

Engaging Asia: Getting it right for Australian business

AUSTRALIAN INDUSTRY GROUP & ASIALINK SURVEY

MARCH 2011



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About the partners



The Australian Industry Group (Ai Group) is a leading industry association in Australia.

Ai Group member businesses employ around 750,000 staff in an expanding range of industry sectors including: manufacturing; engineering; construction; automotive; food; transport; information technology; telecommunications; call centres; labour hire; printing; defence; mining equipment and supplies; airlines; and other related service industries.



Asialink is Australia's leading centre for the promotion of public understanding of the countries of Asia and of Australia's role in the region. Asialink is a key provider of information, training and professional networks. The organisation is a non-academic centre of The University of Melbourne and an initiative of the Myer Foundation.



Message from the CEOs



By 2050, Asia's share of global gross domestic product is expected to be double that of the major Western powers. In 2010, Asialink and the Australian Industry Group conducted a joint survey to better understand Australian business engagement with Asia. The result is *Engaging Asia: Getting it right for Australian business* - a look at Australia's interest in, and preparedness for, doing business in Asia.

The importance of Asia to Australian business is reflected in 56 per cent of businesses surveyed with current dealings in or with Asia indicating that at least one of their Asian operations is 'highly important' or 'extremely important'. Moreover, just on half of businesses surveyed plan to start or expand their businesses in Asia within 12 months.

However, the opportunities offered to Australia by the 'Asian Century' will not materialise by themselves. Respondents told us, in no uncertain terms, that their prospects in Asia are strong – but importantly that there are large gaps in their experience and skills. For example, more than half of Australia's businesses surveyed, that currently operate in Asia, have little board and senior executive experience of Asia and/or Asian language skills.

Ai Group and Asialink propose a number of reforms to ensure Australia can make the most of the opportunities that the world's fastest growing region presents. These include a renewed focus and effort on integrating Asian studies and languages into school curriculum (as a long term investment for future business engagement); enhanced assistance for services and manufacturing exporters; and a new strategy for developing Asia-readiness in our workforce.

Signed

Heather Ridout, Chief Executive
Australian Industry Group

Jenny McGregor, CEO
Asialink



Recommendations

- **An Asia Ready Workforce Strategy** should be developed to ensure that Australian business and the Australian community have the skills and expertise essential to making the most of our position in the fastest growing region of the world.
- Central to this Strategy should be the appointment of an **Asia Ready Workforce Advisory Panel**, reporting to the Prime Minister, and to be chaired by Asialink. This panel would leverage key partners in the Business Alliance for Asia Literacy to develop, guide and implement an Asia Ready Workforce Strategy.
- The Prime Minister should appoint a **Champion for an Asia Ready Australian Workforce**. The Champion would be an opinion leader for business and drawn from outside politics to build awareness and galvanise action in the business community.
- A critical part of the Strategy is schools and tertiary education and to this end the Federal and State Governments should invest in a **National Asia Literacy Action Plan** to ensure that:
 - the delivery of Asia skills and Asian languages in the Australian Curriculum is adequately funded in Australian schools
 - incentives are provided for school and tertiary students to study Asian languages and Asia studies
 - new and current school teachers and academic staff are equipped and available to teach Asia skills and Asian languages
 - universities are supported to establish Asian regional research networks
- To facilitate greater business links in Asia, it is also critical that governments should at least continue to **support existing programs aimed at encouraging and developing capabilities related to international business engagement, including programs** targeting the development of export capabilities (for example the Australian Government Export Market Development Grants (EMDG) scheme).



Executive Summary

1.1 Study overview

In 2010 Asialink and the Australian Industry Group (Ai Group) undertook a survey of Australian business knowledge, experience and confidence in Asia.

Businesses surveyed include Ai Group members who employ around 750,000 staff in a range of manufacturing, construction and services sectors including: engineering; automotive; food; transport; information technology; telecommunications; call centres; labour hire; printing; defence; mining equipment and supplies; agricultural services; airlines; finance and business services; and tourism.

1.2 Key findings

Asia is considered important to overall business success

- 74% of total businesses surveyed – companies not yet operating in Asia and those already there – indicated interest in expanding into Asia. As well, 42% responded that their interest is 'high' or 'very high'.
See Section 4.2.1
- 56% of businesses with current dealings in/with Asia indicated that at least one of their Asian operations is 'highly important' or 'extremely important'. In contrast, 11% of businesses that currently have dealings in Asia say business operations in at least one Asian economy is not important to their overall business success.
- Overall, China is rated as the Asian economy that played the biggest role in business success, with 69% of businesses with operations in China saying it is important to their overall business success. Business operations in Japan and Thailand closely followed.
See section 4.1.6

The future in Asia is positive

- 49% of total businesses plan to start or expand their businesses in Asia within 12 months.
See Section 4.3.2
- Of businesses that indicate they will commence/expand dealings with Asia in the next 12 months, 55% say they will employ more staff to support Asian dealings.
See section 4.3.3
- Larger businesses are more likely to have plans to commence or expand dealings in or with Asia. For example, 50% of businesses with 20 to 99 staff and 72% of businesses with 100 or more staff have plans to engage with Asia. And 39% of businesses with fewer than 20 employees have such plans.
See Section 4.3.2
- Apart from China, which is most frequently mentioned, 12 other Asian economies (principally Malaysia, Singapore, Indonesia, India, Vietnam and Thailand) appear to have significant prominence in actual business plans.
See Section 4.3.1
- Business in Asia is generally thought to be performing satisfactorily: 82% of those with current Asian interests believe their Asian performance is better than expected, or as expected. Only 9% of businesses report their Asian performance is below expectations.
See Section 4.4.2
- 34% of total businesses believe economic conditions will be better in six months' time compared with now – and 53% suggest they will stay the same. But 14% believe they would be worse.

- Businesses that already have interests in/with Asia and those that plan to commence or expand dealings in/with Asia in the next 12 months are significantly more optimistic about their business prospects.
See Section 4.4.1

Asia experience and knowledge

- When asked about the importance of various business factors and skill sets in doing business in Asia, references to 'quality product at accurate price point' and 'quality partnerships' dominate, along with 'appreciation of different political and legal processes', 'managerial skills' and 'local cultural knowledge'. In free responses, a number of businesses also indicate exchange rates are a big issue in doing business with Asia.
- Further analysis of responses show that the nature of operations causes some variation in responses. While having quality partnerships and great networks are equally as important, regardless of the nature of operations, having a greater depth of understanding of local culture and staff is rated significantly more important for businesses engaged in production in an Asian economy.
See Section 4.5.2
- Overall, businesses that have senior staff with some Asian experience or skills rate the importance of local knowledge to their business in Asia significantly higher than those that have no senior staff fitting these criteria.
- Similarly, these businesses rate the importance of having cultural understanding and an understanding of local management practice significantly higher than businesses that have no staff with Asian skills and experience.
See section 4.6.1
- Consultancy businesses are far more likely to have board members/senior executives with Asian "experience".
- More than half of Australia's businesses currently operating in Asia have little board and/or senior executive experience of Asia and/or Asia skills. There is a higher level of experience among senior executives: about 54% of companies report that at least some senior executives have experience.
- 32% of businesses with Asian dealings say that none of their Australian-based board members or senior executives have any of the listed Asian skills or experiences.
- 65% of responding businesses report that none of their Board members have worked in Asia.
See section 4.6.1

About current dealings in Asia

Businesses with current dealings in/with Asia are:

- More likely among machinery and equipment, general manufacturing, and service sectors.
- More likely among larger businesses.
- Dominated by engagement with China – 44% of total businesses had some sort of dealings in or with China.
- Seemingly well established – among those businesses that have some sort of involvement in Asia, the average number of overseas economies mentioned is 3.8 economies, indicating they have gone beyond an initial foray into a single Asian economy.
- Dominated by trade activities (i.e. importing, exporting) more so than production or consultancy in Asia. It is worth noting that a sizeable minority of businesses dealing in/with China have a production base there (30%).
- Largely driven by proactive rather than reactive forces. On average (weighted average across numerous Asian countries), 47% of Asian involvement is proactive, and a further 12% is both proactive and reactive. Only 20% of Asian involvement is purely reactive.
See Sections 4.1.1 to 4.1.6 and 4.4.2



Introduction

In 2010, Asialink joined with Ai Group to conduct this inaugural Asia business survey. Ai Group invited members to participate in the survey - to share their intentions, knowledge and perceptions of doing business in Asia.

In particular, the aim of the research is to gain an understanding of Australian business interest, confidence and ability to deal with or in Asia. The survey measures:

- Business confidence in Asia
- The perceived factors impacting on business success in Asia
- Preparedness to engage with or in Asia



Methodology

Roy Morgan Research was commissioned to assist in developing a questionnaire and in analysing the data. In mid 2010, business decision-makers were sent a mail-out survey. A reminder email, with a link to an online survey, was sent to all non-responding businesses.

The sample invited to participate in the survey was sourced from the Ai Group member database. Members include a wide range of small, medium and large business operators.

The results are analysed by industry sector and company size. The sample consists of 380 respondents, representing a broad spectrum of industries and including a number of major Australian global businesses.

In this survey report, small enterprises are defined as having 0-19 employees; medium, 20 – 99 employees; and large, 100 or more employees.

Respondents were given a list of 12 major Asian economies and open space to specify other economies. The list comprised: Hong Kong, India, Indonesia, Japan, Malaysia, the People's Republic of China, Philippines, Singapore, South Korea, Taiwan, Thailand and Vietnam.



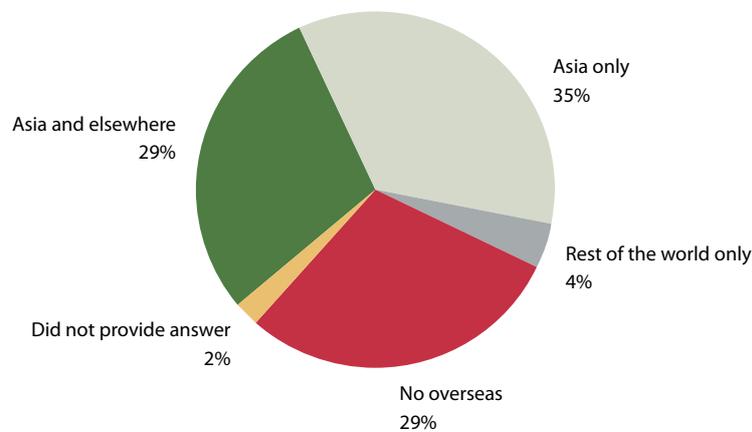
Main Findings

4.1 Current overseas business involvement

A total of 68% of the businesses surveyed reported trading, operating or having interests overseas. A total of 64% of businesses (or 94% of those that have interests anywhere overseas) reported having some form of involvement in Asia.

As shown in Figure 1 below, there is a fairly even mix of businesses trading only in Asia versus trading in Asia and elsewhere in the world:

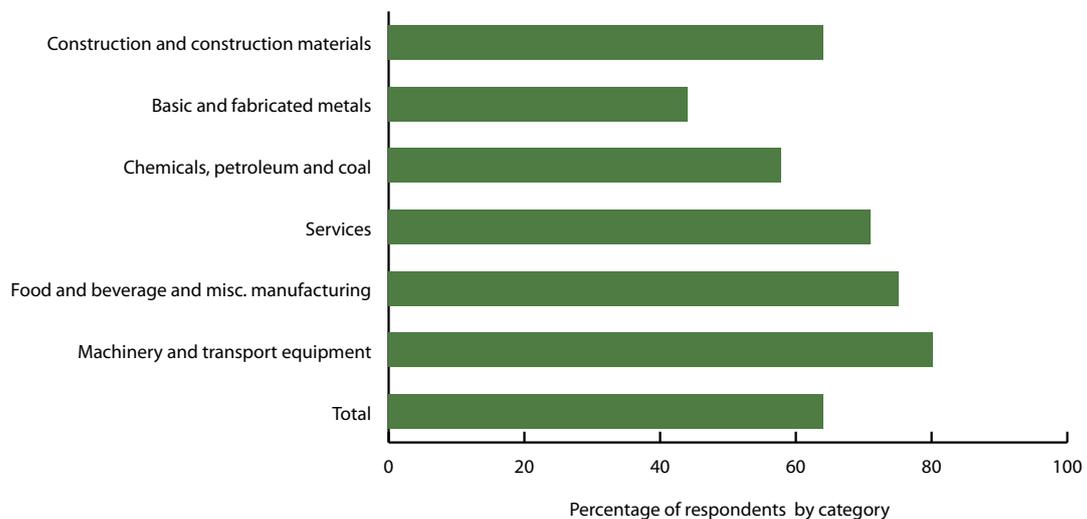
Figure 1: Current overseas business involvement



4.1.1 Current involvement in Asia by industry type

Figure 2 below summarises the involvement in Asia by industry. Those broad industry groupings that have greater involvement/interest in Asia include machinery/equipment businesses and manufacturers. Service companies also have an above-average involvement.

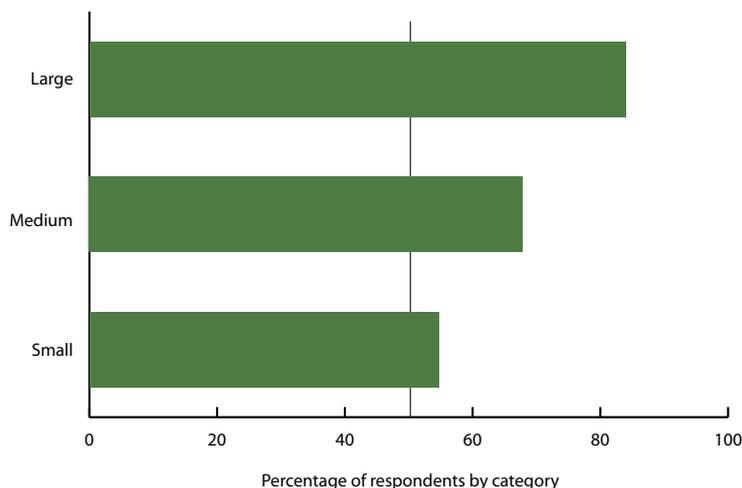
Figure 2: Involvement in Asia by industry



4.1.2 Current involvement in Asia by size of business

As may be expected, larger businesses are more likely to engage in business dealings with or in Asia. Those with 100 or more staff are significantly more likely to be engaged in business dealings with Asia (84%), compared to medium-size businesses involved in Asia (68%) and small businesses (53%).

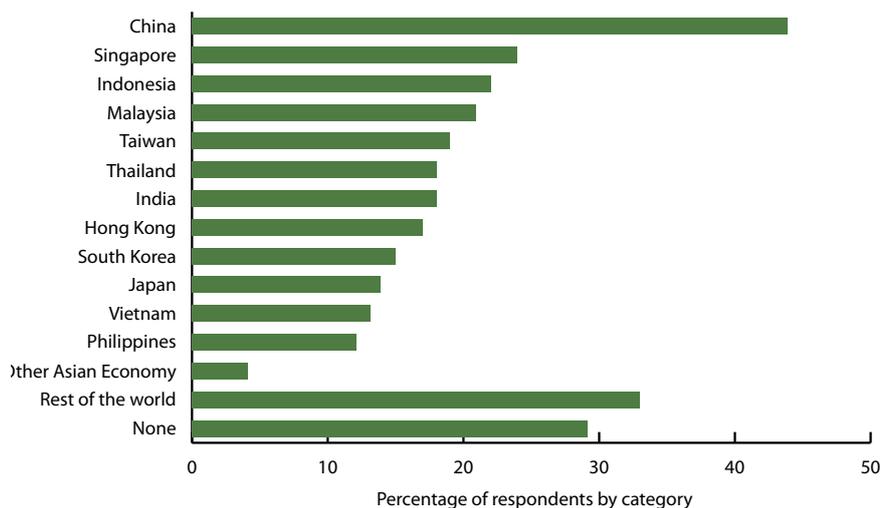
Figure 3: Involvement in Asia by category



4.1.3 Location of involvement

When asked which overseas economies they were involved in or with, 44% of businesses said the People’s Republic of China. No other single Asian market received more than 24% of mentions. Among businesses that have some involvement in Asia, the average number of overseas economies mentioned was 3.8 economies, indicating that a majority of respondents involved in Asia are beyond their tentative first steps.

Figure 4: Overseas economies currently involved in



(Note: Countries specified by respondents under ‘Other Asian economy’ included Cambodia, Papua New Guinea, Laos, Pakistan and Bangladesh)

4.1.4 Nature of involvement

Importing and/or exporting are the dominant activities for businesses already operating in or with interests in Asia (80% of businesses). A sizeable minority of businesses (30%) have production bases in the Asian region

and 12% are engaged in Asia through consultancy. Of businesses engaged with China, 51% are involved through importing, 37% exporting, 30% have production bases there and 5% are engaged in or with China through some form of consultancy (Figure 5).

Hong Kong, Japan and Singapore are the most dominant partner countries for consultants.

Figure 5: Nature of involvement with Asian economies

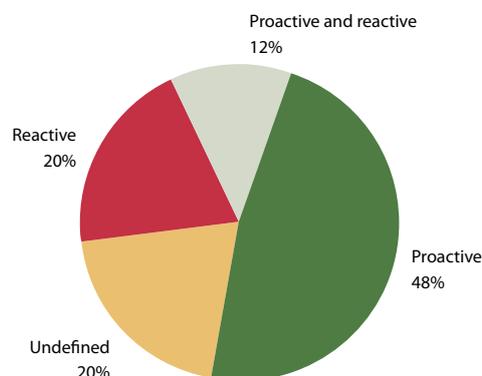
		Importing	Exporting	Production Base	Consultancy	Other
China	%	51	37	30	5	2
Singapore	%	40	43	8	13	7
Taiwan	%	49	33	11	3	4
Malaysia	%	41	41	15	6	6
Hong Kong	%	39	33	8	20	6
India	%	37	47	16	7	7
Indonesia	%	31	45	17	1	4
Thailand	%	40	42	19	5	8
Japan	%	46	36	13	15	4
South Korea	%	41	40	9	5	3
Vietnam	%	33	43	12	2	4
Philippines	%	33	44	2	9	11
Other Asian economy	%	19	38	0	6	6

Note: Percentages in Figure 5 are read across the row, and due to multiple responses may add to more than 100%.

4.1.5 Whether involvement is proactive or reactive

Overall, businesses currently involved with at least one Asian economy said their expansion/opening/dealings in an economy was a proactive rather than a reactive step (Figure 6). On average, 48% of businesses with some involvement said their involvement with at least one Asian economy was a proactive measure – a further 12% on average mentioned it was both proactive and reactive, while an average of only 20% mentioned it was purely reactive.

Figure 6: Driver of involvement with at least one Asian economy



The driver of involvement varies across countries in which businesses are involved (Figure 7). For example, involvement in the Philippines and Thailand was largely only proactive (54% and 52% respectively), while involvement in economies specified by respondents under the “Other Asian Economy” category was mostly reactive (31%).

Figure 7: Driver of involvement with each Asian economy

		Proactive	Reactive	Both	No answer
Philippines	%	54	11	20	15
Thailand	%	52	6	24	18
Vietnam	%	49	10	22	18
Taiwan	%	49	6	18	28
India	%	49	17	21	13
Hong Kong	%	48	12	21	18
South Korea	%	48	10	16	26
China	%	48	8	27	16
Singapore	%	46	15	19	19
Japan	%	45	15	16	24
Malaysia	%	45	15	21	19
Indonesia	%	39	18	14	29
Other Asian Economy	%	25	31	6	38

Note: Percentages in Figure 7 are totalled across the row.

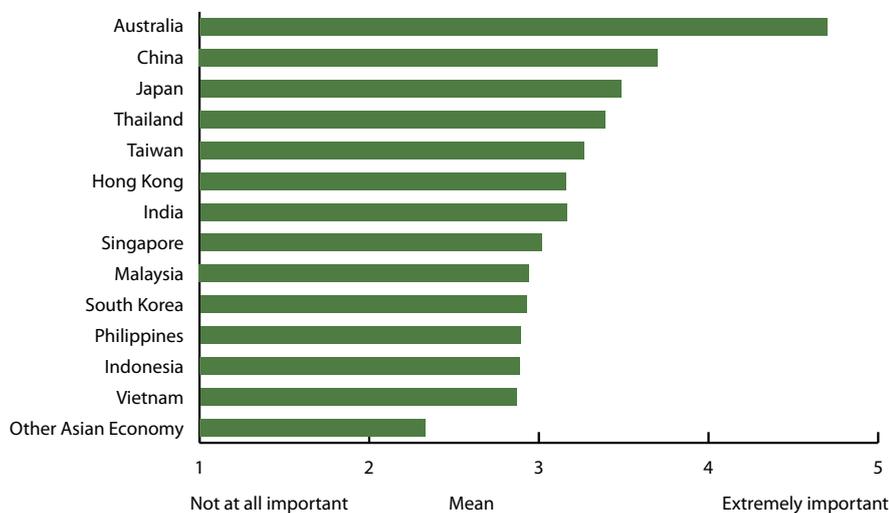
4.1.6 Importance of business operations in each economy to overall success

Businesses dealing with Asia were asked to rate their operations in each economy (including Australia) in terms of their importance to their overall business success (a five-point 'not at all important' to 'extremely important' scale was used).

While Australian operations are seen as being the most important by all businesses (average rating of 4.7 out of 5), Asian dealings are also seen as being very important (Figure 8). In total, 56% of businesses that currently have dealings in Asia said business operations in at least one of the Asian economies they dealt in/with are extremely or highly important to their overall business success. In contrast, only 11% of businesses that currently have dealings in Asia say business operations in at least one Asian economy are not at all important to their business success.

Overall, China is rated as the Asian economy that plays the biggest role in business success, with 69% of businesses with operations in China saying it is important to their overall business success (giving it a mean of 3.7 out of 5). Business operations in Japan and Thailand closely followed.

Figure 8: Mean importance rating of operations in each economy to overall business success



4.2 Interest in engaging with Asia

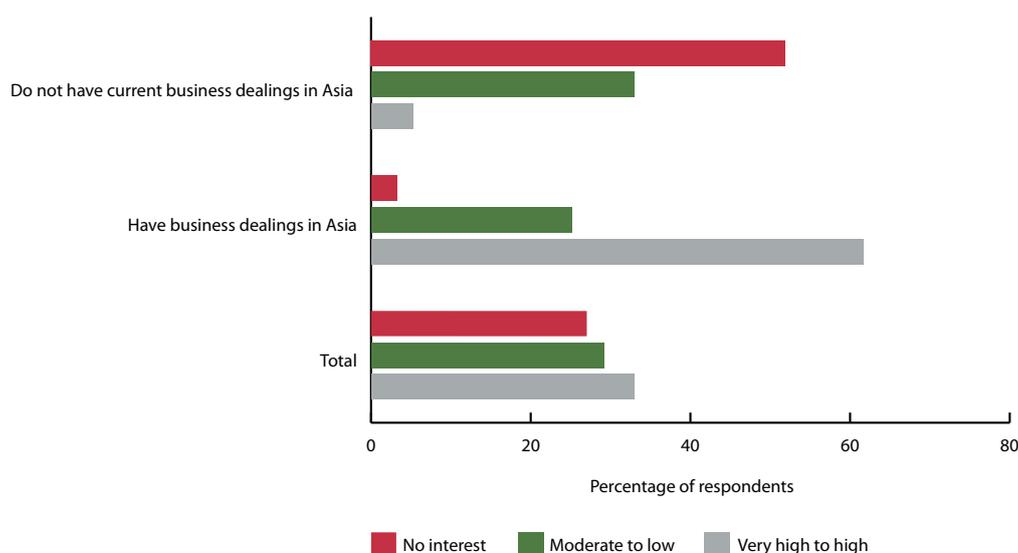
This next section concerns future interest in dealing with Asia, regardless of whether or not businesses already have operations or involvement there.

4.2.1 Level of interest

In total, 74% of responding businesses show some interest in dealing (or dealing further) in or with Asia – and 42% committed to the top two categories ('high' and 'very high' interest). However, the vast majority of that interest resides within those who already have dealings in/with Asia (Figure 9). Among those that currently do not have dealings in/with Asia, only 5% committed to the top two codes, indicating there is little short-term interest in Asia within this group.

Larger businesses are significantly more likely to have some interest in dealing with Asia. In particular, 64% of businesses with annual turnover of between \$10 million and \$100 million say they have a high or very high level of interest in dealing with or dealing further with Asia. In terms of number of staff, 55% of businesses with 100 or more staff show a high or very high level of interest. These findings largely reflect the profile of those businesses that already have dealings with/in Asia.

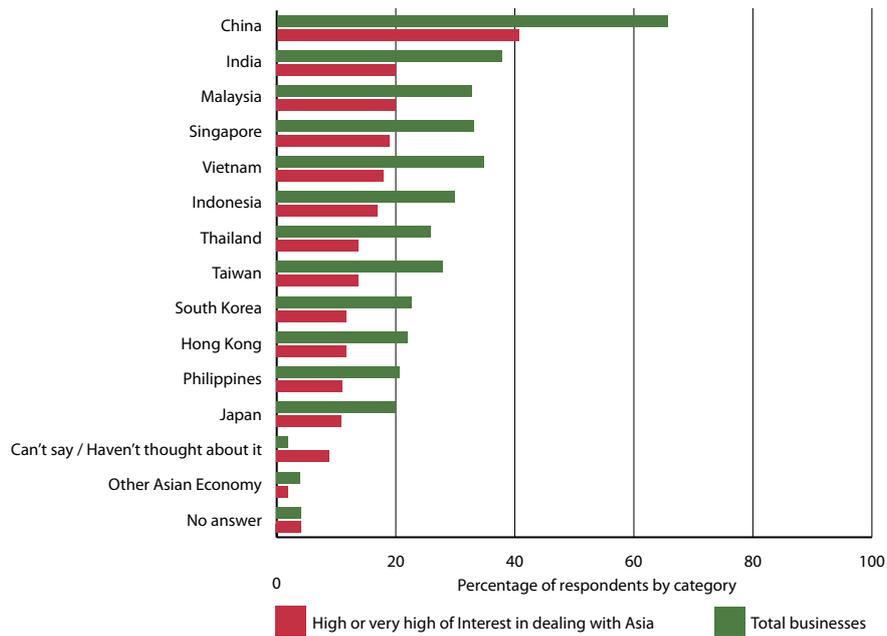
Figure 9: Level of interest in engaging (or further engaging) with Asian economies



4.2.2 Countries of interest

Consistent with previous findings that the most popular country already engaged in for business was China, it is also the most mentioned in terms of being a country with which businesses are interested in dealing (or dealing further) in the future. A total of 41% of all businesses (or 66% of those with 'high' or 'very high' interest in dealing further with Asia) show interest in China (Figure 10). India is the second-highest rated economy, with 20% of mentions from all businesses (or 38% among those with 'high' or 'very high' interest in dealing with Asia). Note that in Section 4.1.3 India is equal sixth in terms of current dealings, yet it is second in terms of future interest. Similarly, Vietnam is 11th in terms of current dealings, yet it is third in terms of future interest among those with a 'high' or 'very high' interest in dealing/dealing further in Asia.

Figure 10: Level of interest in engaging (or further engaging) with each Asian economy



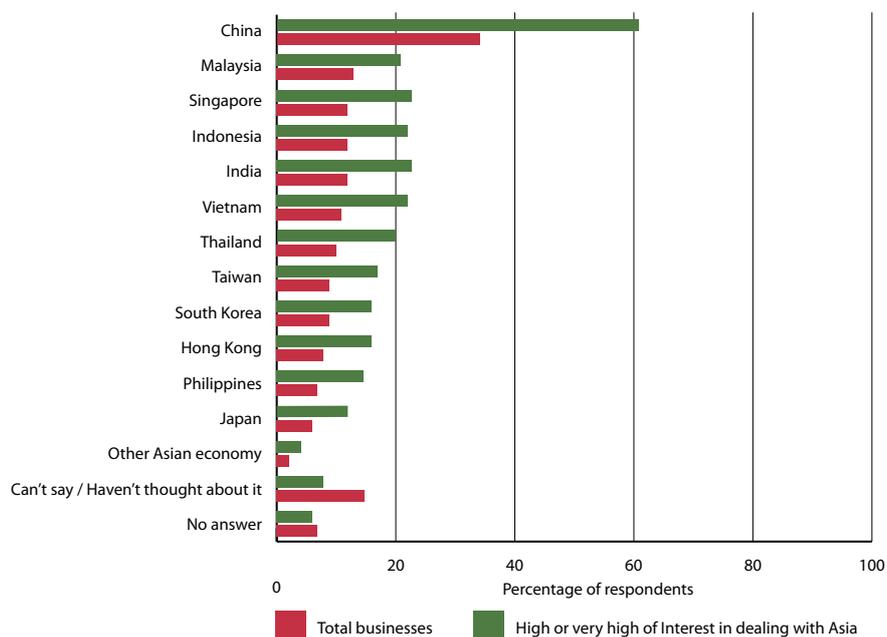
4.3 Plans to engage with or further engage with Asia

While the preceding section dealt with broad interest in Asia, the following questions are more aligned with actual plans for dealings with/in Asia.

4.3.1 Which countries are included in current plans

Those businesses that expressed any interest in dealing (further) with Asia were asked which countries were *already included in their plans* for new or expanded dealings (Figure 11). Consistent with previous findings, China is the most frequently mentioned: 61% of those who are highly or very highly interested in dealing in or with Asia have already included China in their plans.

Figure 11: Asian economies already included in current plans by level of interest in engaging with Asia



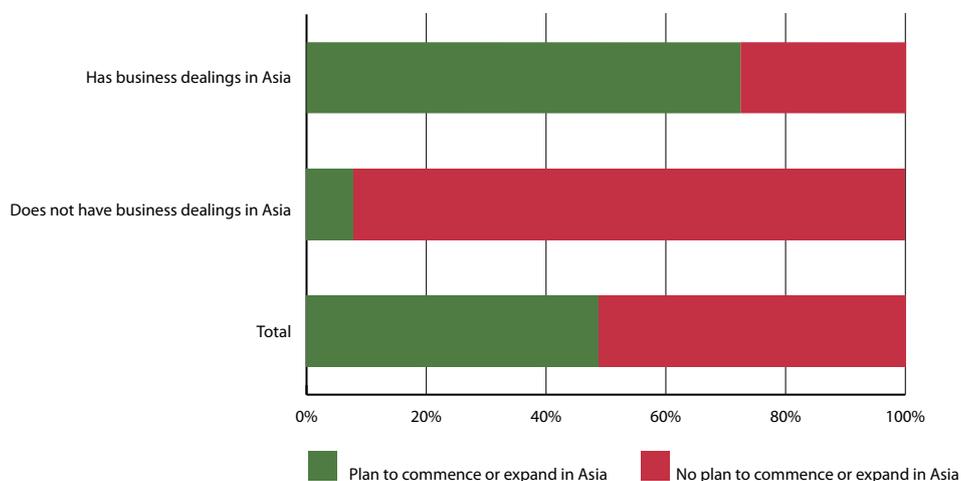
Apart from China, several economies - including Malaysia, Singapore, Indonesia, India, Vietnam and Thailand - appear to have almost equal prominence in actual plans.

A further 8% of businesses with a high level of interest in dealing in/with Asia have not yet made plans about which countries in particular to engage.

4.3.2 Plans to commence or expand dealings in or with Asia

All responding businesses, regardless of how interested they are in dealing in or with Asia, were asked whether they planned to commence or expand dealings in or with Asia over the next 12 months (Figure 12). This question is more definitive than some of those previously reported in that it sets a timeframe and specifically mentions commencing/expanding dealings. In total, 49% of businesses say they do have these plans.

Figure 12: Whether plan to commence or expand dealings in or with Asia



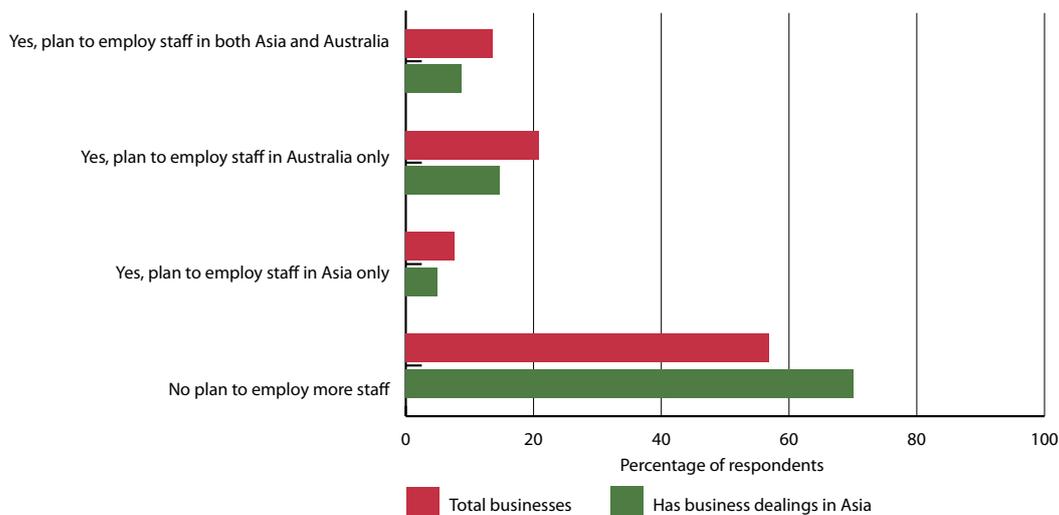
As seen previously, there is a high correlation between current Asian business engagement and future plans in this regard. Businesses that currently have dealings in Asia are significantly more likely to have plans to expand further in Asia in the next 12 months (73% compared with only 8% of those who do not currently have dealings in Asia).

Consistent with the sizes of businesses interested in dealing (or dealing further) with Asia, larger businesses are more likely to have plans to commence or expand dealings in or with Asia. However, it is interesting that a significant number of each category have future plans to expand: 39% of small businesses, 50% of medium businesses and 72% of large businesses.

4.3.3 Plans to employ more staff

Despite a large portion of businesses planning to commence or expand dealings in or with Asia, only 30% say they plan to employ more staff over the next 12 months to support those dealings – although 43% of those already with dealings in/with Asia say they plan to employ more staff. Among those who on the previous measure indicated they will commence/expand Asian dealings in the next 12 months, 55% say they will employ more staff.

Figure 13: Plans to employ more staff to support Asian dealings and where staff will be based



Of the cohort planning to employ more staff to support their Asian operations, 82% say they will employ more people in Australia, while 49% say they will employ people in Asia (some businesses will employ people in both Australia and Asia, which explains why these figures add to more than 100%).

Business size is again a factor in whether or not businesses plan to employ more people to support Asian dealings. Large businesses are more likely than smaller businesses (earning less than \$10 million) to have plans to employ staff (43% each compared to 20% for smaller businesses). Similarly, businesses that currently have 100 or more staff are more likely to have plans to employ more staff, with 51% of these businesses having plans, compared to 18% of small businesses.

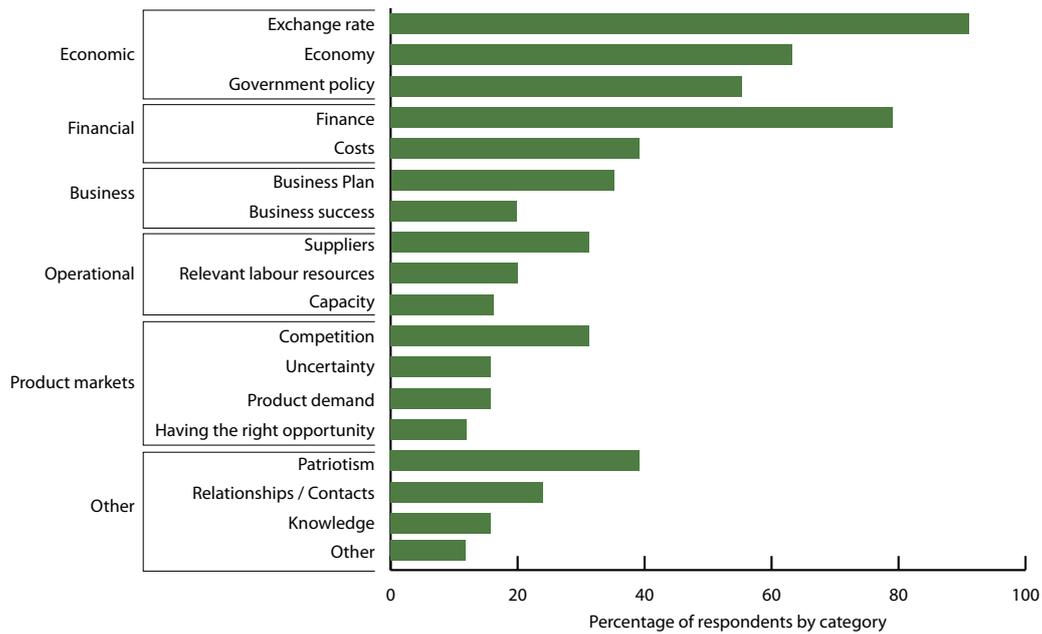
4.3.4 Factors affecting level of planned investment

When asked what factors are adversely affecting their level of planned expenditures or expansion into Asia (an open-ended question), the majority of business say nothing in particular is adversely affecting this decision (67%). Only one third of businesses are able to nominate an adverse affect. Those businesses already dealing in/with Asia are marginally more likely to mention an adverse effect (39%), possibly reflecting their greater knowledge of and involvement in Asia.

Of the 33% of responding businesses that say there is something adversely affecting their level of expenditure or expansion in Asia, 40% nominate economic or government policy-related reasons – most notably exchange rates (18%) and a total of 24% identify internal financial constraints.

Factors named in 'other' include 'the need to concentrate on local issues,' 'difficulty of investing on a small to medium scale,' and 'having the time.' Figure 14 provides a breakdown of those that identified factors adversely affecting their level of planned expenditures.

Figure 14: Factors currently adversely affecting the level of planned expenditure or expansion into Asia



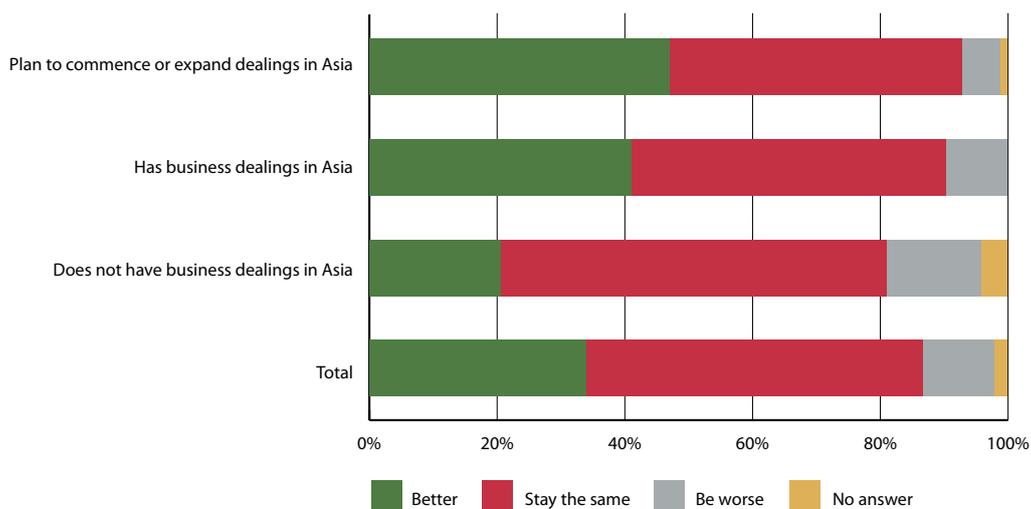
4.4 Perception of conditions for investment

After being asked questions about their current status in regards to Asian dealings and their future plans, businesses were asked about their current perceptions of Asia.

4.4.1 General perceptions of Asia

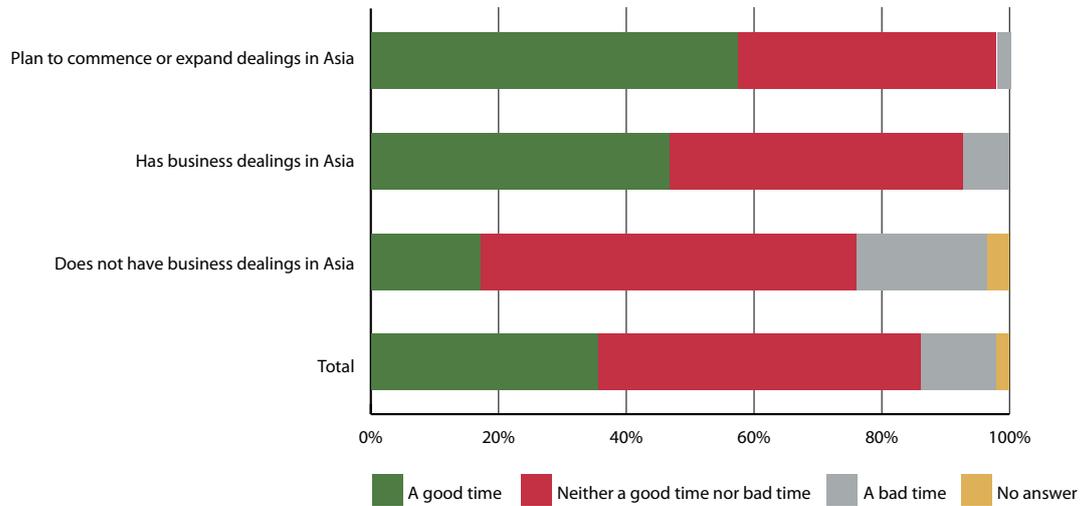
Economic conditions in Asia six months ahead are viewed as better or the same by an overwhelming majority (87%). Only 11% of responding businesses say conditions will be worse (Figure 15).

Figure 15: Expectations of future overall economic conditions in Asia



Businesses were also asked whether they believe it is currently a good or bad time to expand their business either in or into Asia. Of responding businesses, 36% say now is a good time to do so (Figure 16). Only 12% say it is a bad time to expand in Asia.

Figure 16: Perception of whether the present is a good or bad time to expand in or into Asia



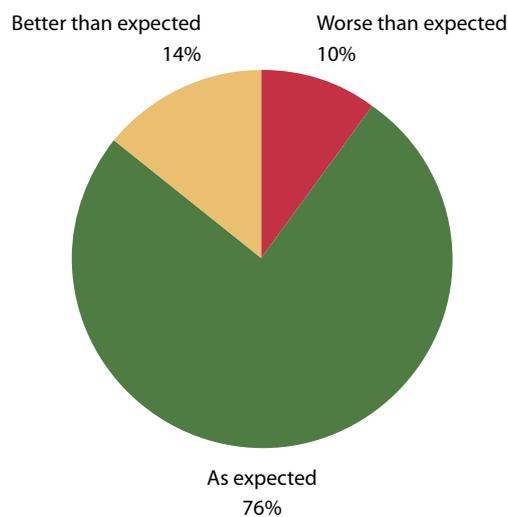
Analysis of these expectations and perceptions shows those businesses already engaged in business dealings in or with Asia tend to have more positive perceptions of the region. Those with business dealings are more likely to consider economic conditions in Asia will be better in six months than those who do not (41% compared with only 22% for all other businesses not currently dealing in/with Asia). They are also more likely to consider the present is a good time to expand in or into Asia (46% compared with only 17% for all other businesses not currently dealing in/with Asia).

Similarly, businesses that indicate they plan to commence/expand Asian dealings in the next 12 months are significantly more inclined to indicate that economic conditions will be better in six months' time (47%), and that the present is a good time to expand in or into Asia (57%)

4.4.2 Performance of business in Asia

Businesses that currently have dealings in or with Asia were asked how those dealings are performing relative to expectations. In total, 90% of respondents say they are performing as expected or better, while only 10% say they are worse than expected (Figure 17).

Figure 17: Performance of Asian dealings relative to expectations



While 14% of businesses with dealings in or with Asia say their operations are performing better than expected, this figure is significantly higher for India and Japan in particular. A total of 20% of those with business in India and 20% of those with business in Japan say their Asian operations are performing better than expected.

Further analysis shows businesses that report their Asian dealings to be performing better than expected are significantly more likely to consider the present is a good time to expand in Asia (74% compared to 46% of total sample).

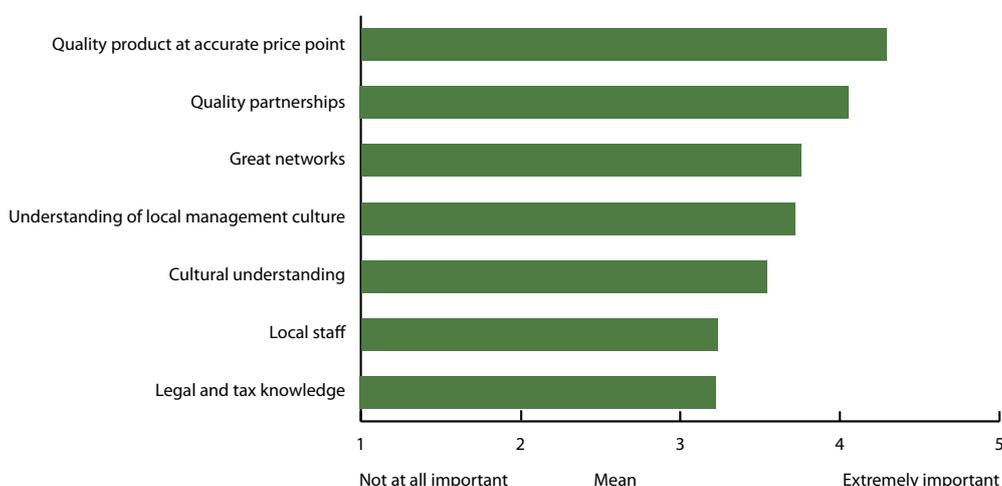
4.5 Factors affecting ability to do business with Asia

To understand the barriers that businesses face when engaging in or with Asia, businesses were asked which factors helped them and which skills they consider are necessary (both questions used a five-point 'not at all important' to 'extremely important' scale).

4.5.1 Importance of factors in helping do business with Asia

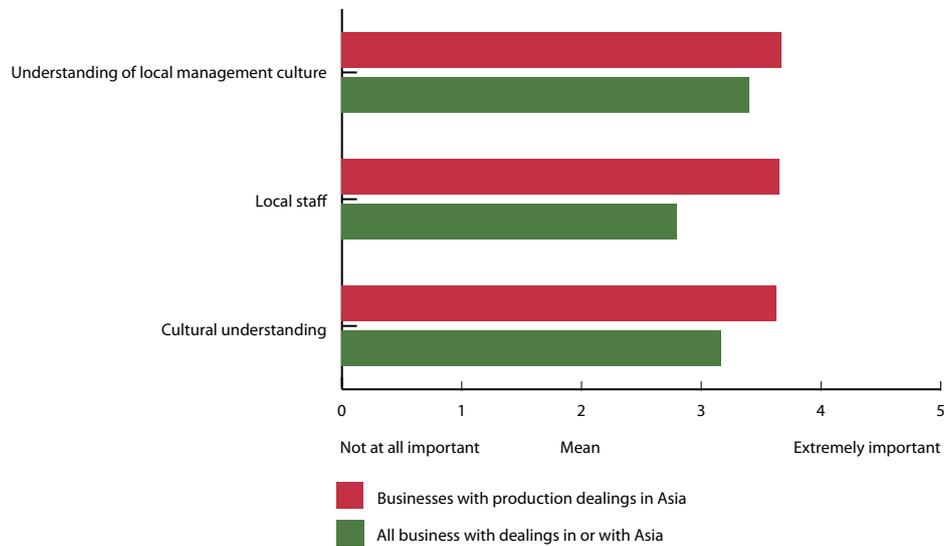
Of businesses currently engaged in or with Asia the most important factor for business success is having a quality product at an accurate price point (mean of 4.3 out of 5), followed by quality partnerships (4.1 out of 5). Having a greater depth of understanding of local culture and having local staff are rated significantly higher in importance by businesses engaging in production in an Asian economy.

Figure 18: Importance of factors in doing business with or in Asia



Further analysis shows that quality partnerships and great networks are almost equally important, regardless of the nature of operations. There was also an 'other' option in the questionnaire where respondents could specify additional factors. A handful of respondents did this, mentioning exchange rates and freight costs as important factors.

Figure 19: Importance of factors in doing business with or in Asia by all those who have Asian dealings, and by those who have production operations in Asia



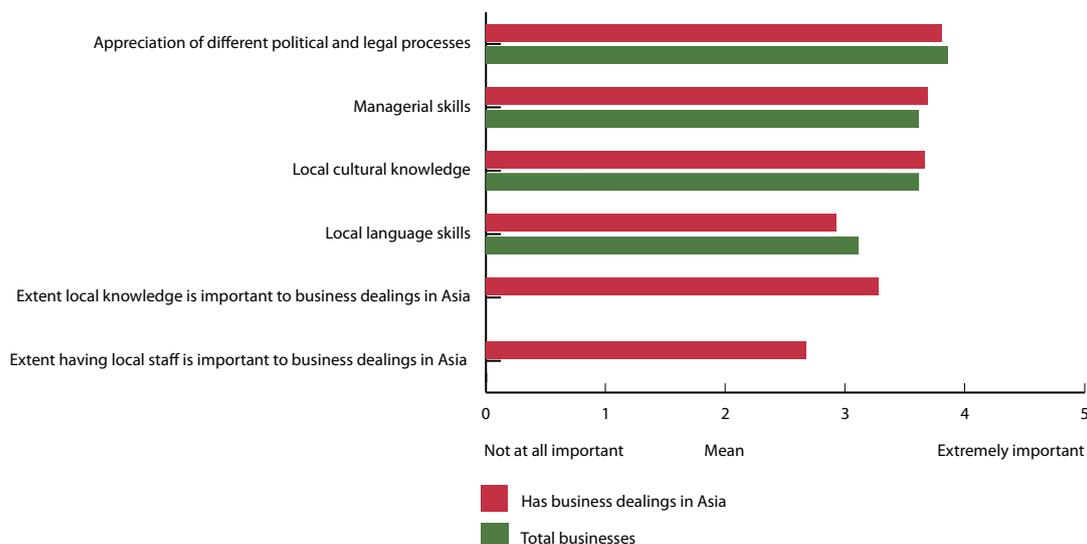
The importance of the factors in Figure 19 - ‘understanding of local management culture’, ‘local staff’ and ‘cultural understanding’ - are rated consistently highly across small, medium and large businesses.

4.5.2 Necessary skill factors

Two sets of questions were asked about the perceived skill factors required for doing business in/with Asia – one set was asked of all businesses, the other was asked only of those with current dealings in/with Asia (a five-point importance scale was used).

In Figure 20, ‘having an appreciation of the different political and legal processes’ stands out as being the most important skill (mean of 4.1 out of 5). While in Section 4.5.1 it was noted that ‘legal and tax knowledge’ was not rated as an overly important factor in doing business in Asia, it is possible that the inclusion of the word ‘political’ in the current question has increased the perceived importance. There is some support for this notion in the verbatim comments provided by some businesses, with comments about difficulties in negotiating regulations and policies as well as trade barriers and stability, which could be considered political factors.

Figure 20: Importance of skills in doing business with or in Asia by all businesses (top 4 skills only) and businesses with Asian dealings



Local language skills, while seen as somewhat important, are not considered to be as important as other skills in helping business dealings in or with Asia (mean of 3.5).

It is interesting to note that for the four statements in figure 20, there are results for all businesses as well as just those businesses already dealing in/with Asia, results are very similar for both sub-samples. This suggests those businesses not yet dealing with/in Asia may have a similar appreciation of ‘preparedness factors’ to those already experienced in dealing with/in Asia.

It is also significant that nature of operations did not cause variation across importance ratings of various skills. Business size (by either employees or turnover) was also not a prevalent factor in determining the importance of particular skills.

4.6 Senior personnel profile

The following sections look at the skill set and preparedness for Asia of related senior staff.

4.6.1 Preparedness for Asia

Businesses that currently had dealings in or with Asia were asked about their board and senior staff experiences in Asia.

Overall, 54% of businesses with Asian dealings said Australian-based members of the board and/or senior executives had some kind of experience in working or living in Asia, received training to prepare them, or spoke an Asian language. In contrast, 32% of businesses with Asian dealings said that none of their Australian-based board members or senior executives had any of the listed Asian skills or experiences.

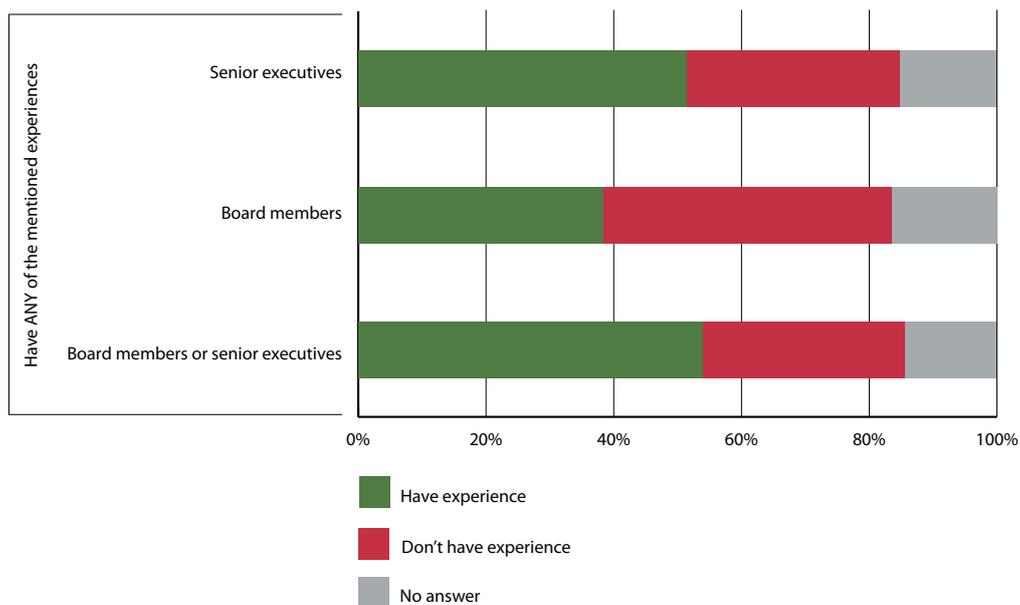
Of all of the experiences, businesses are most likely to have Australian-based senior executive and/or board members who have worked in Asia (47% and 35% of those that provided a response respectively). However, businesses are more likely not to have any board members who had worked in Asia (65% of those who provided an answer). They were almost as likely not to have had any senior executives who had worked in Asia (53%).

Having Australian-based board members and/or senior executives who could speak an Asian language is the least common preparedness factor, with 73% of businesses that provided a response saying they did not have any senior executives who spoke an Asian language and 84% of businesses that responded saying that no board members spoke an Asian language.

Overall, businesses that reported having senior staff with some Asian experience or skills rated the importance of local knowledge to their business in Asia significantly higher than those who did not report having senior staff fitting this criterion (mean of 4.0 or 'highly important' compared to a mean 2.9 or just under 'somewhat important'). Similarly, they rated the importance of having cultural understanding and an understanding of local management practicea significantly higher than businesses that did not report having staff with Asian skills and experience.

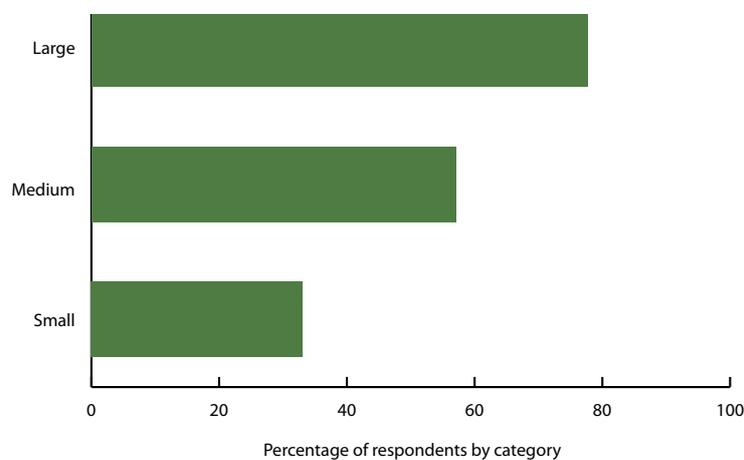
As shown in Figure 21, senior executives are more likely than board members to have any of these skills or experiences.

Figure 21: Percentage of Asian-dealing businesses with Australian-based board members and senior executive with any Asian experience



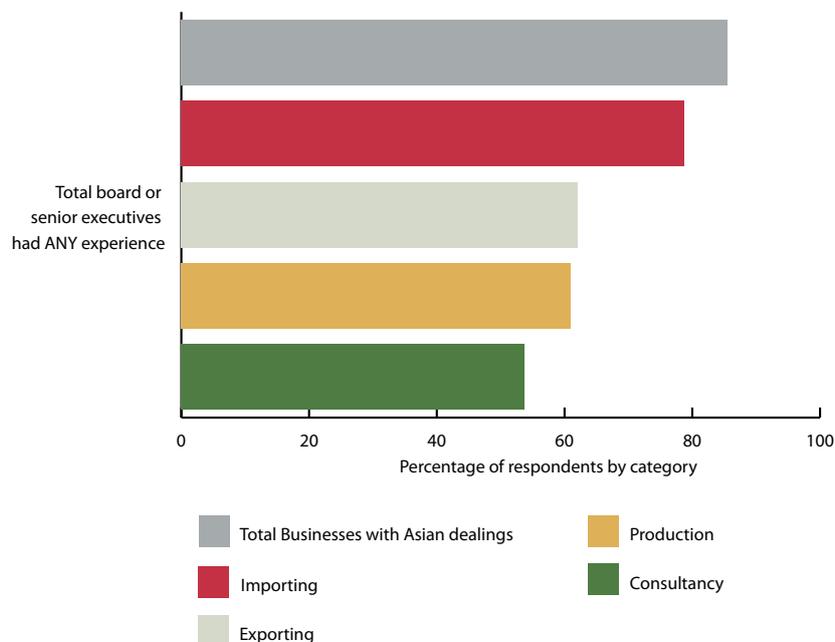
Size of business is a significant factor in whether a business has board members or senior executives with Asian skills (Figure 22). Those businesses that had more staff, and those with higher turnover were significantly more likely to have Australian-based board members and/or senior executives with Asian experiences.

Figure 22: Percentage of businesses that have any senior executives or board members with Asian experience



Analysis by nature of operations suggests that those businesses that are arguably more closely involved in Asian business dealings (for example through consultancy or production bases) are more likely than those that are involved in trade to have some Asian experience. These findings are consistent with findings in section 4.5.1.

Figure 23: Percentage of businesses with Australian-based board members and/or senior executives with Asia experience by nature of operations



Combining these findings, large businesses (that are also more likely to have production operations in Asia than others) are more likely to have staff who have lived or worked in Asia, had cultural or pre-departure training, or who speak an Asian language. This suggests these businesses are also more likely to have the skills and expertise necessary to prepare them for expanding business dealings in or with Asia.

4.6.2 Nationality

Businesses that had dealings in or with Asia were asked what percentage of their senior management personnel in each Asian economy were local nationals, Australian nationals or nationals from another country (Figure 24).

Of those that did respond, 83% mentioned they had local nationals working in their senior management personnel in at least one of the Asian economies with which they dealt. In contrast, 39% said they had Australian nationals in at least one of their Asian economies, and only 28% said they had nationals from another country in at least one of their Asian economies (these figures add to more than 100% because respondents could give multiple answers).

Figure 24 is read across the rows – and it summarises the percentage of businesses that indicated they had any of the three nationalities (for instance, of the businesses that already have dealings with/in China, 39% indicated they had at least some local nationals in China, 16% indicated they had at least some Australian nationals in China, etc).

Figure 24: Percentage of businesses with senior management personnel in each Asian economy who are local, Australian or other nationals

		Local Nationals	Australian Nationals	Other nationality
China	%	39	16	10
Malaysia	%	39	8	12
Japan	%	38	7	9
India	%	37	10	9
Philippines	%	35	9	11
Hong Kong	%	33	11	11
Singapore	%	31	12	20
Thailand	%	30	12	12
Indonesia	%	25	12	8
Vietnam	%	25	6	14
Taiwan	%	24	4	7
South Korea	%	22	2	5
Other Asia	%	19	13	6

Note: Each row can potentially add to more than 100% because of multiple responses.



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