

Internationalization from a small domestic base: The Icelandic experience

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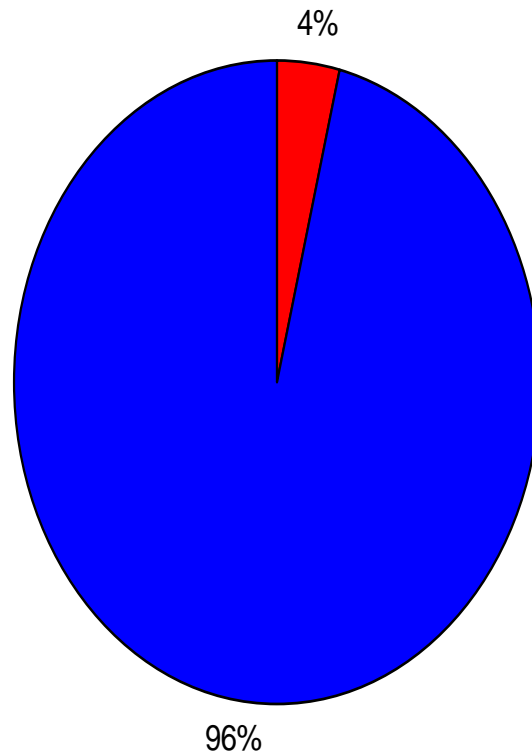
Spillet om milliarderne!

*“Fra den forbladste klippeø í
Atlanten har de 300.000
islændinge øbenbart fået den
tæknke at de kan overtage
det meste af verden”*

Changes in the environment

- Icelandic banks were allowed for the first time, to trade currencies freely and without restrictions in 1992
- An active capital market took place in 1992, when the first Icelandic stocks were traded on the Icelandic Stock Exchange.
- Iceland became a member of the European Economic Area (EEA) in 1994 thus accepting the “freedom of four”
- The corporate income tax in Iceland was lowered
 - from 50% in 1991 to 18% in 2002
 - capital gain tax is 10%
- Privatization of banks and other public firms
- Strong pension funds in Iceland

Has your company bought a ruling shareholder position in a company abroad during the last 12 months?

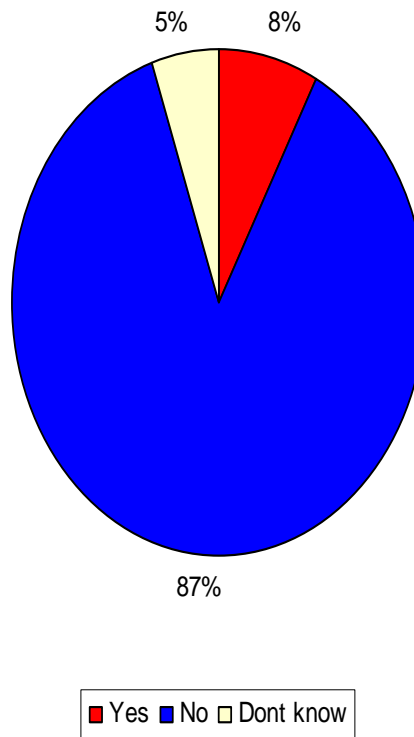


Yes No

Investment countries

Country	Number	Country	Number
United Kingdom	17	Luxembourg	2
Denmark	16	Portugal	2
Norway	9	Latvia	2
USA	9	Greenland	2
Sweden	9	Rumania	1
Netherlands	5	Vietnam	1
Germany	8	Korea	1
Canada	4	Russia	1
Bulgaria	4	Chile	1
Spain	4	Europe	1
Lithuania	3	Estonia	1
Finland	3	Cyprus	1
Faroe Islands	3		

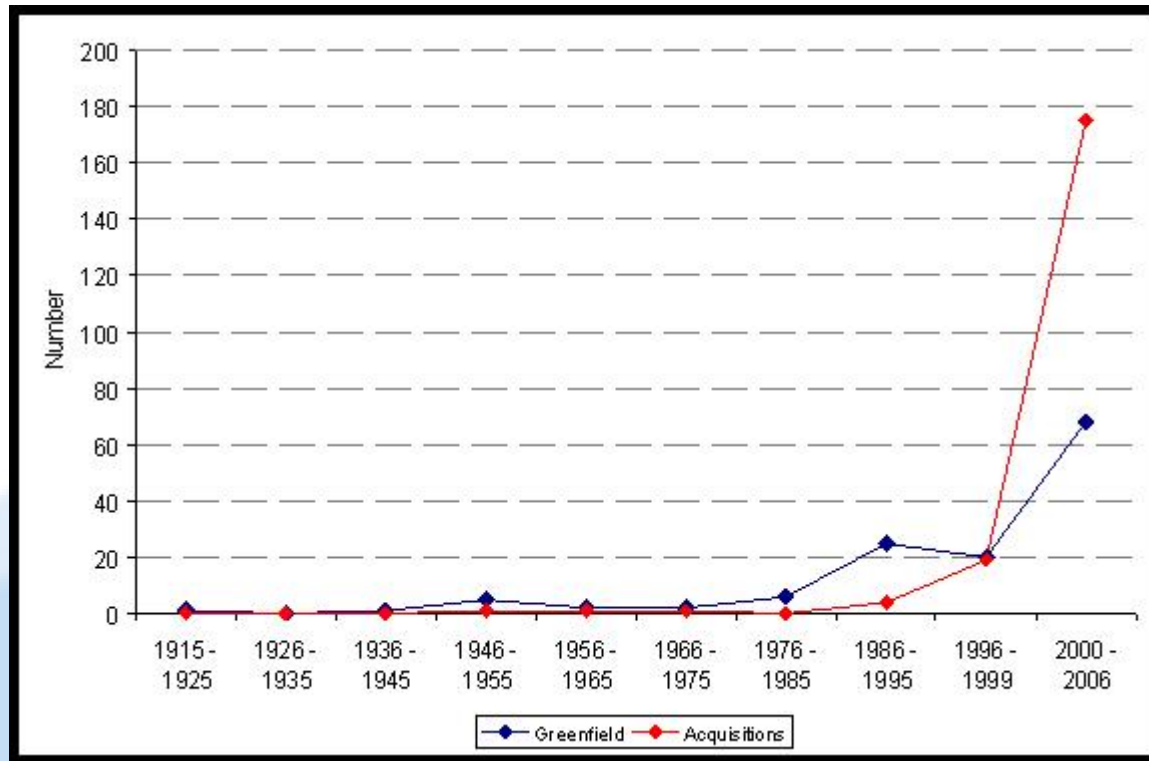
But has your company considered buying a ruling shareholder position in a company abroad during the next 12 months?



What do you believe to be the key for success in growing the company abroad?

<i>Key success factor</i>	<i>Number</i>	<i>Key success factor</i>	<i>Number</i>
Carefully developed strategy and plan	43	Quality product	10
Market knowledge	36	Marketing and promotion	8
Strong finance	31	Focus on core competence	7
Good employees	30	To succeed in the domestic market first	6
Knowledge base of employees	25	Foreign networks	5
Good services	13	Stability	5
Good management	13	Synergy	4
Hard work	12	Durability	3
Honesty and trust	11	Access to information	3
Responsiveness/boldness	11	Other things	57

Foreign direct investments



Case study

Company	Industry	Company	Industry
Actavis	Generic pharmaceutical	Icelandic Group	Seafood company
Alfesca	Convenience food	Kaupthing	Investment and commercial bank
Avion Group	Transportation and logistics	Kogun	Information technology
Bakkavor	Convenience food	Landsbankinn	Commercial and investment bank
Baugur Group	Retail and real estate	Marel	Manufacturing in high tech industry
Eimskip	Transportation and logistic	Norvik	Retail
FL Group	Investment company	Plastprent hf	Plastic manufacturing
Flaga Group	Sleep diagnostic and services	Promens	Plastic manufacturing
Fons	Investment company	Samskip	Transportation and logistics
Glitnir	Commercial and investment bank	Ossur	Manuf. of prosthetic and orthotic devices
Hampidjan	Manufacturing		

Size of the companies

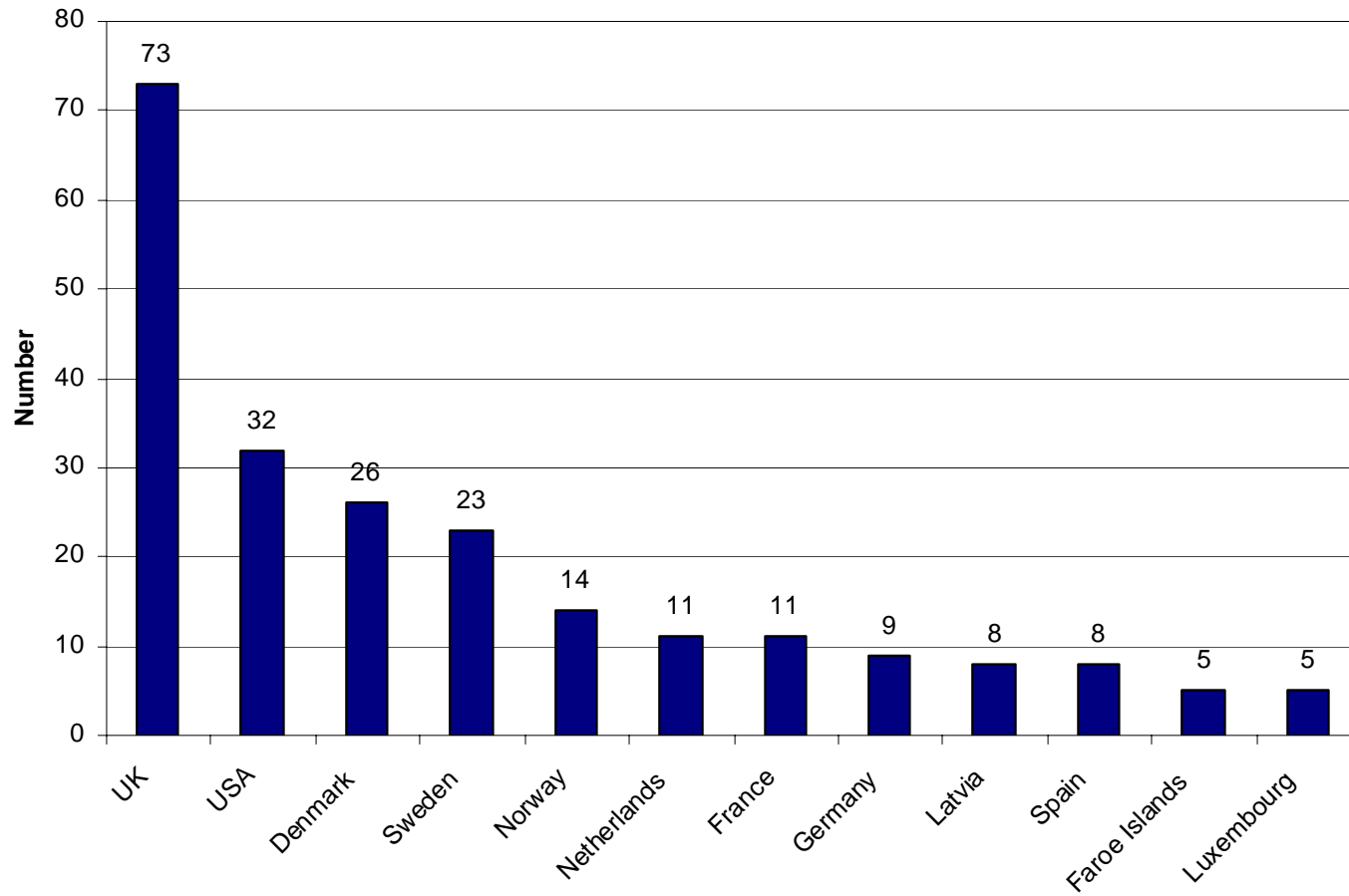
Company	2000	2006	x increase
Actavis	146	10.000	68,49
Alfesca	1.700	3.500	2,06
Avion Group	0	6.500	~
Bakkavör	300	16.008	53,36
Baugur Group	1.225	62.000	50,61
Eimskip	1.200	1.500	1,25
FL Group	0	16	~
Flaga Group	54	210	3,89
Glitnir	860	1.232	1,43
Hampiðjan	400	527	1,32
Icelandic Group	1.255	3.293	2,62
Kaupping	205	2.500	12,20
Kögun	55	1.500	27,27
Landsbankinn	977	1.725	1,77
Marel	543	1.400	2,58
Norvik	700	3.000	4,29
Plastprent hf	150	420	2,80
Promens	0	1.600	~
Samskip	681	1.440	2,11
Össur	112	1.300	11,61

International firms

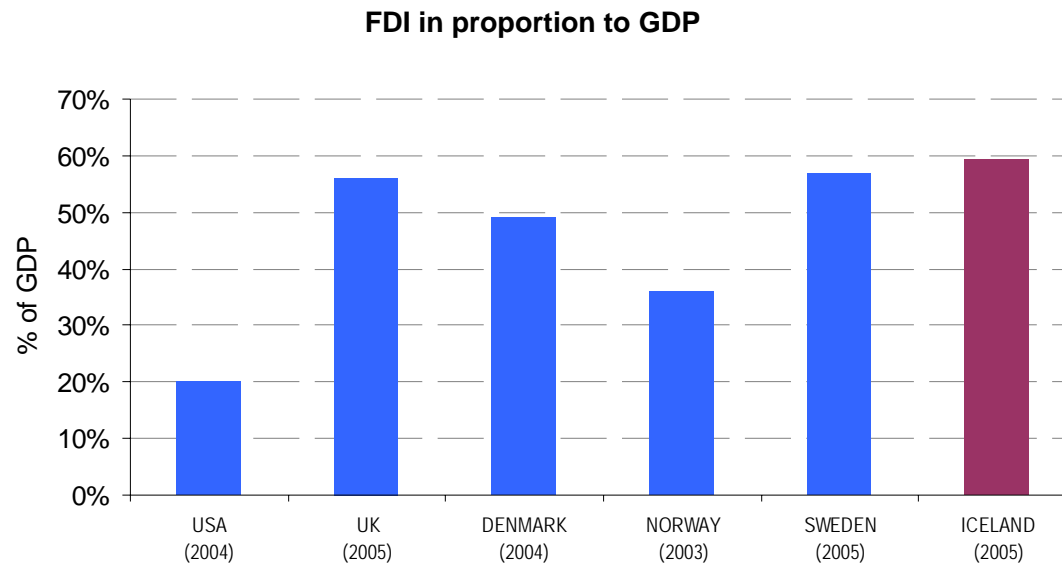
Number of employees in 2006

Company	in Iceland	Abroad	% abroad
Bakkavör	8	16.000	99,95%
Alfesca	6	3.494	99,83%
Icelandic Group	57	3.236	98,27%
Flaga Group	7	203	96,67%
Promens	70	1.530	95,63%
Actavis	500	9.500	95,00%
Baugur Group	10.600	51.400	82,90%
Össur	235	1.065	81,92%
Hampiðjan	108	419	79,51%
Avion Group	1.500	5.000	76,92%
Marel	380	1.020	72,86%
Plastprent hf	120	300	71,43%
Kaupping	1.050	1.450	58,00%
Samskip	650	790	54,86%
Kögun	800	700	46,67%
Norvik	1.700	1.300	43,33%
Landsbankinn	1.139	586	33,97%
Eimskip	1.050	450	30,00%
FL Group	12	4	25,00%
Glitnir	937	305	24,56%
Total:	20.929	98.752	

Countries



FDI in Proportion to GDP





Nordic Photos

- One of the largest image collection of Nordic Images
 - over 5 million images
 - 300 photographers
- Established in Desember 2000
- Has grown through acquisitions in Sweden
 - IMS Bildbyrå 2003
 - Mira Bildarkiv 2003
 - Tiofoto 2005
 - Greatshots 2006
- The collection is presented in 85 countries around the world
- Collaborates with Getty Images

SagaSystem™

- Established in 2000 to fight the consequences of reckless driving
- Is a fully automated telematics-based (GPS/GPRS) Driving Behavior Monitoring Service
 - Holds a unique patent world-wide for its process of gathering data and calculation of a Driver Index for “any moving object” based on combination of speed, acceleration, deceleration and G-force in turn.
 - Awarded the “Traffic Light” from the Icelandic Traffic Safety Board in 2004
- The Danish traffic safety board is highly interested in the system and is considering it as a mission-critical tool in their fight for increased traffic safety in Denmark
- Is currently taking the first steps towards internationalization
 - Sales offices in Iceland, Denmark and Norway
 - Currently monitors over one thousand vehicles for many leading Scandinavian companies (Icelandic Post HF, Siminn Telecom HF, Connex AB, Gjensidige Forsikring, ISS Facility Services AS)

InPro

- Established in January 2004
 - Provides service within health and safety for employees and individuals
 - Does currently employ 80 people.
 - Entrepreneur owns 80%
- Has grown through acquisitions of Icelandic firms
- Current customers are local and international companies
- Awarded as “the best team in Environment, Health and Safety” (EHS) within Bechtel contracting in 2006
- Has established a privately owned health clinic
- Going abroad in 2007

Characteristics of the Icelandic FDI

- **Scope:** Icelandic companies seem to follow an investment strategy that allows them to grow significantly in size through single investments.
 - they aim for known, well-established companies with strong customer-base.
- **Speed:** The overwhelming majority of Icelandic FDI's have taken place after the year 2000
 - a short chain of command
 - fast decision making
- **Specificity:** Icelandic companies seem to follow a growth strategy of obtaining a leading position and size in a given market niche.



Thank you!