilities is around **850 EUR** per month or 10.200/year has been estimated.

- **Electricity and Utilities**

Besides the rent, there are further fixed costs companies need to cover, such as electricity, water supply, heating, internet, telephone and all other utilities. For this category, a monthly cost of **650 EUR** or annual cost of 7.800 EUR has been assumed.

- **Legal Services (Lawyer, Tax Advisor/Auditor)**

For legal services in the form of consultation with lawyer and tax advisor, roughly **150 EUR** per month or 1.800 EUR for the year have been reserved.

- **Business Services and Office Supplies**

Similar to the legal services, for business services in the form of IT maintenance, software licenses, marketing and office supplies an average of another **200 EUR** per month have been reserved.

- **Business Insurance for the Company**

There are various types of insurance a company could go for, such as liability insurance, contents and property insurance, business interruption insurance, legal insurance, etc. All of these types depend on many different factors, which are individually assessed by the insurance provider. It is therefore difficult to estimate an average amount, which could be uniformly applied to all companies. Nevertheless, in order to consider the impact of this factor, an annual insurance contribution is roughly **3.000 EUR** shall be assumed.

- **Medical Insurance for the Employees**

In this category, the second half of the social security contribution covered by both the employee and employer, namely the health and nursing care insurance shall be considered. Once again referring to GTAI - Germany Trade & Invest, n.d., the share reserved for the health insurance amount to 14,6% and 2,55% for nursing care. Together, a **17,15%** deduction of the gross salary will be applied for the calculations.

#### **4.4. Social Benefits to the Host Country from SME Investment**

In the literature, there are different opinions on the social impact of foreign direct investment for the host country. According to Hill, 2011, "foreign direct investment can make a positive contribution to a host economy by supplying capital, technology and management resources that would otherwise not be available. Such resource transfer can stimulate the economic growth of the host economy". Based on the factors discussed by Hill, 2011, this chapter will examine the possible social impact achieved through the promotion program.

- **Capital**

The gross fixed capital formation includes every investment into factories, office buildings etc. According to Solow Growth Model (Solow, 2000), a rise in investment increases the capital inflows compared to capital outflows, which leads to the more favorable future growth.

Foreign capital does not only contribute to economic growth but also by crowding in additional domestic investment, increasing in this way the total growth effect of foreign direct investment. According to Bosworth and Collins (1999 cited in Kurtishi-Kastrati, 2013, p. 27) three types of capital inflow can be distinguished: FDI, portfolio investment, and other

financial loans. An increase of one dollar in these capital inflows represents an increase of 50 cents of domestic investment.

In regard to the project, the capital inflow made by the different promoted companies can be seen in the short- and long-run. In the short-run all the capital investment the firms had to do for the establishment of their subsidiaries can be recognized as foreign capital inflow, for example: office buildings, office equipment and transport equipment. On the other hand, in the long run the companies will also produce capital inflows for the region. Some of the capital investment the companies will probably do in the future will be for example: machinery and factories. All of this will contribute to a rise of gross capital formation of the region of Nürnberg/ Fürth, and this leading as mentioned before to an economic growth and increase of domestic investment.

- **Technology**

One of the maximizing benefits of foreign direct investment is the technology spillover. The transfer of technology can stimulate economic development and industrialization. It can take two forms, both of which are valuable for the host country: technology incorporated either in a production process or in a product (Hill, 2011). The acquisition of new technologies and innovation are potential sources of productivity growth as they may help host country domestic industries catch up with the international technology frontier.

Technology externalities from FDI can occur through a number of different mechanisms. Horizontal spillovers within sectors may arise when workers move from foreign-invested firms to domestic firms, transferring to the domestic industries the knowledge learned. The other mechanisms this spillover can be produce is in a vertical way. Vertical, or inter-sector, spillovers are those that transfer through the supply chain from foreign intermediate suppliers to domestic producers or more commonly from foreign-invested firms to domestic input suppliers (Newman et al., 2015).

The argument for state intervention to attract foreign investors hinges in part on the existence of positive externalities. Because the companies promoted belong to different industries and all of them specialized in their respective area, the region can benefit from this externality. Not only the region but also the country can profit from all the knowledge, innovation and technology transfer coming from the foreign companies. It will lead to an increase in productivity, innovation as well as a competitive advantage.



- **Management resources**

Managerial skills acquired through FDI can be beneficial for the host country. The transfer of knowledge produced through labor training, transfer of skills, and the transfer of managerial practices will increase the stock of knowledge. There are three kinds of managerial benefits (Kurtishi-Kastrati, 2013, p. 28):

- Managerial efficiency in operations arising from better training and higher standards;
- Entrepreneurial capability in seeking out investment opportunities;
- Externalities arising from training received by employees (such as technical, executive, accounting and so on)

Workers can gain new skills, knowledge and experience, strengthening in this way the domestic labor market. Since all the companies now established count with personnel from the parent company and they mostly occupy the management position, the region can profit from these managerial resources. Learning new practices and techniques from foreign managers and allowing to improve the efficiency of operations in the region is a substantial advantage to take in account.

- **Improvement in competitive environment**

The existence of foreign companies may contribute greatly in the economic development, by increasing competition and eventually leading to higher productivity, lower prices and more efficient resource allocation.

Increased competition tends to stimulate capital investments by firms in plant, equipment, and R&D as they struggle to gain an edge over their rivals. The long-term results may include increased productivity growth, product and process innovations, and greater economic growth. Although this benefit is seen overall, the impact can be of a more significant importance in the case of services, since exporting is not an option because the service has to be produced where it is delivered (Hill, 2011).

The improvement in the competitive environment will be palpable within the region, especially because the companies promoted belong to growing industry sectors. It will encourage local companies to increase innovation, volume and quality.

- **Employee surplus benefit**

One of the beneficial effects produced by FDI is the creation of new jobs in the host country. The creation of employment can happen in two ways: direct or indirect. Direct creation, is when the foreign company hires citizens from the host country. On the other hand, indirect

creation arises when jobs are created in local suppliers as a result of the investment and when jobs are created because of increased local spending by employees of the foreign company (Hill, 2011).

The effect the team was able to measure in the survey was the direct effect, and the outcome is positive. From the results of the survey, an increase of employment of 37% has been calculated. Therefore, the region is benefiting from this effect and will continue to do so in the future, generating new employment opportunities.

- **Increase of the trade surplus, international trade integration**

It is typically preferred to see a current account surplus than a deficit, FDI is a tool governments can use in order to achieve this desirable surplus. FDI can act as a substitute for the import of goods and services, improving in this way the current account of the host country's balance of payments (Hill, 2011).

The establishment of foreign companies stimulate economic growth, since the region's openness offer many benefits including access to global market, technology and to appropriate intermediate and capital goods and raw materials; the benefits associated with economies of scale and market competition.

- **Enrichment of the region**

Many economic related benefits can be seen from encouraging FDI in the region, yet another benefit can be achieved. Promoting foreign companies can bring a significant enrichment in a cultural level, allowing local to interact with foreign cultures not only in a business level but also in a personal one, creating an international environment where locals and foreigners can learn from each other. The introduction of foreign workers in the local market can increase diversity in the country, allowing to gain new skills, knowledge and a better understanding of cultures and even knew ways to do business and improve processes.

As perceived from the paragraphs above the social impact achieved by the promotion program can be quite significant. It is expected that foreign invested facilities bring new technology, capital, and management expertise and therefore improve the productivity of domestic industries.

## 5. Calculation Approach – Phase 1 (2012 – 2016)

### 5.1. Block 1: Initial Equity Investment for Company's Establishment

As discussed above, the initial investment capital will be taken in full amount as a direct economic benefit for the region. From the 9 surveys, the average amount of initial investment is around **50.000 EUR** per company has been calculated. Aligning this amount to the time factors and the number of companies settled results in the following amounts:

Year	2011	2012	2013	2014	2015	2016	Total:
Time factor	-	10%	15%	25%	35%	15%	100%
Number of companies settled	-	2	4	7	11	4	28
Initial investment capital (accumulated)	-	100.000	200.000	350.000	550.000	200.000	<b>1.400.000</b>

### 5.2. Block 2: Direct Income for the Government

#### ▪ Business Taxation

As a main assumption, it is considered that the businesses do not make any profits during their first year of operation. After one year, an optimistic estimation of **1.500 EUR** profit per month or 18.000 EUR/year has been assigned. As mentioned above, half of the interviews have not achieved a positive return on investment yet, therefore a percentage share of the companies, which does make profits has been incorporated. Adjusting the profits with the time factors with consideration on the one year of operation at loss, imposing 30% tax on disposable income provides the following numbers:

Year	2012	2013	2014	2015	2016	Total:
Time factor	10%	15%	25%	35%	15%	100%
Number of companies settled	2	4	7	11	4	28
Number of companies settled (accumulated)	2	6	13	24	28	28
Share of companies making profit	0	50%	69%	75%	75%	<b>75%</b>
Number of companies making profit	0	3	9	18	21	21
Average profit per month per company	0	1.500	1.500	1.500	1.500	1.500
Annual profit (accumulated)	0	54.000	161 460	324 000	378 000	<b>917.460</b>
Business tax (30%)	0	16 200	48 438	97 200	113 400	<b>275.238</b>

### ▪ Personal Taxation

One of the most significant impacts of the foreign direct investment is the increase in employment. The higher the employment, the more taxes will be collected. Therefore, the following numbers can be observed:

Year	2012	2013	2014	2015	2016	Total:
Time Factor	10%	15%	25%	35%	15%	100%
Number of employees hired	5	11	19	30	11	76
Number of employees hired (accumulated)	5	16	35	65	76	76
Average annual salary per employee	40.000	40.000	40.000	40.000	40.000	40.000
Personal income tax (effective rate of <b>12%</b> )	24.000	76.800	168 000	312 000	364 800	<b>945.600</b>

With an average annual income of 40.000 EUR multiplied by the number of workers hired times the tax rate of 12% the team has estimated **945.600 EUR** in taxes collected by the government.

### ▪ Social Insurance (Governmental Part)

With a share of 21,7% of the gross salary contributed to the pension and unemployment fund, it can be calculated the following:

Year	2012	2013	2014	2015	2016	Total:
Time Factor	10%	15%	25%	35%	15%	100%
Number of employees hired	5	11	19	30	11	76
Number of employees hired (accumulated)	5	16	35	65	76	76
Average annual salary per employee	40.000	40.000	40.000	40.000	40.000	40.000
Pension and unemployment fund contribution ( <b>21,7%</b> )	43.400	138.880	303.800	564.200	659.680	<b>1.709.960</b>

The employment of 76 workers has provided with over 1.7 million of increase in contribution to pension and unemployment funds.

### 5.3. Block 3: Revenue Generated for the Local Economy from Company's Operations

#### ▪ Rent, Electricity and Utilities

With an average estimation of 850 EUR spent on rent and 650 EUR on electricity and other utilities, it can be calculated:

Year	2012	2013	2014	2015	2016	Total:
Time Factor	10%	15%	25%	35%	15%	100%
Number of Companies Settled	2	4	7	11	4	28
Number of Companies Settled (accumulated)	2	6	13	24	28	28
Annual rent expenses (accumulated)	20 400	61 200	132 600	244 800	285 600	<b>744.600</b>
Annual electricity and utility expenses (accumulated)	15 600	46 800	101 400	187 200	218 400	<b>569.400</b>

#### ▪ Legal Services, Business Services and Office Supplies

Suppose that a company generally spends around 150 EUR/month for legal services for business services and office supplies another 200 EUR/month, bringing:

Year	2012	2013	2014	2015	2016	Total:
Time Factor	10%	15%	25%	35%	15%	100%
Number of Companies Settled	2	4	7	11	4	28
Number of Companies Settled (accumulated)	2	6	13	24	28	28
Legal services	3 600	10 800	23 400	43 200	50 400	<b>131.400</b>
Business services and office supplies	4 800	14 400	31 200	57 600	67 200	<b>175.200</b>

#### ▪ Company's Insurance

With an average insurance expense of 3.000 EUR/year multiplied by the number of companies, the following amounts are calculated:

Year	2011	2012	2013	2014	2015	2016	Total:
Time Factor	-	10%	15%	25%	35%	15%	100%
Number of companies settled	-	2	4	7	11	4	28
Number of companies settled (accumulated)	-	2	6	13	24	28	28
Annual insurance payments (accumulated)	-	6.000	18.000	39.000	72.000	84.000	<b>219.000</b>

▪ **Medical Insurance for the Employees**

As mentioned above, the contribution of both the employee and employer to the medial fund with a percentage share of 17.15% of the gross income of each employee shall be further included.

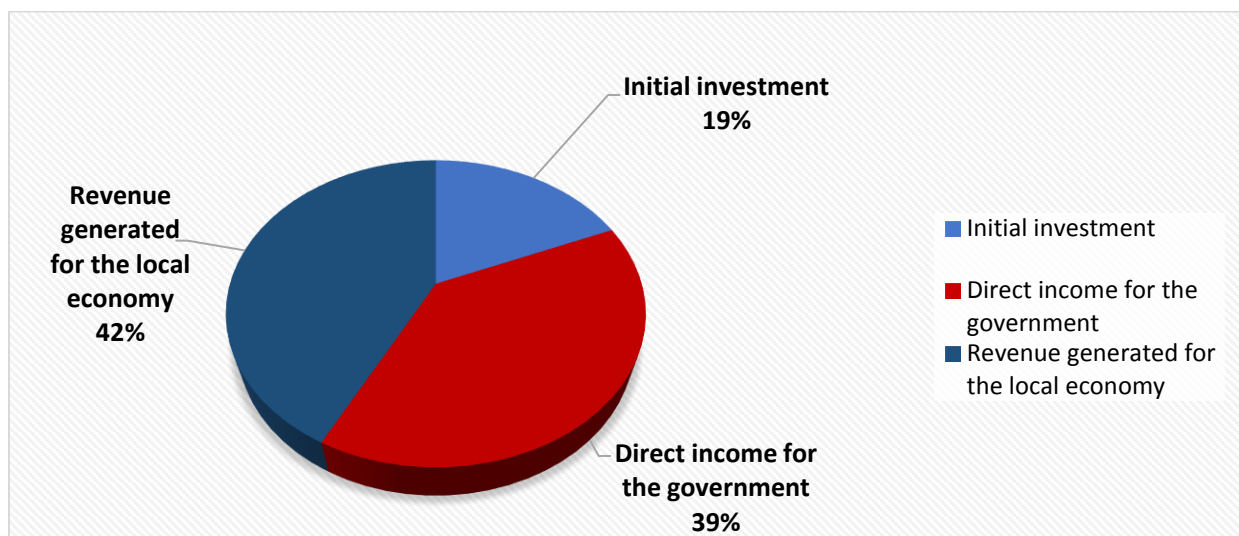
<b>Year</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>Total:</b>
Time Factor	10%	15%	25%	35%	15%	100%
Number of employees hired	5	11	19	30	11	76
Number of employees hired (accumulated)	5	16	35	65	76	76
Average annual salary per employee	40.000	40.000	40.000	40.000	40.000	40.000
Health and nursing care fund contribution <b>(17.15%)</b>	34 300	109 760	240 100	445 900	521 360	<b>1.351.420</b>

#### 5.4. Summary of Calculations – Phase 1

<b>Year</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>Total:</b>
Time Factor	10%	15%	25%	35%	15%	100%
Number of companies settled	2	4	7	11	4	28
Number of companies settled (accumulated)	2	6	13	24	28	28
Number of employees hired	5	11	19	30	11	76
Number of employees hired (accumulated)	5	16	35	65	76	76
<b>Initial investment capital</b>	100.000	200.000	350.000	550.000	200.000	<b>1.400.000</b>
<b>Direct income for the government (in total)</b>	<b>67.400</b>	<b>231.880</b>	<b>520.238</b>	<b>973.400</b>	<b>1.137.880</b>	<b>2.930.798</b>
‘- Business taxation	0	16.200	48.438	97.200	11. 400	<b>275.238</b>
‘- Personal taxation	24.000	76.800	168.000	312.000	364.800	<b>945.600</b>
‘- Pension and unemployment insurance	43.400	138.880	303.800	564.200	659.680	<b>1.709.960</b>
<b>Revenue generated for the local economy from company's operations (in total)</b>	<b>84.700</b>	<b>260.960</b>	<b>567.700</b>	<b>1.050.700</b>	<b>1.226.960</b>	<b>3.191.020</b>
Rent	20.400	61.200	132.600	244.800	285.600	<b>744.600</b>
Electricity, utilities	15.600	46.800	101.400	187.200	218.400	<b>569.400</b>

Legal services (tax advisor, lawyer)	3.600	10.800	23.400	43.200	50.400	<b>141.400</b>
Business services and office supplies	4 800	14 400	31 200	57 600	67 200	<b>175.200</b>
Business insurance for companies	6 000	18 000	39 000	72 000	84 000	<b>219.000</b>
Medical insurance for employees	34 300	109 760	240 100	445 900	521 360	<b>1.351.420</b>
<b>Total of benefit generated (2012 - 2016):</b>						<b>7.521.818</b>

In order to take a closer look into the most significant elements of, the following chart will serve the purpose for orientation:



**Graph 25 Percentage share of return as of total**

It can be observed, the most significant part of the return is the revenue generated for the local economy with 42%, on the second place is the direct income for the government collected in taxes and contribution to the social security funds and lastly is the capital each company has directly invested into the establishment of the subsidiary.

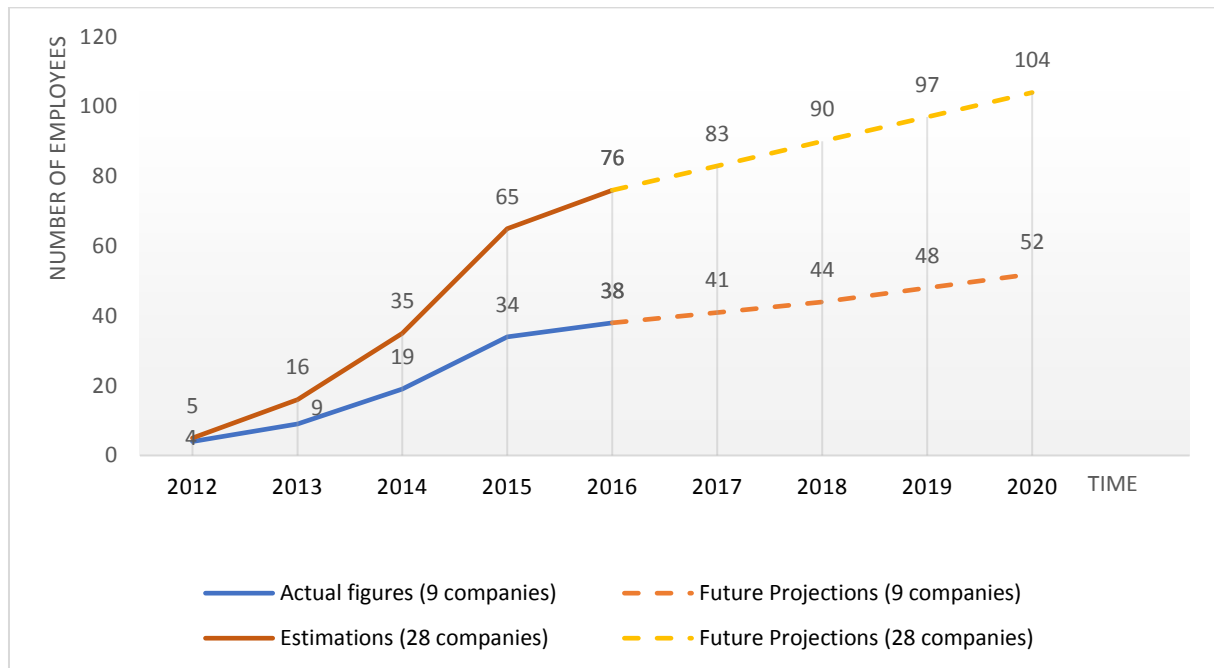
## 6. Future Projections

Up to this point, the impact of the municipal promotion program until the end of the first phase in 2016 has been presented. Therefore, this chapter will present the estimations on the future development of those benefits until the year 2020, when the second phase of the project is expected to end.

Should the growth rates remain constant, the business development of the companies shall be as follows:

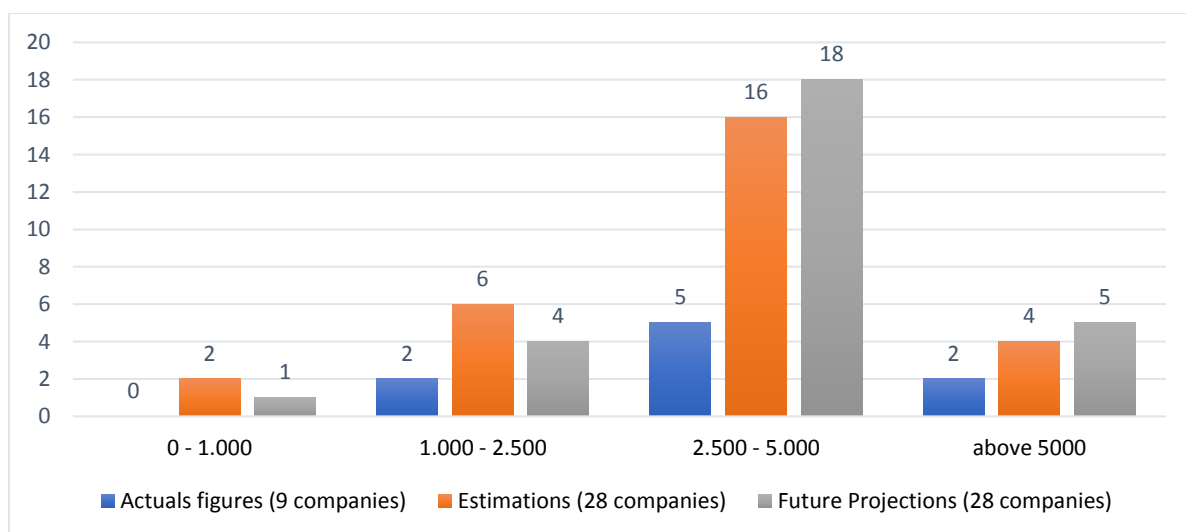
## 6.1. Employment, Remuneration and Personal Taxation

Based on the growth rate of **37%** calculated from the actual figures, a further increase in employment from 76 up to 104 employees by the year 2020 can be estimated. This means that the mean of 2.7 workers per company would increase up to 3.7 workers during the projected 4 years. The forecasted development is as follows:



**Graph 26 Employment development 2012 - 2020**

With regard to the remuneration, In the future it is expected that the companies would require more and more permanent workforce and therefore will shift from the middle range up to the higher range salaries. The freelance and part time work is therefore expected to decrease as the permanent workforce would overtake any excessive tasks or demand.



**Graph 27 Remuneration development 2012 - 2020**



Therefore, this shift leads to a higher income per worker, thus assuming that the current monthly remuneration of 3.300 increases to 3.400 which brings an annual income of 41.000 or a total of 2.5% increase. Aligning the increase in employment and income with the personal tax rate, the team came up with the following results:

Year	Until 2016	2017	2018	2019	2020	Total:
Number of employees hired	76	7	7	7	7	<b>104</b>
Number of employees hired (accumulated)	76	83	90	97	104	<b>104</b>
Average salary per employee (increase of 2,5%)	40.000	41 000	42 025	43 076	44 153	<b>44.153</b>
Personal income tax (effective rate of 12%)	945.600	408 360	453 870	501 400	551 023	<b>1.914.654</b>
<b>Total personal tax collection (2012 – 2020):</b>						<b>2.860.254</b>

The expected further increase in employment together with an increase in remuneration leads to more tax to be collected on disposable income, which is forecasted to be roughly 1.9 million EUR or altogether 2.8 million EUR for the period between 2012 – 2020.

## 6.2. Company's Business Performance

For the first phase of the project in the years between 2012 – 2016, it has been assumed that a share of companies has become profitable after one year of operating with an average profit of 1.500 EUR/month or 18.000 EUR/year. In the period between 2016 – 2017, it is assumed that the successful companies collect more returns and further companies become profitable as well bringing us to the following table:

Year	Until 2016	2017	2018	2019	2020	Total:
Number of companies settled (accumulated)	28	28	28	28	28	<b>28</b>
Share of companies making profit	75%	82%	82%	100%	100%	<b>100%</b>
Number of companies making profit	21	23	23	28	28	<b>28</b>
Average profit per month per company	1.500	1.500	2.000	2.000	2.000	2.000
Annual profit (accumulated)	917.460	413.280	551.040	672.000	672.000	<b>2.308.320</b>
Business tax (30%)	275.238	123.984	165.312	201.600	201.600	<b>692.496</b>
<b>Total business tax collection (2012 – 2020):</b>						<b>967.734</b>

Higher profits automatically mean higher tax to be collected on them, which is forecasted to amount up to 692.496 EUR during the second phase or nearly 970 thousand euros business tax generated by the promoted companies in the period between 2012-2020.

## 7. Overview on Total Return on Investment – Phase 1 and 2 (2012 – 2020)

Summarizing all the estimation figures from the two period provides the following results:

<b>Category:</b>	<b>Phase 1 (2012 – 2016)</b>	<b>Phase 2 (2017 – 2020)</b>	<b>Total:</b>
Number of companies settled	28	-	28
Share of companies making profit	50 - 75%	82 – 100%	100%
Number of companies making profit	21	28	28
Average profit per month per company	1.500	1.500 – 2.000	2.000
Annual profit (accumulated)	917.460	2.308.320	<b>3.225.780</b>
Number of employees hired	76	28	104
<b>Block 1: Initial investment capital</b>	<b>1.400.000</b>	<b>-</b>	<b>1.400.000</b>
<b>Block 2: Direct income for the government (in total)</b>	<b>2.930.798</b>	<b>6.069.482</b>	<b>9.000.280</b>
‘- Business taxation	275.238	692.496	967.734
‘- Personal taxation	945.600	1.914.654	2.860.254
‘- Pension and unemployment insurance	1.709.960	3.462.332	5.172.292
* Annual average:	<b>586.160</b>	<b>1.517.370</b>	
<b>Block 3: Revenue generated for the local economy (in total)</b>	<b>3.191.020</b>	<b>5.558.759</b>	<b>8.749.779</b>
Rent	744.600	1.142.400	<b>1.887.000</b>
Electricity, utilities	569.400	873.600	<b>1.443.000</b>
Legal services (tax advisor, lawyer)	131.400	201.600	<b>333.000</b>
Business services and office supplies	175.200	268.800	<b>444.000</b>
Business insurance for companies	219.000	336.000	<b>555.000</b>
Medical insurance for employees	1.351.420	2.736.359	<b>4.087.779</b>
* Annual average:	<b>638.204</b>	<b>1.389.690</b>	
<b>Total of benefit generated (2012 - 2016): 19.150.059</b>			

These numbers represent estimations the team has made on how the successfully performing 28 promoted companies will continue to contribute to the government, to the city and its economic environment. Summing up the two periods considered in the calculations, it can be noticed that a significant increase in the benefit to be achieved during the time the second phase of further promotion will take place. With all other factors remaining constant, the benefits generated from Block 2 and 3 are expected to double within only 4 years.

Further information on the calculation approach can be found under the following attachment:



Calculations RoI -  
NFFX Project Work.x

## 8. Recommendations

With regard to the second phase of the project, the team has also collected important feedback on the promotion program by the companies which have received the support provided by it. Moreover, the major difficulties most of the companies have faced are further summarized in this chapter.

All companies almost unanimously agreed that the formalities and bureaucracy of German authorities was the hardest part of moving their business to Nürnberg. Immigration policy was one of the major difficulties but also getting all certificates and meeting requirements to get the permission to employ workers was challenging and involved huge efforts.

Furthermore, companies wished to receive more help with IT issues and business-related issues such as printing business cards, etc. They claimed that being foreign to this region, even finding suitable printing companies was a challenge. The companies were hugely criticizing the time it took local authorities to respond to questions and formalities in general. They claimed that weeks passed without the authorities responding and thus putting the starting process of the companies on hold.

In this regard, one company suggested that support with administrative issues was far more important than financial help. Hence, this means that to further improve the project there should be a consulting session each week in which issues and problems can be discussed and solved. Quite similar, one company was wishing for an increase in the NFFX staff because apparently, they were underemployed and could not respond to client's demands in due course.

On the contrary, some companies were of the opinion that money matters more than administrative help. They claimed that setting up a new business abroad is costly and thus they are happy about any financial aids they received. Hence, for the NFFX project this means that a balance between adequate and appropriate administrative support and sufficient financial support needs to be found. Moreover, firms wished for a more careful selection of the further services recommended, such as lawyers, since they were unhappy with the service provided. Additionally, corporations were wishing for an interpreter or

consultant for any serious cases with authorities since language barriers can make it really difficult to get one's point across.

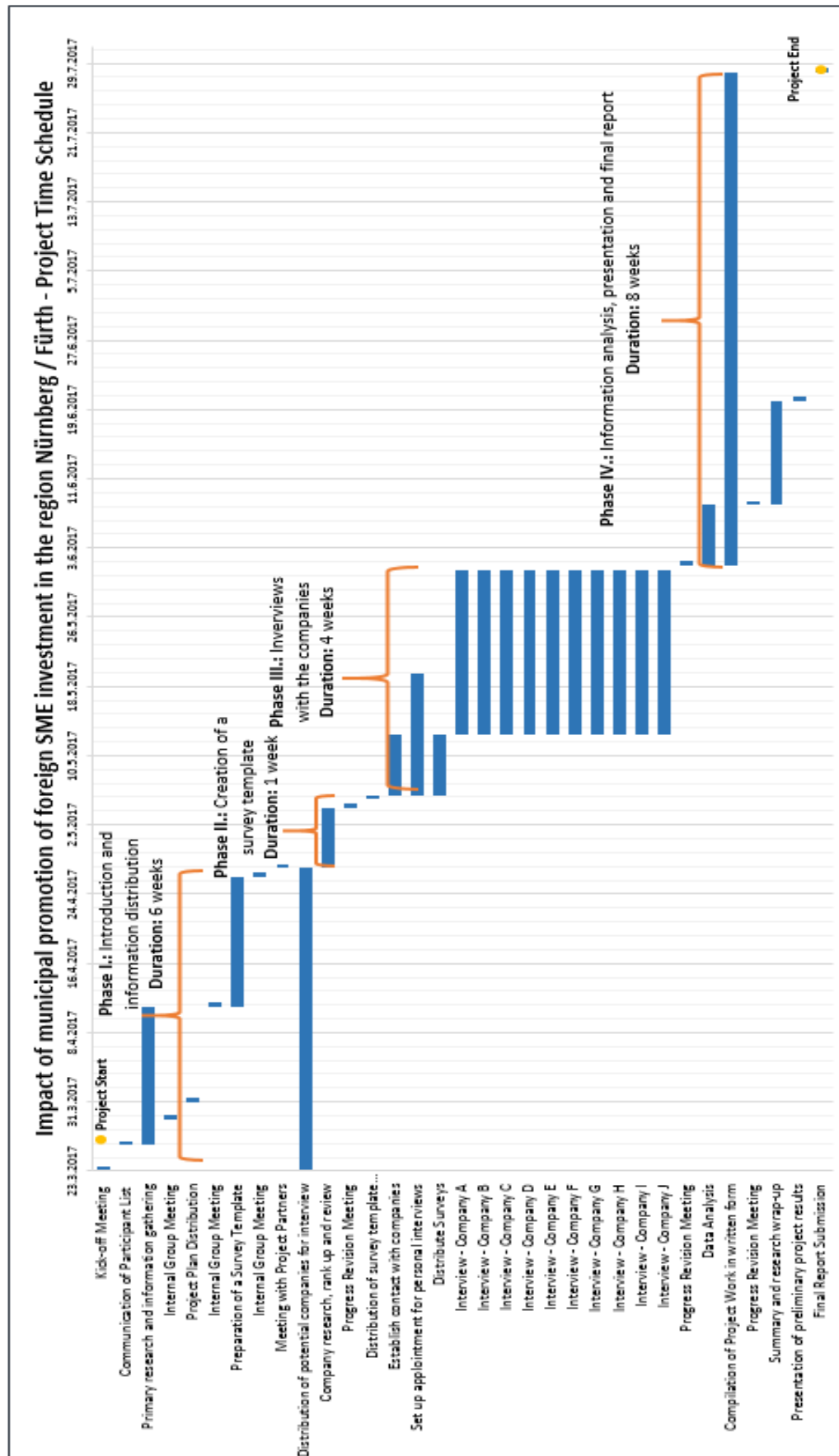
Overall, the companies surveyed were more than happy with the project and their contact persons. They unanimously agreed that they would recommend this project to any other businessperson intending to start up a new business or expanding their already existing business in the business region of Nürnberg-Erlangen-Fürth.

## **9. Conclusion**

From the analyzed results of the survey made to the nine companies and the assumptions made on these results, it can be concluded the first phase of the municipal promotion for attracting of FDI was successful. The estimations on the total benefit of roughly 7.5 million EUR proves the region was able to profit itself of a positive return made up from revenue generated for the local economy, direct income for the government and initial investment made by each company. In addition to that, the region will supposedly profit in the short-and long-run from social benefits such capital, employment, improved technology and overall increase of local productivity and competitiveness. The service and support provided by NFFX are additionally of big advantage and an important factor of motivation for companies to settle in a more effective way in the local market.

Future projections based on the results of the first phase of the project have been also provided. It is important to emphasize that these projections have been done on assumptions and estimations. Nonetheless, after analyzing employment, remuneration, personal taxation and companies' performance, the team has arrived at a positive result. Should all other factors remain constant, the estimations on the achieved returns are expected to increase by another 11,6 million EUR between 2017 – 2020. This leads to the conclusion that during the second phase of the project the benefits for the region Nürnberg/Fürth will further increase and the promotions of the second phase of the project will very likely bring a positive return on investment similar to the first phase. However, it is important to take into consideration the different recommendations suggested to improve the service provided by NFFX and the overall promotion.

## Annex 1: Project Plan - Time Chart



## Annex 2: Survey Template

### Survey on participation in municipal promotion program “NÜRNBERG FÜRTH FOR EXCELLENCE – Business Support Center”

#### Introduction:

Through the cooperation between the Technical University Georg-Simon-Ohm Nürnberg and the Wirtschaftsreferat Nürnberg, a group of students in International Business has been assigned to conduct a survey and run an analysis on the realization of the municipal promotion program “NFFX – Business Support Center”, started in 2011. With the completion of the first phase of the program, we kindly ask you for your general evaluation and feedback on the participation into the project as one of our successfully promoted enterprises. All the information provided will be kept confidential, will not be disclosed to third parties without your consent and will solely be used in the frames of the project work under anonymised form.

*The survey would take round about one hour, the questions of which you may find below. During the interview, a deeper discussion on the answers will take place.*

#### Basic information about the company

*(Fields to be pre-filled by the team members and confirmed with the company during the interview)*

1. Name and location of the parent company:

2. When was the parent company founded?

Klicken oder tippen Sie, um ein Datum einzugeben.

3. Under which organizational type does the parent company run?

4. Name and location of the subsidiary:

5. Under which organizational type does the subsidiary run?

6. In which economic sector of activity does the company operate? There could be more than one answer possible.

<input type="checkbox"/>	Automation/Mechatronics
<input type="checkbox"/>	Logistics
<input type="checkbox"/>	Medical Technology
<input type="checkbox"/>	Energy Technology
<input type="checkbox"/>	New Materials
<input type="checkbox"/>	Automotive
<input type="checkbox"/>	Other
Please specify:	

7. What type of service portfolio does the parent company offer?

--

### Investment and expansion reasoning

8. When did you begin to consider the opportunity of investment in Germany, before establishing contact with NFFX Program?

<input type="checkbox"/>	< 3 months
<input type="checkbox"/>	< 6 months
<input type="checkbox"/>	< 9 months
<input type="checkbox"/>	< 1 year
<input type="checkbox"/>	< 2 years
<input type="checkbox"/>	Other
Please specify:	

9. Which are the arguments behind the expansion into the German market? There could be more than one answer possible.

<input type="checkbox"/>	Explore new market
<input type="checkbox"/>	Seeking to expand client base
<input type="checkbox"/>	Gaining access to important raw materials
<input type="checkbox"/>	First mover advantage
<input type="checkbox"/>	Finding new talent/ skills
<input type="checkbox"/>	Finding new sources of capital
<input type="checkbox"/>	Seeking foreign markets in response to increasing competition in home market
<input type="checkbox"/>	Other
Please specify:	

10. When did the expansion to the area of Nürnberg/Fürth take place?

<input type="checkbox"/>	2011
<input type="checkbox"/>	2012
<input type="checkbox"/>	2013
<input type="checkbox"/>	2014
<input type="checkbox"/>	2015
<input type="checkbox"/>	2016

11. Which were the reasons behind the decision of investment in the state of Bavaria and particularly in the area of Nürnberg/Fürth? There could be more than one answer possible.

<input type="checkbox"/>	Convenient infrastructure (airport, harbour, train, highways,...)
<input type="checkbox"/>	Municipal promotion project
<input type="checkbox"/>	Governmental support
<input type="checkbox"/>	Qualifications of German workers (recruiting young professionals from the five universities in the area)
<input type="checkbox"/>	Recommendations by other companies
<input type="checkbox"/>	Market is ideal for product or service offered

<input type="checkbox"/>	Other
Please Specify:	

12. How long did the expansion phase last until the official establishment?

<input type="checkbox"/>	Within 1-3 months after the project plan approval
<input type="checkbox"/>	Within 3-6 months after the project plan approval
<input type="checkbox"/>	Within 6-9 months after the project plan approval
<input type="checkbox"/>	Within 1 year after the project plan approval
<input type="checkbox"/>	Longer than 1 year after the project plan approval
Please Specify:	

13. What type of divisions/departments have been established in the area of Nürnberg/Fürth?

<input type="checkbox"/>	Production
<input type="checkbox"/>	Research and Development
<input type="checkbox"/>	Customer Service
<input type="checkbox"/>	Marketing
<input type="checkbox"/>	Supplier Relations
<input type="checkbox"/>	Sales
<input type="checkbox"/>	Logistics
<input type="checkbox"/>	Finance and Accounting
<input type="checkbox"/>	Purchasing
<input type="checkbox"/>	Other
Please Specify:	

14. Under which range would you assign the initial investment into the establishment (e.g. travel costs, registration taxes, formalities etc.)?

<input type="checkbox"/>	10 000 EUR – 50 000 EUR
<input type="checkbox"/>	50 000 EUR – 100 000 EUR
<input type="checkbox"/>	100 000 EUR – 150 000 EUR
<input type="checkbox"/>	150 000 EUR – above

15. Through which type of source was the investment financed?

<input type="checkbox"/>	Internal financing, through shareholder's capital
<input type="checkbox"/>	Internal financing, through surplus in capital from business activity
<input type="checkbox"/>	External financing, through financial institutions in the home country
<input type="checkbox"/>	External financing, through stocks/bonds
<input type="checkbox"/>	External financing, through sponsors
<input type="checkbox"/>	External financing, through government funds
<input type="checkbox"/>	Other
Please Specify:	



16. Under which range would you assign the monthly fixed cost for rent, electricity, utilities, etc.?

<input type="checkbox"/>	1.000 EUR – 3.000 EUR
<input type="checkbox"/>	3.000 EUR – 5.000 EUR
<input type="checkbox"/>	5.000 EUR – 10.000 EUR
<input type="checkbox"/>	10.000 – above

### Business and financial performance

17. How would you *generally* evaluate your current business performance in Nürnberg?

Criteria:	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
We have excellent performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We achieved strong progress in our main focus area	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Our forecast matches the actual figures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We have successfully implemented our business plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We have achieved a satisfactory return on investment until now	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We have built up a strong business network in the region	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We were able to address our target customers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

18. In the case of no return on investment up to this point, when do you approximately expect to achieve the first positive returns on investment in the foreseeable future?

<input type="checkbox"/>	Within the next fiscal year
<input type="checkbox"/>	Within the next 1-3 years
<input type="checkbox"/>	Within the next 3-5 years
<input type="checkbox"/>	Other
Please specify:	

19. In which area would you categorize the most major difficulties of the international investment you have faced up to this point?

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20. What is the estimated ratio between imports and exports of the company?

<input type="checkbox"/>	Imports > Exports
<input type="checkbox"/>	Exports > Imports
<input type="checkbox"/>	Imports = Exports
<input type="checkbox"/>	Other
Please specify:	

21. Have you become a member of an economic cluster?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	No information
If yes, please specify:	

22. How would you describe your current network relation with the regional companies?

<input type="checkbox"/>	Growing cooperation
<input type="checkbox"/>	Strong cooperation
<input type="checkbox"/>	Moderate competition
<input type="checkbox"/>	Intense competition
<input type="checkbox"/>	Other
Please specify:	

23. Have you established cooperation with local educational institutions, such as high schools and universities?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	No information
If yes, please specify:	

24. Do you see potential for transferring (respectively expanding) production/service plant in the region?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	Perhaps
<input type="checkbox"/>	No
<input type="checkbox"/>	No information
<input type="checkbox"/>	Other
Please specify:	

25. Do you share interest in expanding your current business activities in one of the following areas?

<input type="checkbox"/>	Customer Relationship Management
<input type="checkbox"/>	Customer Service
<input type="checkbox"/>	Supplier Relationship Management

<input type="checkbox"/>	Research and Development
<input type="checkbox"/>	Innovation
<input type="checkbox"/>	Product and Process Optimization
<input type="checkbox"/>	Cost reduction actions
<input type="checkbox"/>	Procurement and Sustainability
<input type="checkbox"/>	Programming and Program design
<input type="checkbox"/>	Automation and Robotics
<input type="checkbox"/>	Other
Please specify:	

### Human Capital Status

26. What was the number of employees at the foundation of the subsidiary?

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27. What is the current number of workers, employed at the subsidiary?

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28. What is the average age of the employees?

<input type="checkbox"/>	18 – 29
<input type="checkbox"/>	29 – 39
<input type="checkbox"/>	39 – 59
<input type="checkbox"/>	Other
Please Specify:	

29. Which is the average educational level of the employees?

<input type="checkbox"/>	High school (A-Level)
<input type="checkbox"/>	Apprenticeship
<input type="checkbox"/>	Bachelor Degree
<input type="checkbox"/>	Master Degree
<input type="checkbox"/>	Experienced Workers

30. Which are the language requirements for the positions?

<input type="checkbox"/>	English
<input type="checkbox"/>	German
<input type="checkbox"/>	French
<input type="checkbox"/>	Japanese
<input type="checkbox"/>	Chinese
<input type="checkbox"/>	Hindi
<input type="checkbox"/>	Arabic
<input type="checkbox"/>	Other
Please specify:	

31. What is the ratio between the native (German) and international employees?

--

32. Which type of job advertisement did you use for the promotion of the open positions?  
There could be more than one answer possible.

<input type="checkbox"/>	Official Webpage
<input type="checkbox"/>	Recruitment Agencies
<input type="checkbox"/>	Social Media
<input type="checkbox"/>	Newspaper Advertisement
<input type="checkbox"/>	Flyers, Brochures etc.
<input type="checkbox"/>	Job Fairs/ Nürnberg Messe
<input type="checkbox"/>	Other
Please Specify:	

33. Are there any open positions currently?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	No information
If yes, please specify:	

34. What is the full-time versus part-time ratio?

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35. What is an estimated average salary (brutto) per month?

<input type="checkbox"/>	0 – 1.000
<input type="checkbox"/>	1.000 - 2.500
<input type="checkbox"/>	2.500 - 5.000
<input type="checkbox"/>	above 5.000

36. What types of additional benefits are provided to the employees?

<input type="checkbox"/>	Flexible working hours
<input type="checkbox"/>	Home Office
<input type="checkbox"/>	Bonuses, paid holidays
<input type="checkbox"/>	Trainings/ Workshops/ E-Learning
<input type="checkbox"/>	Support at the relocation from the parent company to the subsidiary
<input type="checkbox"/>	Other
Please specify:	

37. During the transfer to Germany, did the family members of the employees joined in the relocation process?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	No information
If yes, please specify:	

38. Have you faced any issues in the recruitment process?

--

### Network connections in the metropolitan region of Nürnberg

39. Where are the main suppliers of the company situated?

<input type="checkbox"/>	Local suppliers (within the area of Nürnberg/Fürth)
<input type="checkbox"/>	Regional suppliers (within the state of Bavaria)
<input type="checkbox"/>	National suppliers (within Germany)
<input type="checkbox"/>	Supply from the parent company/own company
<input type="checkbox"/>	Importing from other suppliers from abroad
<input type="checkbox"/>	Other
Please specify:	

40. Have you considered joining into a cooperation with local companies?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	No information
If yes, please specify:	

### Evaluation of the support received by NFFX – Business Support Center

41. How did you find out about NFFX – Business Support Center?

<input type="checkbox"/>	Internet
<input type="checkbox"/>	Invest in Bavaria
<input type="checkbox"/>	Nürnberg Chamber of Commerce and Industry
<input type="checkbox"/>	Other
Please Specify:	

42. Which type of services have been provided to you for the settlement of the company?

<input type="checkbox"/>	Lawyer
<input type="checkbox"/>	Tax Advisor
<input type="checkbox"/>	Immigration Office Agent
<input type="checkbox"/>	Administration Services
<input type="checkbox"/>	Other
Please Specify:	

43. Do you continue using those services?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	No information
If yes, please specify:	

44. How would you evaluate the services and support provided?

Criteria:	Very satisfied	Satisfied	Neutral	Dissatisfied	Very dissatisfied
Overall service quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Communication	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Responsiveness, reaction time to requests	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Consultation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information availability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reliability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Assistance in the resolving of problems	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

45. Which part about the project did you find the most beneficial?

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46. Do you have any remarks or suggestions for improvement?

--

47. Would you recommend the project to further parties?

<input type="checkbox"/>	Yes, definitely
<input type="checkbox"/>	Perhaps
<input type="checkbox"/>	No

In the name of the project partners -

**Günter Meier and Marco von Dobschütz-Dietl**

and in the name of our team members -

**Dominik Frank, Judith Hahn, Katya Velichkova, Melissa Hörl and Veronica Benavides**

thank you for your cooperation and participation in the survey and wish you further success  
in your

business activities in the metropolitan region of Nürnberg!

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