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# LEARNING FROM GLOBAL INNOVATIVE SME EXPORT ASSISTANCE PROGRAMS



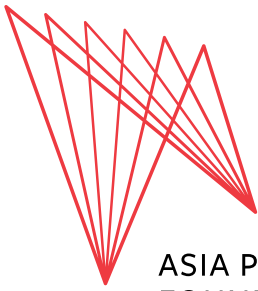


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# ABOUT APF CANADA



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The Asia Pacific Foundation of Canada is dedicated to strengthening ties between Canada and Asia with a focus on expanding economic relations through trade, investment and innovation; promoting Canada's expertise in offering solutions to Asia's climate change, energy, food security and natural resource management challenges; building Asia skills and competencies among Canadians, including young Canadians; and, improving Canadians' general understanding of Asia and its growing global influence.

The Foundation is well known for its annual national opinion polls of Canadian attitudes regarding relations with Asia, including Asian foreign investment in Canada and Canada's trade with Asia. The Foundation places an emphasis on China, India, Japan and South Korea while also developing expertise in emerging markets in the region, particularly economies within ASEAN.

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# FOREWORD

## FOREWORD

Small- and medium-sized enterprises (SMEs) are the lifeblood of Canada's economy. Today we have over 1.1 million SMEs in the country. They constitute more than 99 per cent of Canadian business and employ more than 90 per cent of workers in the private sector. Promoting their capacity and growth is essential for the future health of the Canadian economy. One key strategy for achieving this objective is to ensure that SMEs are able to take advantage of the growing market opportunities in Asia – a region that is projected to generate nearly 45 per cent of the world's GDP and represent 42 per cent of the world's total middle class consumption by 2020. In 2014, of the 12 per cent of Canadian SMEs that exported, only 13 per cent exported to China and only 16 per cent exported to other Asian economies.

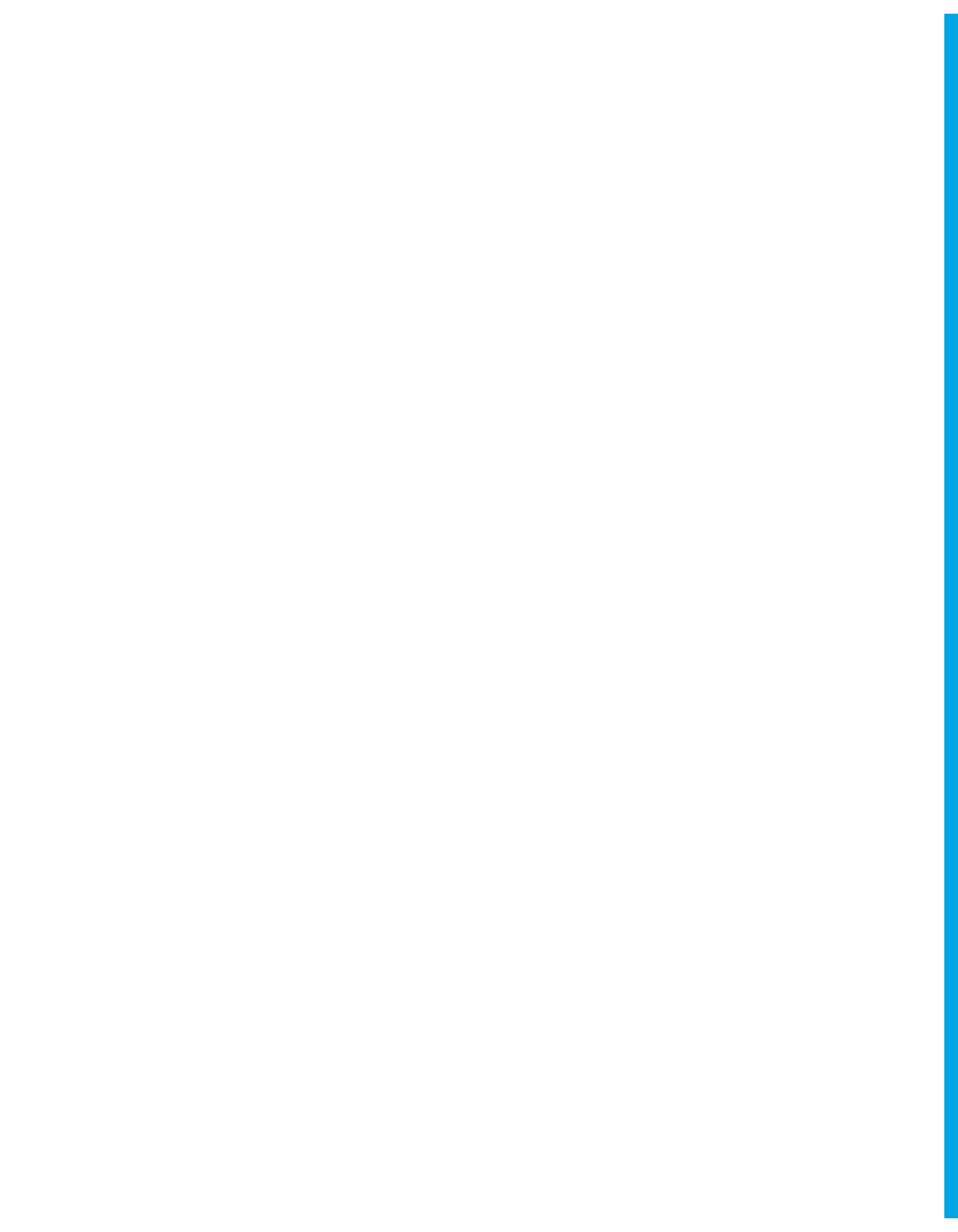
The relatively low rates of internationalization of SMEs are not unique to Canada. Researchers and policy-makers studying this issue have identified a number of barriers that prevent SMEs from successfully entering international markets. These include: lack of infrastructure, inadequate information about market opportunities, unconducive trade policy and regulations, expensive and not internationally accepted inputs, lack of access to financing, and uncompetitive products. In response, governments, including the Government of Canada, have designed export assistance programs to help SMEs overcome these challenges.

With the objective of learning from the rich experiences and lessons that other countries have gained from their own programs, in early 2016, the Asia Pacific Foundation of Canada announced a competitive policy research grant for research on best practices by foreign SME export assistance programs. The grant was awarded to teams of researchers at Ryerson University and California Lutheran University who looked at a wide range of assistance programs targeting branding, financing, and management-associated challenges, among other issues.

I am happy to share with you their findings, which I believe could be of interest to Canadian policy-makers and businesses. A special thank you goes to our authors who did a magnificent job in sifting through the many possible programs and highlighting those that they believed could be of most value to Canadian companies. Much credit also goes to APF Canada program manager Justin Elavathil and project specialist Pauline Stern who worked tirelessly to shape the project and keep it on schedule.



Eva Busza  
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# BRANDING-FOCUSED INITIATIVES

# SOUTH KOREA'S GLOBAL BRAND PROGRAM

AUTHOR: DR. HOWARD LIN

## INTRODUCTION

The Global Brand program is an initiative of the Korean Trade-Investment Promotion Agency (KOTRA), a government-funded trade and investment organization in South Korea. KOTRA was established in 1962 with the mandate of helping South Korea achieve export-driven economic development. The Global Brand program is an endorsement in which KOTRA fully vouches for the high quality and reliability of Korean small and medium-sized enterprises (SMEs) in an effort to raise their brand value in the global marketplace. The program was first launched in 2008 as the Seal of Excellence program and then changed to its current name in 2012. It offers a variety of supports and services to selected companies, including brand capability advancement support, a customized consulting-education program, and grants to use the KOTRA logo for marketing purposes, as well as other innovative and technology-aided marketing and public relations activities. Through a systematic approach, this program helps selected SMEs create brand awareness in and penetrate overseas markets, reduce transaction time, and increase export sales and revenue streams. The

ultimate objective of the Global Brand program is to enable Korean SMEs to be more self-sufficient when exporting to foreign markets.

## OBJECTIVES OF THE PROGRAM

SMEs make up 99% of all Korean enterprises in number and workers, but account for just one-third of the export total. The program intends to address a key concern among most Korean SMEs: how to establish brand recognition in international markets given their lack of resources and experience. Overseas buyers often don't trust foreign SMEs and their products/services. The program offers integrated and innovative services to methodically selected SMEs in their branding efforts, and allows them to leverage KOTRA's credibility and subsequently to enhance their own global brands in the international marketplace.

## SPECIFIC INTERVENTIONS

The Global Brand program starts with a distinct three-tier rating system, as shown in Table 1. Through a screening process, the selection committee – consisting of industry experts and

international trade specialists from such groups as KOTRA, K-sure (Korea Trade Insurance Corporation), and the Korea Testing Laboratory, as well as scholars – selects Korean SMEs based on their sales volumes. The blue category is the entry level for SMEs whose export sales are less than US\$10M, while silver and gold categories have grossing export sales minimums of US\$10M and US\$20M, respectively. Additional criteria, such as market potential, brand soundness, and product/service quality, are also considered in evaluating selected companies. Selected SMEs can gradually upgrade to a higher level when they increase their export sales index. Since the rating system is aimed at making SMEs increasingly self-sufficient in the global market, it is more than a simple classification scheme. The advantage of this three-tier rating system is that KOTRA can differentiate its services and supports to Korean SMEs.

The Global Brand program supports selected SMEs in the areas of endorsement, brand development, localized consulting, and innovative promotions.

#### ENDORSEMENT

The selected companies are allowed to carry out overseas marketing activities with the KOTRA Global Brand logo attached to their business cards and promotional product catalogues for up to four years. Each company and product awarded the KOTRA Global Brand is given a unique serial number (e.g. 2014-B-001). The authenticity of the seal can be verified by entering its number or company name at [korean-products.com](http://korean-products.com) or [buykorea.org](http://buykorea.org). While selected SMEs are often those that have already been accredited by domestic and international accreditors such as KS, UL, and ISO, the endorsements from this program add wings to SMEs' export-related activities and raise their brand awareness around the globe.

#### STRATEGIC ASSISTANCE IN BRANDING DEVELOPMENT

The Global Brand program includes a brand capability advancement support system that consists of three stages: examination, upgrade, and utilization. In the first stage, KOTRA brand experts examine selected companies' brand capabilities. To accomplish this, they employ a brand capability evaluation model through consultation with the SMEs. In the second stage, KOTRA co-operates with related organizations, such as the Korean Intellectual Property Office, to help selected SMEs develop their brands for the global market. KOTRA also collaborates with industry and educational institutions to improve product design for these companies. It even covers the expenses for selected SMEs to improve their product designs. In the last stage of this support system, SMEs can utilize the newly developed or updated brand and product designs in their global marketing efforts. In doing so, there could be joint marketing activities between SMEs and KOTRA's Global Brand promotion centres. KOTRA-initiated strategic assistance helps Korean SMEs to understand where they are in the overseas market and how they can further develop their own brands in the new market.

#### LOCALIZED CONSULTING IN BRAND MANAGEMENT

This service offers one-to-one consulting regarding brand management in target markets. In contrast to many other export promotion programs that only introduce some basic information regarding overseas markets, KOTRA offers customized and "localized" consulting through a network of 126 overseas trade centres across 86 countries, including in-depth analysis of the SMEs' products and brand image. The consulting is focused on driving brand awareness among potential foreign buyers who are identified by matching the product offerings with the local companies profiled by marketing specialists

in KOTRA's trade centres. With such tailored research and consulting assistance, SMEs become more effective in capitalizing on their brands, exploring potential overseas buyers, and finally penetrating selected markets.

### INNOVATIVE AND TECHNOLOGY-AIDED PROMOTION




KOTRA conducts a variety of innovative and technology-aided marketing and public relations activities for selected SMEs. It promotes the selected companies through its government-accredited global B2B market website, [buykorea.org](http://buykorea.org), and hosts export consultation fairs for SMEs that seek to launch products on eBay. It encourages SMEs to take advantage of the booming e-commerce market and to explore other technology-enabled new trade platforms. KOTRA also conducts joint marketing and PR activities for Korean SMEs as part of its offline support program; helps create a Global Brand directory, brochures, and leaflets for selected SMEs; and publishes technical magazines targeting the potential foreign buyers. KOTRA integrates its various resources, especially through its offices in many major international trading hubs and countries, to optimize the efficiency and effectiveness of its overseas promotions of Korean SMEs.

### OUTCOMES ATTRIBUTABLE TO THE PROGRAM

The Global Brand program has produced impressive outcomes since its formation, including the following:

- **SMEs served:** The program supported 454 companies between 2008 and 2014, of which 81% were in the blue category. The number of companies in the silver and gold categories reached 36 and 49, respectively, at the end of 2014.
- **Export growth:** KOTRA set a goal of a 3% increase in export volume among supported companies, and this has often been exceeded. For example, one SME was able to increase its exports by over 100% each year after participating in the program.
- **Brand awareness:** A survey from KOTRA in 2012 revealed that overseas buyers' preference for and reliability perception of products/services by Korean SMEs increased 80.8% and 84.9%, respectively, between 2008 and 2011.
- **Marketing effectiveness:** The time lag between initial business meetings and contract signing has shortened by 69.8%.
- **Market penetration:** A number of SMEs have penetrated new foreign markets with support from this program.

TABLE 1. THE GLOBAL BRAND THREE-TIER RATING SYSTEM

	Blue (Basic)	Silver (Advancement)	Gold (Graduate)
Company category			
Selection criteria	<ul style="list-style-type: none"> <li>• initial selection</li> <li>• less than US\$10M of exports</li> </ul>	<ul style="list-style-type: none"> <li>• minimum of three years of participation</li> <li>• at least US\$10M of exports, and/or at least a 50% increase in exports in the previous three-year period</li> </ul>	<ul style="list-style-type: none"> <li>• minimum of three years of participation</li> <li>• at least US\$20M of exports, and/or at least a 100% increase in exports in the previous three-year period</li> </ul>
Number of supported companies	369	36	49

Source: Korean Trade-Investment Promotion Agency

## APPLICATION TO CANADA

Canada has two key programs that provide similar services to its exporting SMEs. For example, the Global Market Action Plan, launched in 2013, offers financing, information, business expansion, and education programs. However, the Global Market Action Plan is market-oriented, prioritizing markets and sectors to facilitate exports. Taking another example, the Enterprise Canada Network, operated by Canadian Manufacturers & Exporters, is a platform linking Canadian businesses and researchers to global opportunities, which is *opportunity-oriented*. Unlike such initiatives, Korea's Global Brand program is *firm-oriented*. While the Canadian programs may have the advantage of reaching out to a broader spectrum of SMEs, firm-level interventions may lead to more concrete results. Canada may consider adapting the following best practices from the Korean experience:

- **Differentiated services through SME classification:** As seen in its three-tier rating system, the Global Brand program selects SMEs based on their export sales volume. This allows KOTRA to differentiate its services and supports to Korean SMEs. In a way, the classification serves as an “exports school” in which designated brand experts help selected SMEs upgrade to a higher level with their improved performance in exports. Unlike Canada's Global Market Action Plan, which differentiates its supports based on company size, Korea's “pick the winner” approach could be more effective because it rewards growth and is tailored to SMEs' actual position in the marketplace.
- **Leveraging government credibility with technology:** KOTRA not only assists Korean SMEs in developing their own brands,

but also helps them display their products on the government-accredited global B2B market website (buykorea.org) as well as on social network websites such as Facebook. This enables resource-poor and legitimacy-lacking SMEs to promote themselves and their products at low cost and with confidence. People may not appreciate the heavy-handed Korean approach, but this is just one of the ways Korea has excelled in export performance as a nation.

- **Growth-oriented strategic assistance:** In Canada, there are abundant resources available to help launch a small business, but very little to help grow SMEs. In contrast, Korea's Global Brand program takes a long-term, step-by-step approach and assists SMEs along the way toward ultimate success in export marketing. As shown in its brand capability advancement support system, SMEs are “hand-held” through a process until they are capable of entering a foreign market utilizing their fully developed brands.
- **Co-ordinated effort:** To offer effective, focused services to exporting SMEs (e.g. supporting brand/design development and upgrading among SMEs) requires co-ordinated efforts among not only government agencies but also industry and educational partners. This is exactly what KOTRA has been able to do in executing its Global Brand program. Ultimately, Korea's success hinges on its collectivistic culture toward a common goal of growing business for Korean companies. It's time for Canada to learn from Korea to co-ordinate better among “various parties in the international trade portfolio.”<sup>1</sup>



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# INDIA'S BRAND EQUITY FOUNDATION

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## INTRODUCTION

India is developing rapidly as a global provider of quality goods and services and as a global business partner. However, international trade is not driven solely by production capacity – it is also influenced by a country's image. Buyers worldwide appreciate technology and machinery from Germany for its high quality, but also because of their perception of the “Germany brand.” Similar things could be said about food from Italy or fashion from France. Emerging markets such as China and India are struggling with a brand image that is still in the making and results in their products often being perceived as of inferior quality. India has therefore decided to support its export industry (along with the promotion of inbound foreign direct investment) via a vehicle called the India Brand Equity Foundation (IBEF).

IBEF is a joint initiative between India's Ministry of Commerce and Industry and the Confederation of Indian Industry. Its primary objective is to build a positive image of India globally, to create an international awareness of the “Made in India” tagline in overseas markets,

and to provide appropriate information about Indian products and services. IBEF's website provides information to global investors, buyers, international policy-makers, and world media. In addition to messaging relevant to building a positive brand image, it provides accurate and real-time data on the Indian economy, states, and sectors. It also tracks the latest government announcements on policy, foreign investment, macro-economic indicators, and business trends. IBEF distributes its information with the help of its “India Business Kit,” which comprises various media including e-newsletters, industry reports, CDs, and magazines. It also organizes inbound academic delegations and trips for foreign journalists in order to promote the India brand in general or in particular sectors.

## OBJECTIVES OF THE PROGRAM

The primary objective of IBEF is to promote and create international awareness of the Made in India label in overseas markets and to facilitate dissemination of knowledge of Indian products and services. IBEF started out being the branding and communication partner for all The India Show events and trade exhibitions



organized under the aegis of the Department of Commerce (administered by the Ministry of Commerce and Industry), and now undertakes a broad range of activities aimed at the promotion of knowledge, communications, and exports.

In its activities, IBEF casts a wide net by serving a rather large number of different industries including agriculture, automobiles, auto components, aviation, banking, biotechnology, cement, consumer markets, education and training, engineering, financial services, food and beverage, gems and jewelry, health care, infrastructure, insurance, IT and IT-enabled services, manufacturing, media and entertainment, oil and gas, pharmaceuticals, real estate, research and development, retail, science and technology, and semi-conductors.

The activities of IBEF are not restricted to specific target markets. IBEF considers itself a resource for companies, organizations, and individuals around the world.

## SPECIFIC INTERVENTIONS

IBEF is mainly a content consolidator. For the production of substantial reports, it relies on external partners such as theIdeaWorks for communication design, brand strategy, and public relations,<sup>1</sup> and TechSci Research for in-depth market research.<sup>2</sup> While IBEF was established by the Department of Commerce, IBEF's board of trustees also includes members from the Ministry of Tourism, the Ministry of External Affairs, universities, and the private sector. The broad representation is designed to ensure far-reaching impact of this initiative, and to steer it into directions that tie in with the efforts of other export and industry promotion initiatives. As such, IBEF has supported a number of trade shows and events,

such as the following:

- Fancy Food Show (United States)
- CPhI (worldwide)
- Hannover Messe (Germany)
- Foodex (Japan)
- INNOPROM (Russia)
- JIMEX (Jordan)

In addition, IBEF – in collaboration with the Ministry of Commerce and Industry and the Confederation of Indian Industry – has organized events in a large number of countries around the world (from Slovakia to Nigeria, and from Ghana to Brazil) called “The India Show” at which Indian industries and Indian companies were showcased.

The centrepiece of IBEF's activity portfolio, however, is information and research. IBEF's impressive website promotes and supports India's export industry by providing extensive information on the Indian economy, select industry sectors, companies, activities, and business trends. This includes case studies, e-books, industry reports, trend reports and print publications (available at <http://www.ibef.org/research>) – all excellent information sources for companies seeking to import from India.

All of the provided materials are open-access, without any registration required. Furthermore, the website also reports on events organized and supported by IBEF and hosts multimedia content such as films. IBEF also publishes a bimonthly business magazine, *India Now Business and Economy* and a range of thought-leadership studies on emerging areas such as India's business potential, multinationals, entrepreneurial ecosystem, and contribution to global business.

In recent years, IBEF has also implemented a regular digital communication campaign at the Annual Meeting of the World Economic Forum at Davos, Switzerland, with a view to leverage the opportunity to engage with global business leaders at the Forum. What was originally called “India Adda” at Davos has now become the “Make in India Lounge” and has emerged as a hub for conversations on Brand India and showcasing India’s progressing economy. IBEF is currently also transitioning to sectoral branding initiatives in accordance with the priorities of the Department of Commerce – including pharmaceuticals, engineering, and services.

An interesting future initiative of IBEF’s is the creation and hosting of an export-oriented B2B e-commerce portal similar to China’s Alibaba. The plan is to initially move approximately 100,000 Indian export companies to this portal, and rapidly increase participation to about 500,000. Officials are still working on modalities such as payment mechanisms and insurance, but IBEF has already selected India Post as its partner for the necessary logistics.

### OUTCOMES ATTRIBUTABLE TO THE PROGRAM

Detailed information on the usage and success of the initiative could not be identified. However, based on the observation of continuous expansion and development of initiatives under the IBEF umbrella, we find it plausible that the Indian government perceives the mechanism as successful. IBEF and its “Make in India” campaign also receive constant attention by government officials, including Prime Minister Narendra Modi, who recently stated: “I want to tell the people of the whole world: Come, make in India. Come and manufacture in India. Go and sell in any country of the world, but manufacture here. We have skill, talent, discipline and the

desire to do something. We want to give the world an opportunity that come make in India.”

### APPLICATION TO CANADA

Canada has a very positive image globally that can be leveraged more distinctly in global markets, particularly along dimensions for which there is a natural fit between the country’s national image (e.g. clean nature) and the industry or product category. For instance, Agriculture and Agri-Food Canada has already made small and simple forays into nation branding by suggesting that exporting companies leverage Canada’s positive global image in exporting their products by using brand graphics and photos. This approach could be expanded and used in a more strategic and profound way. Canada could decide to not only focus on sectors that fall within Canada’s perceived brand (such as agricultural products or the energy sector), but it could also decide to focus on lesser-known strengths. These could, for instance, include some of the sectors that have been identified by the Canadian Trade Commissioner Service:<sup>3</sup>

- Aerospace;
- Automotive;
- Biopharmaceuticals;
- Medical devices; and
- Wireless communications.

Another approach would be to focus on one or more of the 230-plus industrial (e.g. the growth clusters of biopharmaceuticals or information and communications technology services) or regional clusters – as identified by Industry Canada’s Cluster Atlas of Canada, for instance.<sup>4</sup> Enhancing Canada’s existing brand image with elements of technology and advanced manufacturing, or,

in the case of regional clusters, a well-educated workforce and a deep knowledge base, would assist Canadian companies in their global expansion efforts.

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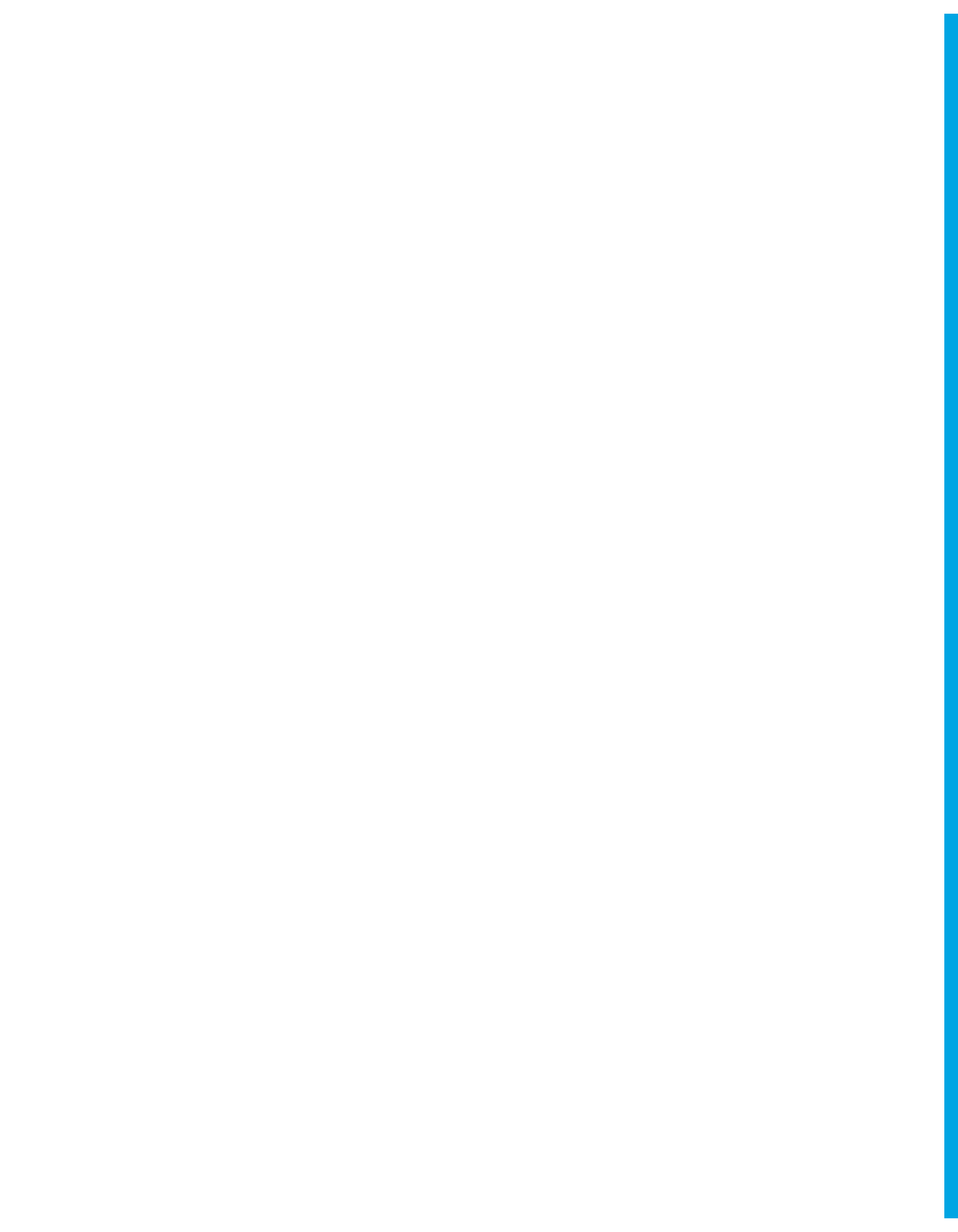
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LEVERAGING  
PEOPLE-TO-PEOPLE  
CONNECTIONS  
INITIATIVES

# THE U.K.'S “EXPORT COMMUNICATIONS REVIEW” & “POSTGRADUATES FOR INTERNATIONAL BUSINESS”

AUTHOR: DR. CARLYLE FARRELL

## INTRODUCTION

Export Communications Review (ECR) is an initiative of the former UK Trade and Investment (UKTI) department that seeks to promote small and medium-sized enterprise (SME) exports by overcoming barriers to communication in international markets. Effective cross-cultural communication has always been an important issue in international marketing. Sometimes it is the key determinant of success in international marketing. As UKTI notes: “Not everyone speaks English. More to the point, not everyone wants to speak English, especially if you are selling to them in their own territory.”<sup>1</sup>

SMEs, however, with their limited resources, often struggle with the task of crafting their messages for an international audience. UKTI recognized this problem and designed the ECR program to address the issue. Some 5,000 U.K. companies have so far benefited from the ECR program in terms of improving their international marketing communications, with a majority (80%) noting that it has had a positive impact on their overall profitability.<sup>2</sup> It should be noted that the program is not focused

on particular sectors or host countries, but is instead guided by the strategic priorities of client companies. Note as well that UKTI has a considerable global reach and provides services in over 100 markets around the world; it has a staff of over 1,200 professionals based outside the U.K. and 500 located in its London and Glasgow offices.<sup>3</sup>

The ECR program is delivered in conjunction with another service, Postgraduates for International Business (PIB), wherein an international graduate student is assigned to the SME to help the company better understand the target market context and cultural differences, and adapt the SME's messages to the host country language. The graduate student assigned will be a native of the target country.

By implementing both programs together, UKTI attempts to provide SMEs with a comprehensive solution to the problem of cross-cultural communication. Under the ECR program, UKTI reviews the SME's approach to communication and re-crafts the firm's message in a culturally sensitive manner.

The ECR and PIB programs were prompted by the finding that U.K. SMEs were not exporting to their maximum potential because of the following problems:

- U.K. SMEs' marketing literature and/or websites did not take into account cultural differences;
- International contracts were exposing U.K. SMEs to commercial risks, as they were not being professionally translated; and
- Orders were not being processed if they were received in a language in which the SME had no expertise.

Based on the above, UKTI commissioned the ECR program in combination with the PIB service to, among other things, allow companies to employ foreign-language-speaking students at U.K. universities and other British institutions of higher learning to address issues related to language and cultural barriers that companies may face in entering particular foreign markets. UKTI has used the ECR and PIB programs successfully in a range of sectors, including furniture accessories, agricultural equipment, sporting goods, and financial services.

## OBJECTIVES OF THE PROGRAMS

The ECR and PIB programs seek to achieve the following objectives:

- Assist SMEs in taking into account cultural differences in international markets;
- Assist SMEs in maintaining better relationships with their international consumers, marketing partners, and other relevant stakeholders; and
- Accelerate SME exports through culturally

adapted communication in international markets.

## SPECIFIC INTERVENTIONS

The ECR program provides step-by-step assistance. A firm interested in support will first submit an online application. UKTI experts then assess the company's current communication and other export capabilities, and will come up with a recommendation and action plan for the company. This may include an assessment of the SME's communication strengths and weaknesses relative to international best practices. Depending on the recommendations, UKTI may also identify potential third-party suppliers who are able to assist with specific tasks as well as provide a "how-to" guide with more detailed advice on implementing the recommendations made.

If the company is in need of a graduate student to assist with specific tasks, the SME will also prepare a job description based on the international language skills needed and tasks to be performed. UKTI will send this job description to the top London universities in order to attract suitable candidates for the position. UKTI will help the firm to recruit a student with the requisite language skills to assist the firm with its communication strategy. Specific tasks may include preparing press releases, promotional materials, catalogues, and packaging; writing technical manuals; or preparing presentations and trade show materials. Students may also assist with maintaining relationships with foreign agents and distributors, initiating international sales and invoicing processes, and handling foreign phone calls and emails.

UKTI communications reviews cost £500 plus value-added tax (VAT). SMEs, however, can receive a £250 subsidy from UKTI for the first

three reviews if the firm is already exporting, has fewer than 250 employees, and has been trading for at least two years.

### OUTCOMES ATTRIBUTABLE TO THE PROGRAMS

The ECR and PIB services have had a significant positive impact for the client SMEs. Key metrics reported by clients include increases in online sales and exports, new foreign-market opportunities, and improved communication with customers and distributors as a result of the program.

The results achieved by the ECR program are perhaps best discussed with reference to a specific case. Trinca-Ferro, a client of the program, produces furniture accessories. The company has increased its online domestic sales and seen its international sales more than double since making use of the UKTI service. Trinca-Ferro has grown its turnover from around £20,000 in 2013 to a forecasted £200,000 for 2015-2016.<sup>4</sup> This follows its use of UKTI's services targeted at localizing exporters' websites and employing expertise of foreign-language-speaking students. Robert Lancaster, founder of Trinca-Ferro, said that in working with UKTI his firm received practical advice that allowed the company to transform its website and online strategy. Specific recommendations included creating country-specific directories and removing the digital translation feature on the company's website, instead providing content written in a professional way in the local language. The company was also advised to examine its internal processes to ensure they worked for international customers, and to create a content engagement plan to ensure Trinca-Ferro's blogs, press releases, newsletters, and social media content were integrated and focused on developing the

business. Trinca-Ferro also made use of the PIB program, employing a German student at a London-based university to refine its entry strategy for the German market.

Several other clients have reported successful interventions, including Teagle Machinery, a family-owned agricultural machinery business that used UKTI's ECR service to improve contact with customers and distributors in international markets. As a result of UKTI's service, within six months, the number of visitors to Teagle's website increased fourfold. More than 75% of Teagle's distributors now use the site regularly and register their customers. This has enabled Teagle to monitor its product sales by territory as well as to adapt its sales approach. Customers are also starting to log in to Teagle's "Owner's Club" and are able to receive sales and delivery news. The company is now able to follow up on potential sales leads.

### APPLICATION TO CANADA

The unique collaboration between government and universities, with the use of foreign students, is a model which Canadian policy-makers could consider adopting. Canada is expected to have a comparative advantage in the implementation of an export assistance service to address linguistic and cultural barriers to exporting. Canada has a multicultural and heterogeneous population – a resource that could be tapped to mitigate the risks of culturally insensitive business communication on SME export performance. Further, in 2013, there were over 300,000 international students attending Canadian universities and other post-secondary institutions, providing a valuable resource on which to model this country's own PIB initiative.<sup>5</sup>

In a Canadian context, the ECR and PIB



programs may be combined and implemented at the federal government level in conjunction with private-sector and university partners. Such an initiative could perhaps be led by Global Affairs Canada, which is heavily involved in assisting Canadian firms targeting foreign markets. The federal government's Global Markets Action Plan does prioritize targeting for foreign markets of interest to Canadian firms, but does not focus on removing cultural and linguistic barriers that may prove to be a major impediment to Canadian SMEs. Several Canadian universities may be suitable partners to work with the federal government in the implementation of such a program. The development of an international communications strategy (i.e., "a set of procedures for dealing with language and cultural barriers as they arise") could assist Canadian SMEs to establish a presence in markets that do not use English and French but in which the potential for rapid export growth exists.<sup>6</sup>

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# INDIA'S REVERSE VISITS

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## INTRODUCTION

Information is at everyone's fingertips globally. At the touch of a button on a smartphone, companies worldwide are able to access information about industries, companies, and products in virtually any foreign market. However, the sheer volume of information has made it even more important for companies and their products to stand out from the information noise. One initiative that tries to lift Indian companies' products from the noise is called "Reverse Visits by Foreign Buyers." This scheme is part of the Market Access Initiative (MAI) scheme under the Ministry of Commerce and Industry. The MAI scheme is an export promotion funding mechanism acting as a catalyst to promote India's exports on a sustained basis. The overall scheme is designed to support specific products or to target specific countries of strategic importance. Assistance is provided to export promotion organizations, trade promotion organizations, national-level institutions, research institutions, universities, laboratories, exporters, etc., to increase exports through accessing new markets or increasing the share in existing markets. The "Reverse Visits by Foreign Buyers" scheme is one of several

initiatives aimed at attracting foreign buyers to the Indian market.

The program does this by assisting organizations establish deep, personal relationships. It provides extensive financial support for reverse visits by major foreign buyers to India. This scheme is based on the "focus product" and "focus market" concept. Under this instrument, eligible Indian organizations are provided assistance to invite representatives of leading potential buyers to attend seminars, trade fairs, and exhibitions. The assistance provided amounts to two-thirds of the total approved expenditure; the remaining one-third must be covered by private funds. There are many other expenses that are waived like venue costs, publicity costs, translation and interpretation costs, and air travel (100% of the cost is covered).

## OBJECTIVES OF THE PROGRAM

The overall objective of this initiative is to encourage foreign buyers, foreign trade journalists, and representatives of leading buying houses to visit trade fairs, exhibitions, workshops, and seminars and/or to visit important businesses and organizations in India

in order to make them better aware of India's capabilities and steer them toward sourcing from India.

While there is no restriction with regard to industries, per se, the program is designed to lead to certain focus areas. The reasons are twofold. First, the "Reverse Visits" scheme is not centrally administered; rather, it is a funding pool from which other organizations (such as sector organizations) can draw. Second, the funding guidelines require a strong focus from the applicant. Therefore, depending on the priorities of applicant organizations, certain industry focus areas may emerge. Recent practice has shown that the sectors that dominate the use of the program are those that have a strong base in India, such as textiles, pharmaceuticals, and handicraft.

In principle, buyers (visitors) under this initiative may originate from any country. There are no known limitations, although priority is given to buyers from Latin America, Africa, the Commonwealth of Independent States, and Association of South East Asian Nations +2 countries (China and Japan).

A full list of organizations that are approved as grant recipients under India's Market Development Assistance program and those that can sponsor applications by their members can be found at [http://www.fieo.org/view\\_section.php?id=0,578,579](http://www.fieo.org/view_section.php?id=0,578,579).

### SPECIFIC INTERVENTIONS

Under the "Reverse Visits by Foreign Buyers" scheme, financial assistance may be given to different types of recipients, including the following:

- Departments of the central government;
- Export promotion councils;
- Registered trade promotion organizations;
- Commodity boards;
- Apex trade bodies recognized under India's foreign trade policy, or export-import policy;
- Recognized industrial clusters; and
- Individual exporters.

Funding decisions are made either directly by the Ministry of Commerce and Industry's Department of Commerce or by organizations that are approved by the Ministry for the disbursement of MAI funds. Decisions are made on the basis of formal applications, which are required to be for a particular product for a particular market. Furthermore, there are a number of other conditions:

- The proposal should not duplicate the efforts of any existing activity or organization in the same field.
- Assistance will not be provided for activities already funded under the Market Development Assistance program.
- The funding for the program will be on a cost-sharing basis. Under normal circumstances, the mechanism will fund two-thirds of the total approved expenditure for one visitor. However, the Empowered Committee, a committee that considers and approves proposals as well as monitors the implementation of approved proposals, may consider enhancing or curtailing the level of assistance based on the merit of the program.

The following sub-components would be covered:

- Venue costs;
- Publicity costs for the event;
- The cost of catalogues and other material;
- 60% of translation and interpretation costs;
- 60% of production costs of electronic product catalogues;
- Any other component approved; and
- 100% of the air travel costs of foreign visitors to India (although foreign visitors must bear their own lodging expenses).

The selection of foreign buyers to be invited is based on a set of criteria, such as the foreign buyer's company's revenue and the status of the foreign buyer (ideally, the buyer should be the owner or a C-level employee).

## OUTCOMES ATTRIBUTABLE TO THE PROGRAM

Complete usage data for this funding mechanism is difficult to identify. However, we were able to access a list of projects funded between 2014 and 2016, which gives some insight into how the "Reverse Visit" scheme is being utilized. In chronological order, funded projects are as follows:

- Indian Silk Export Promotion Council: Organizing reverse buyer-seller meet with Silk Paradise in New Delhi in October 2014: \$223,370
- Madhya Pradesh Laghu Udyog Nigam Limited: Organizing reverse buyer-seller meet at the seventh MP Exportech in Bhopal in October 2014: \$178,695
- Telecom Equipment and Services Export Promotion Council: Organizing reverse buyer-seller meet in New Delhi in December 2014: \$67,011
- Pharmaceuticals Export Promotion Council: Organizing reverse buyer-seller meet at World Ayurveda Congress in New Delhi in December 2014: \$148,913
- Madhya Pradesh Laghu Udyog Nigam Limited: Organizing reverse buyer-seller meet at the eighth MP Exportech in Gwalior in January 2015: \$163,804
- Export Promotion Council for Handicrafts: Organizing reverse buyer-seller meet at the Indian Houseware and Decoratives Show in Noida in April 2015: \$260,597
- Karachi Chamber of Commerce and Industry: Organizing reverse buyer-seller meet in Srinagar in April 2015: \$148,913
- Engineering Export Promotion Council: Organizing reverse buyer-seller meet in Mumbai in May 2015: \$88,975
- Export Promotion Council for Handicrafts: Organizing reverse buyer-seller meet at the India International Fashion Jewellery and Accessories Show in Noida in July 2015: \$223,370
- Sports Goods Export Promotion Council: Organizing reverse buyer-seller meet (toys) in Mumbai in September 2015: \$55,842

- Federation of Indian Chambers of Commerce and Industry: Organizing reverse buyer-seller meet and publicity campaign with VASTRA, the International Textile and Apparel Fair, in Jaipur in October 2015: \$558,423
- Carpet Export Promotion Council: Organizing reverse buyer-seller meet during the India Carpet Expo at Varanasi in October 2015: \$446,738
- Sports Goods Export Promotion Council: Organizing reverse buyer-seller meet (sports) in New Delhi in November 2015: \$33,505
- Federation of Indian Chambers of Commerce and Industry: Organizing reverse buyer-seller meet with EIMA AgriMach India in New Delhi in December 2015: \$223,370
- Madhya Pradesh Laghu Udyog Nigam Limited: Organizing reverse buyer-seller meet at the ninth MP Exportech in Gwalior in January 2016: \$148,913

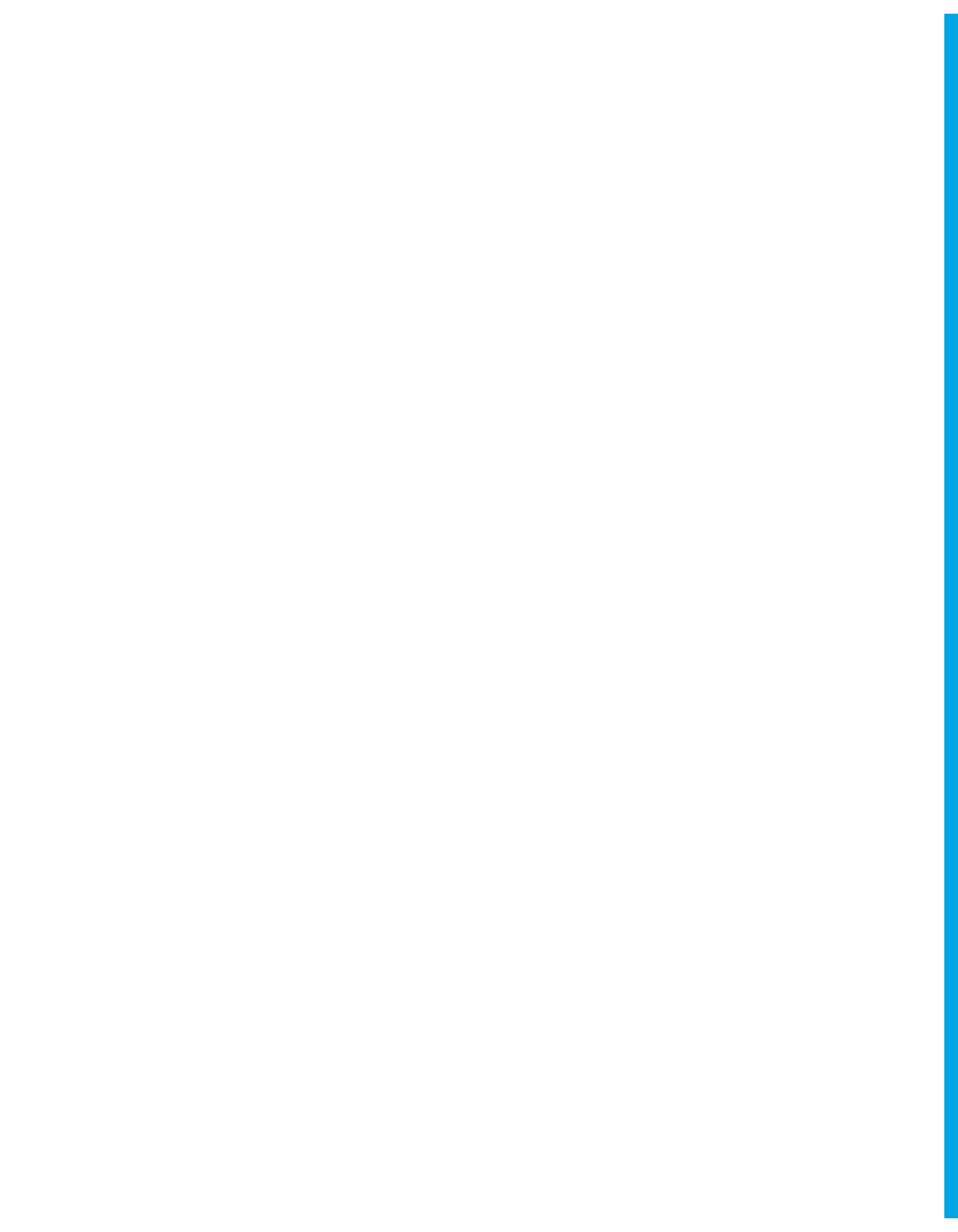
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## APPLICATION TO CANADA

This instrument is low in complexity, relatively low in cost, and easy to deploy. One recommendation would be to identify areas (sectors, target markets) in Canada's Global Markets Action Plan that would best lend themselves to arranging such visits. An ideal approach would be to arrange a similar mechanism of reverse visits around export focus areas (industries), export or regional clusters, or trade shows and other events taking place in Canada.







# MANAGEMENT- FOCUSED INITIATIVES

# GERMANY'S ACCOUNTING SERVICES

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## INTRODUCTION

One of the many barriers stopping committed German businesses from successfully operating abroad is the difficulty in navigating local accounting practices and tax laws. To this end, Germany's Chambers of Commerce (AHK) seeks to help German firms that have committed to an investment entry mode (sales, manufacturing, or wholly integrated subsidiary) in a foreign market by offering these firms a full suite of accounting services: operational accounting, invoicing, financial accounting, payroll, and related accounting services. The accounting service offered by AHK includes internal (services related to monthly, quarterly, or annual profit-and-loss statements, etc.) as well as external (filing of tax returns, payroll taxes, treasury management, etc.) reporting. As well, AHK offers services related to the legal environment around these services, particularly with regard to employment and labour laws. This service offering is particularly designed for companies that are utilizing more advanced market-entry modes. These modes require not only stronger financial commitment from headquarters, but also trigger a shift of management activities from

headquarters to subsidiaries. These activities necessitate a local workforce that is highly knowledgeable about the local legal, tax, and regulatory environment, and that understands the German market context in these matters. As German companies outsource accounting services to AHK, they are able to tap into a ready and trustworthy administrative resource that they would otherwise have to build themselves.

## OBJECTIVES OF THE PROGRAM

The accounting service is designed to assist companies in their development from low-intensity market-entry modes, such as indirect or direct exports, to market-entry modes that require more commitment via the employment of local personnel or investments in local corporate infrastructure. The accounting service enables companies to focus on primary activities such as business development by providing a way to outsource non-productive activities to a trusted partner such as AHK. It also helps companies to overcome their competitive disadvantage as a foreign small or medium-sized enterprise (SME) and to engage in continuous learning. The details of the services offered under this initiative differ

from location to location and can include the following:

- Payroll
  - Employer registration
  - Monthly payroll
  - Travel reimbursements
  - Payroll and social security taxes
- Financial accounting
  - Compliance
  - Daily management of accounts and payments
  - Monthly, quarterly, and annual reporting
  - Complete accounting
- Tax accounting
  - Tax advisory
  - Monthly, quarterly, and annual tax returns
- Treasury
  - Administration of bank accounts
- Collection services

AHK is part of a network of institutions that include bilateral chambers of international commerce, permanent trade delegations, and representatives of German businesses. These institutions have 130 different locations in 90 countries worldwide. It is in these locations that AHK's accounting service is offered; it appears under different names in different locations, including "accounting services," "corporate services," and "administrative services."

The accounting service is accessible to all industries. Given the nature of this service, however, clients using the service are usually those that have significant in-country operations such as employing personnel, having sales subsidiaries, production subsidiaries, wholly integrated facilities, or other operations. Also, the service is typically used by mid-sized companies, as accounting services for larger companies are frequently in-sourced.

In principle, the service is offered worldwide. However, the service is currently available at roughly 40% of the approximately 130 different locations in 90 countries. Where the service is offered is not necessarily based on strategic considerations, but is mainly determined by demand and availability of local, qualified resources.

## SPECIFIC INTERVENTIONS

Depending on the location, accounting services are either offered by the local accounting staff of the AHK office or by external partners. Often, basic accounting services are offered by AHK staff while higher-order services (e.g. auditing) are provided by qualified local partners. Although this service can be accessed by any German company, it is primarily offered to those companies that are in the process of setting up a subsidiary abroad. The initial step in accessing this service is for companies to become a member at the local AHK office that offers accounting services. Membership fees at the local AHK office vary with the size of the company. Current annual rates are as follows:

- Fewer than 20 employees: €350;
- Between 21 and 100 employees: €650; and

- More than 100 employees: €950.

In order to start accessing the services, the local AHK office and the German company develop a detailed understanding of the service request, expectations, and mutual responsibilities. Although the AHK offices prefer an initial service term of one year, contracts are not usually long term. Often, however, the AHK office and the German company agree on a notice period for termination of the contract.

The fees for the actual accounting service vary depending on the location and the type of services provided. Generally, fees are either one-time service (e.g. registration of a company) flat fees (cost-plus) or hourly rates (e.g. €115/hour) for ongoing services (e.g. payroll accounting). For long-term arrangements, the AHK offices sometimes also offer flat rates for ongoing services.

### OUTCOMES ATTRIBUTABLE TO THE PROGRAM

In 2015, approximately 10% of all AHK clients stated that they have used the accounting service. This 10% client uptake should be understood in the context of the quantity of AHK offices offering accounting services (38%) and the client for which the service is ideally suited (SMEs at an advanced state of internationalization). Of all AHK clients, 68% assessed the utility of accounting services as “highly effective” and an additional 20% gave it a rating of “effective.”

In addition, most of the companies that used the accounting services of local AHK offices ranked this service very highly. In 2015, 78% of all companies ranked the service as “highly satisfactory” (which makes it the service with the highest satisfaction among all services offered) and approximately another 10% as “satisfactory.”

An additional point of interest about the accounting service offered by AHK is its profitability. While the accounting service generates about 9% of AHK’s total foreign office revenue (surpassed only by the “office-in-office” and “training and development” services), it only accounts for 5% of the cost of foreign AHK offices. This leaves the AHK with a significant gross margin of approximately €2M annually (again, surpassed only by the “office-in-office” and “training and development” services).

### APPLICATION TO CANADA

Similar to the German economy, the Canadian economy has companies in all stages of international expansion. For those progressing from a simple “export mode,” under which goods and services are marketed over a distance via a foreign sales subsidiary or a wholly owned subsidiary, the opportunity to access highly sophisticated, localized administrative services such as accounting services can be a critical success factor – particularly in target markets whose legal and tax environment differs from the Canadian context.

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# AUSTRALIA'S WOMEN IN GLOBAL BUSINESS

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## INTRODUCTION

Globally, women own and operate around one-third of all private companies and are the fastest-growing segment of the small and medium-sized enterprise (SME) market. These trends also hold true for Australia. However, the Australian government recognizes that complacency at that these levels of female ownership leave a potentially important source of export growth untapped. The government believes that by highlighting the successes of female leaders in international business, and by assisting women in businesses that are not yet active globally, it may boost the nation's economic potential.

In December 2010, the Australian Trade and Investment Commission (Austrade), along with state and territory governments, began an initiative called Women in Global Business (WIGB). The goal of this nationwide initiative is to help female-led businesses engage in trade and investment activities. WIGB is fully integrated into the country's export promotion strategy as it is jointly funded by Austrade and state and territory governments, and delivered

in partnership with Australia's state and territory governments. Overall, WIGB aims to create greater economic benefits and more jobs for women by offering them a central source of information and resources, support, and connection. In detail, it seeks to (1) increase the participation of women in international trade and investment; (2) build a network of women involved in international trade and investment across Australia; (3) encourage, support, and advance the involvement of women in international business; (4) raise the profile of Australian businesswomen involved in international trade; and (5) connect Australian women to international networks to create global business opportunities. WIGB pursues these goals through a number of activities on the national and local level, such as providing information including case studies and research conducted by universities, facilitating mentorship programs, organizing national and international events and a speaker series, and building networks for active exchanges. WIGB has a broad reach in international markets and collaborates with allied organizations globally for the benefit of its membership.

## OBJECTIVES OF THE PROGRAM

WIGB is not restricted to any specific industries; it is an initiative to help Australian women to enter the global business world regardless of industry or target market. The main objective of WIGB is to increase the participation of women in international trade and investment. Generally, the program also aims to:

- Bring together women involved in international trade and investment across Australia and its trading partners and to help them develop sustainable businesses;
- Encourage, support, and advance the involvement of women in international business success;
- Raise the profile of Australian businesswomen involved in international trade within the local and international business community; and
- Connect Australian women to international networks to create business opportunities.

The main activities of WIGB include:

- A mentoring program;
- Ongoing skills- and capability-building workshops;
- An annual speaker series;
- An active social media presence; and
- International engagement, such as chapters and events abroad.

Of particular interest in this regard is the WIGB mentorship program, one of the initiative's most important activities. According to WIGB,

mentees can expect professional development, networking and introductions, personal growth, skills development, and business growth from participation in the program.

Most recently, WIGB has added a scholarship program, the Beryl Wilson Austrade Scholarship for Women in International Business. Recipients of the scholarship receive financial support during the final year of a master's degree by pursuing coursework in international business or a master of business administration with an international business specialization.

The international outreach program of WIGB also deserves specific mention. WIGB has built a number of successful alliances and initiatives in countries including Burma, Cambodia, Indonesia, Laos, the Philippines, and Vietnam, among others. WIGB works to empower women in those regions and is thereby building transnational networks of women in international trade.

## SPECIFIC INTERVENTIONS

In 2009, the Australian federal government, through Austrade and state and territory governments, signed a letter of intent and agreed to become joint partners in establishing WIGB. Based on this mandate, a national program manager – a senior executive with leadership experience in the public sector in Australia and a track record of successful entrepreneurship internationally – developed the mentorship and scholarship programs in consultation with a steering committee comprising representatives from each jurisdiction.

In order to qualify as a mentee for the 10-month mentorship program, participants must be female, over 18 years of age and a business owner in Australia. The participant's business must be over three years old and export-ready,

as measured by an export-readiness assessment test provided by Austrade. Mentees also must agree to a code of conduct and pay a A\$385 fee. Mentors, in return, must have a minimum of three years' experience in exports, and must volunteer to commit at least one mentorship hour per month for 10 months. Mentors are not compensated for their time, and must also sign a code of conduct. Mentor and mentee are matched by WIGB after registering through the website. Mentee businesses are assessed in terms of export readiness prior to joining the program. They are reassessed at the completion of the program to measure and document the progress across a number of key factors.

In order to qualify for the Beryl Wilson Austrade Scholarship, applicants must be female, Australian citizens, enrolled full time in the final year of a master's degree by pursuing coursework in international business or a master of business administration with an international business specialization, and fluent in an Asian language. The scholarship is awarded to the applicant showing the greatest merit, as demonstrated by academic achievement in previous studies, Asian language capability, leadership and/or community service achievements, and potential for future success in international business. The award recipient will hold the scholarship for one year and must achieve an average distinction grade for each unit of study during the term of the scholarship. The award recipient is also required to sign a contract with the Commonwealth of Australia declaring that she will comply with the conditions of the scholarship.

## OUTCOMES ATTRIBUTABLE TO THE PROGRAM

In the first few years of operation, WIGB has experienced rapid growth and achieved a number of milestones, including:

- A membership base of over 3,500 stakeholders – 42% of women exporters are WIGB members;
- More than 4,500 e-newsletter subscriptions;
- Over 2,400 attendees to the national speaker series roadshow (evaluations from participants indicate that they highly value these events and are motivated by seeing women role models, resulting in a greater preparedness to commence exporting);
- Five 10-month national mentoring programs for over 100 alumni;
- A national series of capability-building workshops;
- More than 12,000 social media connections (Facebook, LinkedIn, Twitter, and YouTube);
- Over 150 alliances with domestic women's organizations and multiple alliances with international women's organizations;
- Five inbound missions and four outbound missions; and
- A number of international events and presentations to Asia-Pacific Economic Cooperation forums and other organizations.

Ongoing surveys (2013, 2015) of participants conducted by the University of Melbourne have also documented positive outcomes of the WIGB program along a number of key dimensions:



- The appetite among Australian women to expand business internationally is robust, strong, and likely to continue for the foreseeable future.
- There is a large, active group of women-owned businesses operating across a wide range of foreign markets. These are predominantly young SMEs that internationalized in the last six years.
- Over one-quarter (29%) of women-owned organizations earn more than 50% of their sales revenue internationally.
- Baby boomers make up the largest demographic (54% are over 50 years of age).
- WIGB participants are very well educated (over 70% hold a bachelor degree or higher).
- Almost half (44%) of survey participants speak a foreign language.
- A large majority (72%) of total respondents indicated that they would like to have a business mentor, but only 41% of respondents currently have a mentor.
- There is strong evidence of the positive impact of mentoring in building confidence and there is an appetite for more access to mentors. Women with a mentor reported lower perceived levels of barriers to internationalization.
- There is a clear role for greater information-sharing, networking support, publicity around global success stories, and specifically targeted policy.
- The national speaker series was rated the most useful offering provided by WIGB, followed by domestic networking opportunities and other WIGB events.
- In terms of online offerings, the WIGB newsletter was considered by members to be the most useful tool.
- Success stories have strong potential to close knowledge gaps, build confidence, and serve as examples of how to overcome challenges.

## APPLICATION TO CANADA

Women make up almost 50% of the workforce in Canada, and about 30% of senior management positions are filled by women. Many of them work in companies that do business globally, and some are even involved in international trade themselves. A focus on the promoting careers for women in international business makes absolute sense. This has already – to some extent – been recognized by the Canadian Trade Commissioner Service with its Business Women in International Trade (BWIT) program. However, compared with Australia’s WIGB initiative, BWIT has a rather limited portfolio of services for women. These are:

- Organizing women-focused trade missions to foreign markets where delegates have unique access to corporations that want to buy specifically from women;
- Providing tailored products to assist women entrepreneurs like the BWIT LinkedIn group, the BWIT Newsletter, a monthly BWIT News email, and the women-owned specialized directory of the Canadian Company Capabilities database; and
- Conducting referrals to other service providers within the Canadian entrepreneurship ecosystem.

In Toronto, there is also the Organization of Women in International Trade, which focuses on two areas: awards (Woman Exporter of the Year Award, Joanna Townsend Excellence Award for Leadership in International Trade, Student of International Trade Award) and events on select topics in international trade.

Export Development Canada or the Canadian Trade Commissioner Service could partner with existing institutions with broader reach such as the Canadian Women's Business Network, Canadian Small Business Women, Women Business Enterprises Canada, or Women of Influence in order to design and implement a nationwide campaign that has both the depth and the broad reach of the Australian WIGB, particularly with regard to mentoring programs, women-focused events, and international networking opportunities.

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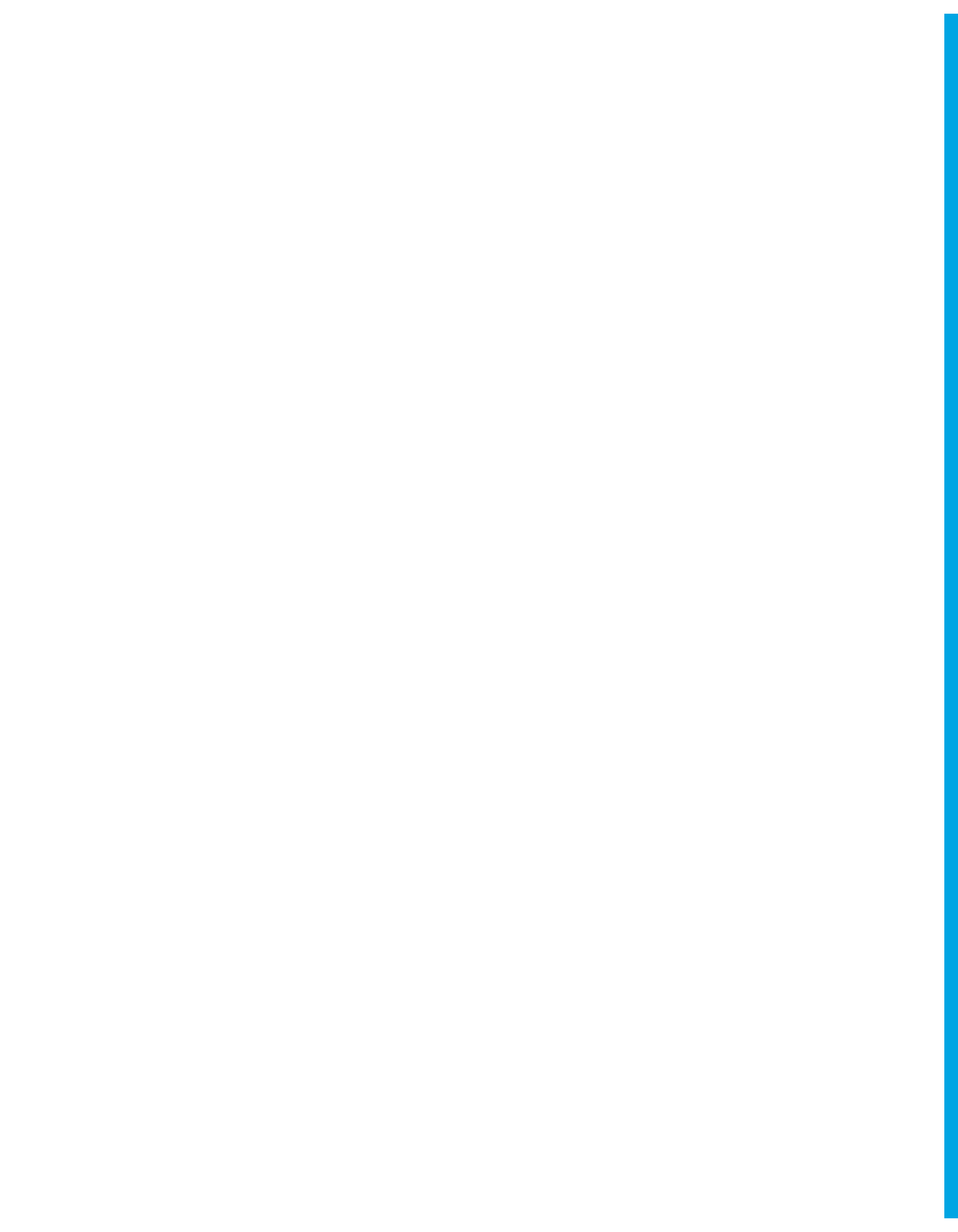
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# MARKET-TARGETING INITIATIVES

# ISRAEL'S INDO-CHINA FUND - SMEs TARGETING CHINESE AND INDIAN MARKETS

AUTHOR: DR. KENNETH A. GRANT

## INTRODUCTION

Most Israeli exports are to developed countries. Over the last decade, the average growth of Israeli exports to developed countries was 7%. The Israeli Foreign Trade Administration (FTA) has defined several new “target countries” (developing countries that have high expected import growth rates): India, China, and Brazil. The annual growth rate of Israeli SMEs’ exports to China and India increased to 22% over the last decade.

The Indo-China Fund is a grant foundation started by the FTA to assist domestic firms in establishing a marketing presence in these countries. The NIS100M (about C\$35M) fund participates in financing the operating offices, local recruitment of advisors, and/or expenses of sending Israeli delegates to the target country. Efforts taken to stimulate exports tend to be country-specific rather than uniform.

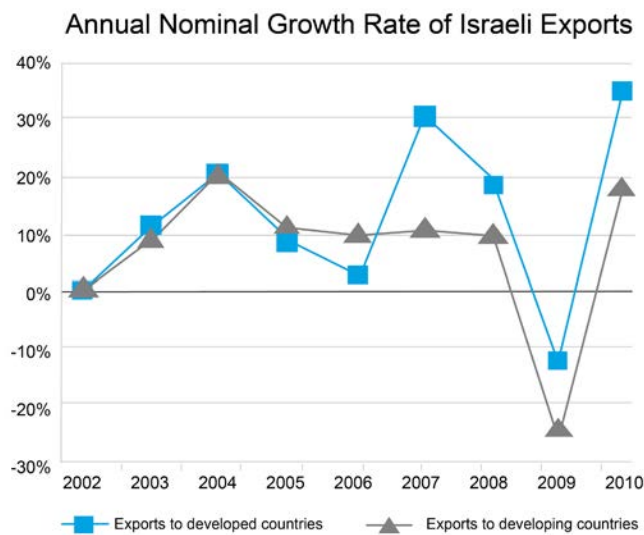
The Indo-China Fund program is a successor of the 2002 Fund. The focus of 2002 Fund was to double exports by Israeli businesses from Israel’s “peripheral” regions, whereas the Indo-China Fund focuses on high-opportunity target markets.

## OBJECTIVES OF THE PROGRAM

Until recently, Israel focused on growing its exports to developed countries. Between 2001 and 2010, Israel’s annual growth of exports to developed countries averaged 7%. However, the most remarkable recent exports were to China and India, where Israel had an average growth in exports of 22%. Figure 1 compares the nominal growth in exports of developed versus developing countries. The total share of exports to developing countries of total Israeli exports increased from 14% to 25% between 2001 and 2010, as demonstrated in Figure 2.

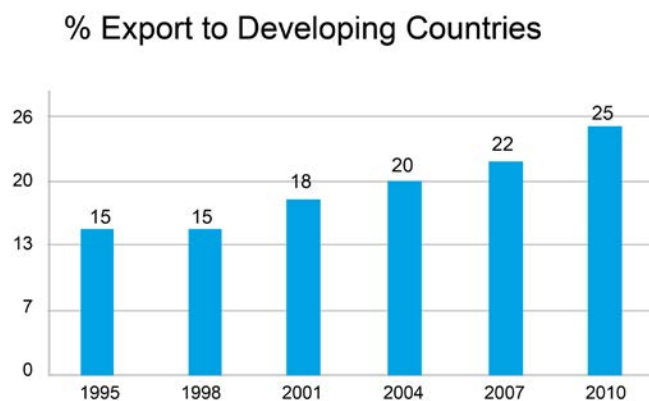
This rapid increase in exports to developing countries in recent years has gained the attention of Israeli policy-makers. The FTA has defined a number of countries as “target countries” for exports. They negotiated and signed trade agreements with India, China, Ukraine, Chile, Columbia, and South Korea. They also designed programs to support their SMEs in increasing their exports to these countries. A key new program is the Indo-China Fund, where the administration invests in export-promoting activities to these two specific countries, which have the biggest economies of the target countries.

Figure 1: Annual nominal growth rate of Israeli exports



Source: Lavee et al., 2013, p. 257

Figure 2: Developing and developed countries' share of total Israeli exports (Lavee et al., 2013)



## SPECIFIC INTERVENTIONS

The Indo-China Fund is a grant foundation started by the FTA to assist Israeli firms in establishing a marketing presence in these two countries. The program funds the costs of operating offices, employing local advisors, and/or sending Israeli delegates to the target country. Accordingly, the administration invests in export-promoting activities to these specific countries, such as specialized exhibitions and marketing activities.

The Indo-China Fund is a successor of the 200x2 Fund that operated from 2009 to 2013 and significantly increased exports of companies that participated in the program. Participating companies' attributed their results to professional marketing guidance and clearly defined goals from the outset of the program. According to the FTA, between 2009 and 2013, participating SMEs' total global exports increased by 291% and 530 jobs were created.

Through the Indo-China Fund, the Israeli government supports SMEs with sales turnovers of C\$5M to C\$70M by setting up their marketing representation in China or India. The support is in the form of a grant that covers up to 50% of the costs of:

- Stationing a company employee in the target market;
- Hiring a local advisor;
- Operating an office; and
- Setting up a beta site for proof of local application of the technology/product in the target market.

Companies fill out an online application request for assistance. Once the application is reviewed, a technical assessor meets with the stakeholders of the requesting company to carry out all necessary checks in order to provide the final opinion. After receiving the recommendations, a committee reviews and evaluates the application. The committee decides on the funding and also sets the payback details and scheduled payments. The support is repaid through royalties from sales in the target market. The royalty is 3% of new sales created and is only paid if the companies are successful. Finally, the company is expected to sign a contract that states the final agreement for funding.

## OUTCOMES ATTRIBUTABLE TO THE PROGRAM

The program is expected to increase exports to China and India. While the 200x2 Fund did not target India and China specifically, it was considered a success in increasing Israeli exports to these two countries. Consequently, the FTA has high expectations from this specialized program. India and China, the biggest emerging economies, can be very significant markets for Israeli SMEs. This can create more jobs and grow Israeli exports at a time when the European economy is struggling.

Information on the outcomes of the Indo-China Fund is scarce because it is a relatively new program. To provide some context, the value of Israeli exports to China and India from 2012 and 2013 are shown in Table 1.

Table 1: Israeli exports of goods to India and China in USD

	Exports in 2012	% of total exports in 2012	Exports in first 11 months of 2013
CHINA	\$2.7B	4.37%	\$1.9B
INDIA	\$2.4B	3.95%	\$1.7B

Although these numbers for Israeli exports to China and India cannot accurately reflect the current performance of the Indo-China Fund, we can note that Israeli exports to these two countries dropped in 2013 and that this might have been further motivation for the FTA to launch a specialized program to replace the 200x2 Fund's general funding program.

## APPLICATION TO CANADA

Canada's Global Markets Action Plan identifies about 20 countries as target markets, including China and India (these two markets are Canada's second- and 14th-largest trading exchange, respectively excluding services and direct investments), and specifically targets the expansion of SME sales to emerging markets. More specifically, the Canadian Trade Commission offers a Foreign Trade Zones – Marketing Program (FTZ-MP) that covers a range of marketing expenses but seems to be highly focused on the activities of local agencies and non-profits. The CanExport program also provides support to a range of marketing activities, focusing on one-off activities such as trade fair participation and market research; ongoing operational and marketing seem not to be covered.

In contrast, the Indo-China Fund is a targeted initiative that focuses on export growth in two of Israel's fastest-growing export markets, China and India, and supports the ongoing development of on-the-ground capability, a key social and cultural element of dealing with these countries. It will be important to monitor the results and impact of this program as it develops. This "on-the-ground" approach could be used by Canada in the same markets, but could also prove useful in the other target markets of the Global Markets Action Plan.

Some questions that might be answered in future research might be: how important is it to focus on specific export markets for SMEs? How can Canada use such programs in boosting its exports to the markets with the most potential? And how efficient will such programs be if they focus on specific industries in addition to specific export markets?



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# ISRAEL'S SMART MONEY PROGRAM - PROMOTING ISRAELI GOODS AND SERVICES FOR SMES OWNED BY MINORITIES

AUTHOR: DR. KENNETH A. GRANT

## INTRODUCTION

Until early 2015, two-thirds of Israeli exports were carried out by some 70 Israeli companies, raising concerns that the Israeli export industry was overly centralized. SMEs interested in exporting faced many challenges and found it difficult to allocate the needed resources. Thus, the Ministry of Economy launched the Smart Money program in September 2014 to develop marketing capabilities in one or two predefined target markets. With total funding of some C\$17M, it offers financial assistance of up to C\$170,000 as well as professional guidance, including mentoring from professionals in the Ministry of Economy and external consultants. This program aims to increase the share of SMEs' exports and reduce centralization in Israel's export industry.

During its first stage, which ended in early 2015, the program received 79 applications from 57 companies, of which 39 applications were approved for 31 companies, with total funding of some C\$3.83M (an average of C\$98,000 per application). The second stage, currently underway, includes a special round for the Arab

sector; to be eligible, more than 50% of the shareholding of the company must be from the Arab sector.

## OBJECTIVES OF THE PROGRAM

In February 2014, Finance Minister Yair Lapid and Economy Minister Naftali Bennett announced steps to help Israeli exporters, who were facing difficulties competing in foreign markets due to the strengthening value of the shekel. In order to balance the risk of currency exchange rates, the government committed C\$17M to fund the new Smart Money program. The program was intended to help 100 exporters sell their products in targeted markets.

The program seeks to:

- Remove barriers in order to strengthen exporters;
- Increase Israeli exports;
- Extend the exporters into new markets;
- Reducing the risk exporters assume when they engage in business overseas; and

- Increase the share of SMEs' exports and reduce centralization in Israel's export industry.

The program helps participating companies achieve significant growth in the scope of sales in international markets, while focusing on developing marketing capabilities in one or two predefined target markets. This program also follows the successful 200x2 Fund that Israel ran between 2009 and 2013.

## SPECIFIC INTERVENTIONS

The government decided to offer financial assistance as well as professional guidance, including mentoring from professionals in the Ministry of Economy as well as external consultants.

The companies that are accepted to the program receive ongoing marketing assistance from Israel's trade attachés stationed in the target countries and from experts appointed by the Smart Money program.

As part of the program, the Foreign Trade Administration (FTA) at the Israeli Ministry of Economy grants partial funding for expenses related to marketing products abroad or purchasing services to advance marketing efforts in target markets. This includes:

- Data aggregation;
- Insurance;
- Training for export activity;
- Presenting products or services, including the establishment of commercial presentation facilities;
- Establishing a marketing and distribution

infrastructure;

- Participation in expos and conferences;
- Scouting for marketing consultants with knowledge of the target markets; and
- Use of web-based marketing and sales tools, advertising, and standardization.

The Smart Money program is designed for SMEs from various industries (including professional services, software, and industrial subcontractors). Participants must export more than C\$325,000 per year and be interested in increasing their total exports. SMEs in their early stages of exporting to foreign markets can also benefit from the program by investing in marketing in target markets. The grant rate is 50% of approved expenses (including data collection, advertising, conventions and exhibits, business travel, regulation, and insurance) up to C\$170,000, but not more than the total linked amount of the grant received.

A company's marketing plan can be up to C\$330,000, of which the FTA can subsidize up to 50%. Companies that receive financial assistance in this program pay royalties of 3% of their sales growth in the chosen target market, over a period of five years, up to the sum of the grant.

An aid request is submitted online by the company to apply for the "Smart Money Plan." The following documents are included in the application:

- Action plan;
- Budget request;
- Certificate of incorporation;
- Resumés of the company's management team; and

- The company's financial reports for the last two years, certified by a Certified Public Accountant (CPA).

The action plan must be a detailed strategic action plan that includes clear objectives, defining customers, method of operation, modes of operation, and details of milestones to be achieved and their required implementation date. The selection committee acknowledges receipt within five working days of receiving a complete application. The committee evaluates the application and, if it returns a positive decision, a contact is sent to the company within 30 working days to sign the protocol.

The second stage of the program includes a special round for the Arab sector, in co-operation with the Authority for the Economic Development of the Arab, Druze and Circassian Sectors at the Prime Minister's Office. This unique round allows companies to receive increased funding with less stringent application criteria. To be eligible, more than 50% of the shares of the company must be held by investors from the Arab sector.

## OUTCOMES ATTRIBUTABLE TO THE PROGRAM

The impact criteria of this program are to increase the exports from all Israeli SMEs. Ohad Cohen, Deputy Director of the Ministry of Economy and Director-General at the FTA, said: "We have witnessed high demand for various export targets. There is no doubt that this plan will help Israeli companies fulfil their vision of developing in international markets."

The FTA approved some C\$3.8M for the first stage of the Smart Money program. In this stage, which ended in early 2015, 57 companies submitted 79 requests, of which 39 requests were approved for 31 companies. These companies were offered

financial assistance of up to C\$170,000 as well as professional guidance and mentoring.

According to the companies that took part in the program, the main area of improvement came as a result of the professional guidance offered by marketing mavens and the assistance that helped companies stick to the goals defined at the beginning of the program.

An example of a company that benefited from the Smart Money program is Pluristem Therapeutics Inc. The leading developer of placenta-based cell therapy products was able to develop its international markets using the funding and services offered by Smart Money. Specifically, Pluristem was successful in developing its business in Japan in 2015.<sup>1</sup>

Israeli companies participating in the Smart Money program can also benefit from the Israel Export and International Cooperation Institute, a non-profit organization operated by the government and the private sector, promoting the export of Israeli goods and services, trade relations, and co-operation and strategic alliances with overseas companies.

## APPLICATION TO CANADA

Canada has a wide range of resources, including Export Development Canada, Innovation, Science and Economic Development Canada, and the Business Development Bank of Canada, to assist all Canadian exporters. These include bonding solutions, early deal financing, and working capital support. There are also programs that help SMEs obtain financing from traditional financial institutions.

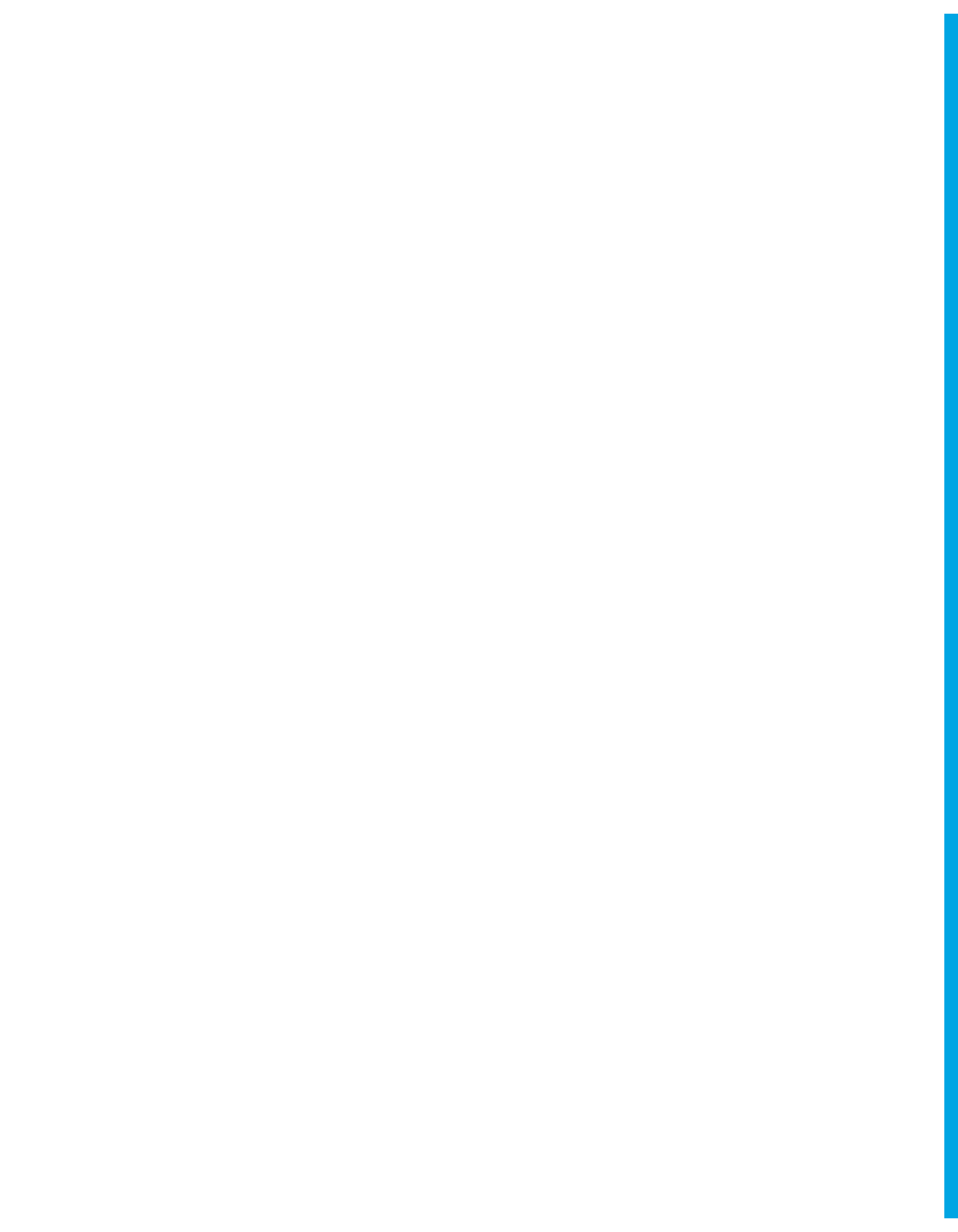
In contrast, Smart Money is a focused program that provides direct funding support (50:50 matching) and some professional guidance in

developing marketing initiatives in specific target markets for individual companies. Successful recipients repay their grants in the form of sales royalties. The program could be quite easily replicated in Canada, perhaps supported by Export Development Canada and local consuls generals.

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<sup>1</sup> Pluristem Therapeutics Inc. 2015. Pluristem Awarded Grant from Israel's Ministry of Economy for Marketing its PLX Cell Therapy in Japan. [http://www.pluristem.com/wp-content/uploads/2016/05/SmartMoneyGrant\\_final\\_isa.pdf](http://www.pluristem.com/wp-content/uploads/2016/05/SmartMoneyGrant_final_isa.pdf)





# SECTOR-SPECIFIC INITIATIVES

# THE U.K.'S CYBER GROWTH PARTNERSHIP

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## INTRODUCTION

The Cyber Growth Partnership (CGP) is a collaboration of British industry, government, and academia working to identify opportunities, promote cybersecurity exports, and establish the United Kingdom's brand internationally. Industry members of the CGP are ARM, Atkins, BAE Systems Applied Intelligence, Bcrypt, BT, CISCO, HP, Intercede, L3 TRL, Raytheon, Sophos, and Surevine. Academic partners are Queen's University Belfast and the Engineering and Physical Sciences Research Council. Government representation comes from the Cabinet Office, Department for Business, Energy and Industrial Strategy; Government Communications Headquarters; and the Department for International Trade.

The CGP came out of the U.K. government's Plan for Growth, which recognized cybersecurity as an engine of economic growth, and the export of cybersecurity products and services as an important driver.<sup>1</sup> In essence, the CGP seeks to make the U.K. an important player in the global security market, which is valued at some £100B per annum.<sup>2</sup> The U.K. government's stated

approach to export promotion in this sector "is to place U.K. industry at the forefront of the global cybersecurity supply base, helping countries to combat cybercrime, cyber terrorism and state-sponsored espionage, while being consistent with British values, including human rights."<sup>3</sup> The United States is the largest market for U.K. exports of cybersecurity products and services (31%), followed by China (19%) and Japan (10%).<sup>4</sup> Some 13 export destinations account for the bulk (67%) of U.K. exports.<sup>5</sup>

## OBJECTIVES OF THE PROGRAM

The CGP seeks to achieve three specific objectives:

- Increase U.K. firms' understanding of the export markets for cybersecurity products and services, and promote access to these markets;
- Develop the U.K.'s cybersecurity products and services to ensure that they match the needs of the international market and promote the U.K.'s brand in overseas markets; and



- Foster research and innovation in the cybersecurity sector and ensure that the necessary skills are available to promote the sector's development.

## SPECIFIC INTERVENTIONS

To increase companies' understanding of export markets and promoting access to these markets (Objective 1), the CGP holds a number of target export workshops designed to identify potential foreign market opportunities and develop appropriate mechanisms to capitalize on them.<sup>6</sup> Working with its partners, the CGP seeks to determine the specific type and level of support needed by the sector to access these foreign market opportunities. The U.K. government has commissioned research that has provided data on the global security market, including trade statistics for various countries and the types of security equipment imported.<sup>7</sup> This research is widely shared with U.K. firms. In 2010, British Embassies and High Commissions around the world participated in a survey to provide U.K. companies with information on the specific cybersecurity market opportunities in their jurisdictions. This survey is updated regularly to ensure that U.K. firms have a solid handle on the needs of each market. In addition to this work, which is provided as a service to U.K. firms, individual companies may also commission more tailored research on specific countries or sub-sectors of the cybersecurity market in particular countries. Through the Overseas Market Introduction Service, U.K. firms have the option of retaining the services of UKTI to conduct research geared toward addressing company-specific issues in markets of interest. The UKTI's Advisory Group feeds both quantitative and qualitative data collected into its Forced Choice Model (an evidence-based decision-making tool) to determine the government's priorities, identify high-value markets, and develop appropriate strategies.

The U.K. government focuses on cybersecurity opportunities in specific geographic markets: the Gulf States, Brazil, India, and Malaysia. These have been identified as high-growth markets and regions of the world that are politically inclined to engage with the U.K. Other markets of interest include the U.S., China, and Japan, where U.K. companies already have an established presence. A number of overseas trade missions and events provide U.K. cybersecurity firms with a deeper understanding of the dynamics of overseas markets.<sup>8</sup>

The CGP is working to showcase U.K. small and medium-sized enterprises (SMEs) around the world in major trade missions to established markets such as the U.S., but also to emerging markets. One such company is Intercede, a medium-sized firm listed on the London Stock Exchange. Intercede provides solutions that allow customers to verify the identities and credentials of people and machines attempting to access their online and physical facilities. The company is a founding member of the CGP and has participated in a number of high-level trade missions. Membership in the program has also provided this company with access to U.K. primes.<sup>9</sup>

The U.K. has specific expertise in a number of areas of cybersecurity, including network surveillance and analysis, advisory and assurance services, security endpoint technologies, social media analytics, and mobile device and infrastructure security.<sup>10</sup> In order to develop and improve the U.K.'s cybersecurity offerings (Objective 2), the CGP operates a number of accreditation programs for its companies' products, services, and people. In addition, the CGP has launched an online hub to map and promote U.K. cybersecurity firms, and has established the Cyber Demonstration Centre to showcase the latest innovative technologies

and cybersecurity services being developed in the U.K. Using state-of-the-art audiovisual and video-conferencing technology, U.K. SMEs can demonstrate their capabilities to clients around the world in real time and high definition. These initiatives are also supplemented by the Cyber Security Early Stage Accelerator Programme to support the development of the next generation of U.K.-based cybersecurity firms. The CGP also operates the Suppliers to Government scheme that allows SMEs to badge themselves as important suppliers to the U.K. government when seeking opportunities internationally. The scheme allows companies to utilize the U.K. government's logo in their marketing materials, and gives them the option to be included in a list of suppliers on the UK.gov website.

To foster research, innovation and skills development in the cybersecurity sector (Objective 3), the CGP operates cyber insight camps to encourage undergraduate university students to consider careers in cybersecurity. The camps provide hands-on experience in cybersecurity and the opportunity to earn an industry-recognized foundation qualification in the discipline. Geared to computer science students and recent graduates, these camps aim to strengthen technical skills as well as provide business and communication skills required by the industry. Participants receive guidance and mentoring from experts in the field to assist them in making the decision to pursue a professional career in cybersecurity. The CGP is also involved in Cyber Security Challenge UK, an organization dedicated to recruiting new people into the cybersecurity industry through a series of educational and networking events. The CGP's objective of innovation and skills development is also supported by the designation of eight U.K. universities as Academic Centres of Excellence in Cyber Security Research: the University of Bristol; Imperial College London; Lancaster

University; the University of Oxford; Queen's University Belfast; Royal Holloway, University of London; the University of Southampton; and University College London.

## OUTCOMES ATTRIBUTABLE TO THE PROGRAM

The CGP may be assessed using a number of metrics, including global market share, export sales, number of U.K. SMEs interested in and/or engaged in exporting, and the number of export-related jobs created. One may also assess the CGP by reference to the number of professionals trained in cybersecurity, as well as the flow of new and innovative cybersecurity products and services. The CGP has made a significant contribution to the U.K.'s global ambitions in the area of cybersecurity exports. For example, the value of the U.K.'s cybersecurity sector has grown by 70% from a base of £10B in 2011 to over £17B in 2014. The sector employs some 100,000 people. The CGP also notes that U.K. exports of cyber-related products and services stood at £1.47B in 2014, up 35% since 2012, and the U.K.'s global market share has increased from 3.6% to 4.4%.<sup>11</sup> While the U.S. and China are leaders in this area, the U.K. is now on par with other countries such as Japan and Germany. Because of the efforts of the CGP, the U.K. seems poised for further growth in cybersecurity exports. The CGP has identified over 2,000 SMEs with expertise in cybersecurity that have an interest in exporting – a statistic that bodes well for the country's ambition to become a major player in cybersecurity exports.<sup>12</sup>

## APPLICATION TO CANADA

A focus on cybersecurity exports is likely an excellent opportunity for Canadian SMEs. To date, this country's cybersecurity strategy has

been domestically focused, but Canadian firms do have the expertise to explore foreign markets.<sup>13</sup> The CGP, with its emphasis on partnership between government, industry, and academia, provides a useful template for the development of a Canadian cyber export strategy. It is suggested that the federal government take the lead on this and work collaboratively with MaRS Innovation or other incubators as well as more established Internet security companies to develop an export program geared specifically to this sector.

The work of the Ontario Centres of Excellence (OCE) is also interesting in this regard. The OCE, in partnership with the Natural Sciences and Engineering Research Council and PROMPT, a non-profit organization that funds R&D partnerships between industry and public research institutions, has launched the Cybersecurity R&D Challenge to promote the development of new cybersecurity products and services. This \$3M initiative seeks to promote joint industry-academic partnerships in Ontario and Quebec in the area of cybersecurity that have the potential to benefit both provinces economically.

In terms of export market initiatives, Global Affairs Canada is a key partner in the Global Markets Action Plan that underpins Canada's international trade strategy and targets foreign markets of interest to Canadian firms. The Plan also seeks to promote Canada's innovation advantage – an emphasis that fits well with opportunities that exist in the global cybersecurity market.<sup>14</sup>

There are clearly pockets of activity in Canada focused on technical innovation in cybersecurity and export market development, but there is a clear need for an overarching co-ordinating mechanism. As the CGP has demonstrated, a multi-pronged strategy led by the government

with strong input from industry and academia is more likely to be successful in building export capability in this highly competitive global market.

<sup>1</sup> HM Treasury and Department for Business, Innovation and Skills. March 2011. The Plan for Growth.

<sup>2</sup> KMatrix. March 2012. UK Security Sector Report for 2011.

<sup>3</sup> UK Trade and Investment. April 2013. Cyber Security: The UK's approach to exports.

<sup>4</sup> Ibid.

<sup>5</sup> UK Trade and Investment. February 2014. Increasing our security exports: A new government approach.

<sup>6</sup> Cyber Connect UK is an initiative of CGP and serves as the voice of SMEs in the cybersecurity industry. Through its Cyber Connect portal, SMEs are made aware of activities, events, initiatives, and opportunities that support the U.K.'s export strategy. Workshops are open to all U.K. SMEs with an interest in exporting to the priority overseas markets. No previous experience in those markets is required to participate.

<sup>7</sup> KMatrix is the firm selected to provide data on cybersecurity trade.

<sup>8</sup> Cabinet Office. April 2016. The UK Cyber Security Strategy 2011-2016 Annual Report.

<sup>9</sup> On international engagements, major customers such as foreign government departments have a preference for dealing with a single prime contractor that takes the lead and interfaces between a consortium of U.K. firms and the client. UKTI facilitates discussions between U.K. prime contractors and SMEs via events such as its SME Symposium.

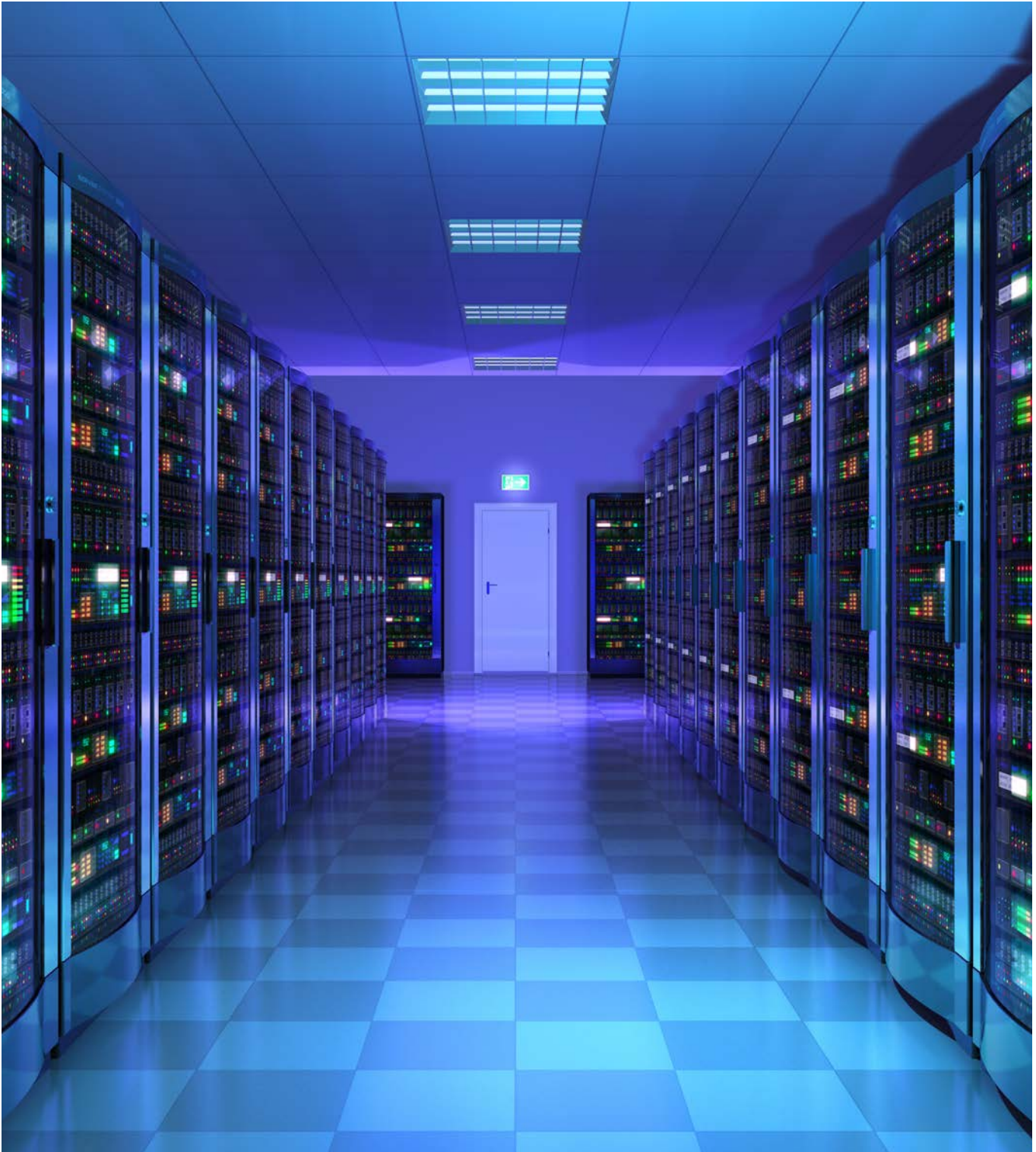
<sup>10</sup> It should be noted that the opportunities to provide these capabilities are often embedded in initiatives such as major infrastructure projects. The CGP makes a deliberate attempt to avoid defining opportunities too narrowly and seeks to tie cybersecurity exports to exports in other areas such as energy, health care, and transportation.

<sup>11</sup> Cabinet Office. April 2016. The UK Cyber Security Strategy 2011-2016 Annual Report.

<sup>12</sup> These companies are registered with the Cyber Exchange, an initiative of the CGP. Registration is free and firms provide a profile with details of their expertise, U.K. location, and specific sectors they service (e.g. health care, financial services, retail). Based on registrations, the CGP maps the location of these firms and provides a search tool to simplify access to the information.

<sup>13</sup> Government of Canada. 2010. Canada's Cyber Security Strategy: For a Stronger and More Prosperous Canada. <https://www.publicsafety.gc.ca/cnt/rsrscs/pblctns/cbr-scrtr-strty/index-eng.aspx>

<sup>14</sup> Global Affairs Canada. Global Markets Action Plan. <http://international.gc.ca/global-markets-marches-mondiaux/plan.aspx?lang=eng>



# AUSTRIA'S GO SILICON VALLEY

AUTHOR: DR. GERHARD APFELTHALER

## INTRODUCTION

In 2003, Austria's export promotion agency, Advantage Austria, and Austria's Federal Ministry of Science, Research and Economy joined forces on a broad "Go International" strategy for companies of all sizes and sectors. Endowed with approximately C\$44M a year, Go International aims to go beyond the traditional portfolio of export promotion services that cater to established exporters and to create new export promotion services targeting non-exporters.

One of the many initiatives under the umbrella of Go International is "Go Silicon Valley." Go Silicon Valley began in 2009 with the general objective of helping highly innovative startup companies access the U.S. market for both capital and business development purposes. The Go Silicon Valley initiative rests on contractual relationships that Advantage Austria maintains with the Industrial Liaison Program at the Massachusetts Institute of Technology and a co-operation agreement with SRI International. With its cutting-edge knowledge of emerging industries/sectors, Advantage Austria is constantly assessing sector needs and opportunities. Based on these

assessments, up to 20 participant companies are selected each year through a competitive selection process. Selected companies receive initial training in Austria, are provided with market intelligence, and are then transplanted into a business incubator/startup centre in Sunnyvale, CA, where they receive coaching and matchmaking services, and have the opportunity to engage in customer exploration and pitch events through the incubator's networks. After a period of three months in the United States, companies return to Austria. In addition to the goal of generating exports directly by identifying customers/clients in the United States, a long-term objective is also to generate exports by helping the program participants form long-term relationships with networks that include customers, investors, and business partners.

## OBJECTIVES OF THE PROGRAM

The long-term goals of Go Silicon Valley are the promotion, initiation, and expansion of exports, while the immediate objective is to increase the competitiveness of young startup companies that have significant global growth potential. Often,

these companies are players in technological niches whose markets are outside of a home market – the so-called “born globals.” While Go Silicon Valley does not exclude any particular sector, companies selected for participation are typically information- and communication-technology companies. According to the initiative, the ideal participant is an Austrian startup, small or medium-sized enterprise, or spinoff that has the following:

- A minimum of two full-time employees;
- A novel business idea/model;
- Registered intellectual property or a patentable invention;
- An existing prototype or early market validation;
- A clear understanding of its goals for the U.S. market;
- A commitment to deploy one or two decision-makers for one to three months;
- A commitment to bear its own cost of living during the program;
- An excellent command of English; and
- No prior participation in the program.

Most program participants meet these criteria; however, the program is also flexible enough to accommodate exemptions. The Go Silicon Valley program provides assistance to participating companies (individuals) by:

- Helping them to refine their business model;
- Preparing them for investor pitches;
- Providing access to investor and customer networks;

- Unlocking marketing intelligence;
- Helping them to achieve market potential;
- Preparing them for growth and rapid scaling; and
- Improving their managerial skills via mentoring and coaching.

## SPECIFIC INTERVENTIONS

Business accelerators are dedicated to providing fast-growth environments for startups, typically through short-term programs that provide office or lab space, seed capital, intensive advisory and mentoring support, and constant exposure to investors, technology partners, mentors, and peers. It is in these environments that high-growth startups are created. Advantage Austria has therefore decided to partner with a local accelerator called the Plug and Play Tech Center in Sunnyvale, CA, to help create this environment for Austrian startups. Plug and Play is an accelerator with a strong track record of incubating companies and, since 2009, hosting international startups from over 20 countries. The program follows an annual cycle that includes several steps:

- Open application with an annual deadline (December);
- Participation at an informational and pitching workshop (January);
- Ten-minute pitch presentations to a jury consisting of two representatives from U.S. venture capital firms, one representative from Plug and Play, and one representative from Advantage Austria (February);
- Nomination of selected companies by jury based on the novelty of the business idea, the scalability of the business model, and their

- suitability to the Plug and Play accelerator environment (March);
- A pre-departure workshop on logistics and the Silicon Valley environment (March);
- Participation in the program (in quarterly tranches); and
- An alumni meeting (TBD).

The program in Silicon Valley itself also follows a prescribed structure. Participants begin their stay at the business accelerator with a four-day induction program giving them an overview of the Silicon Valley business environment, as well as an introduction to writing business plans and techniques for business development, fundraising, and pitching. During their stay, participants enjoy full-service office space and the support of mentors and advisors. The busy program includes skills workshops, events, and introductions to corporate, investor, and technology partners. Toward the end of the program, participating companies have the opportunity to present their business ideas to a group of investors (venture capitalists, angel investors, and corporate investors) at Plug and Play's quarterly EXPO showcase. Throughout their stay, Advantage Austria participants receive assistance from executives from the Los Angeles office in defining or revising goals, finding networking opportunities, and monitoring their progress.

Advantage Austria's services in the program include:

- The rental cost of office space at Plug and Play;
- Reimbursement of fees for workshops and events;
- Coverage of costs for mentors; and
- Monthly meetings and individualized service during the stay at the accelerator, including access to attorneys, CPAs, and insurance providers.

## OUTCOMES ATTRIBUTABLE TO THE PROGRAM

There are close to 100 applications to the program each year. Approximately 60 to 80 startups participate in the 10-minute pitch presentations, and up to 20 companies a year participate in the program (up to five per quarter).

At the beginning of the engagement, each participant company is asked to define the objectives for its stay in Silicon Valley. Most mention one or more of the following objectives:

- Obtaining market intelligence (competitor landscape, market-entry strategy);
- Finding business partners (sales channel, strategy);
- Finding B2B customers;
- Business development; and
- Finding investors.

Since the participants come to Silicon Valley with vastly different goals, there is no single metric to measure the success of the engagement. Therefore, in order to track the level of achievement of their goals, each Austrian participant is interviewed twice – once by members of Advantage Austria/the Austrian Trade Commission in Los Angeles and once by the hosting accelerator. In the initial interview (the first week after the company representatives arrive in Silicon Valley), realistic goals are defined after a thorough discussion of their business

plans. The exit interview is held shortly before the end of their stay. At that point, each outgoing company is required to make a presentation about the goals met/missed; in a subsequent discussion, further tasks are recommended. According to an internal report by Advantage Austria, most companies report fundamental changes both at the individual and the corporate level.

In addition, the participants not only rate themselves, but they also rate the program via a questionnaire that they complete at the end of the program. Annual ratings average “very good” to “good” in the following categories:

- Business targets achieved;
- Organization;
- Information access;
- Faster achievement of business targets;
- Finding new business partners;
- Cost/performance ratio; and
- New projects/contracts/success stories.

An additional measure for the success of the program is whether participants have set up subsidiaries in the United States. Virtually all companies have been successful in finding strategic partners or distribution channel partners. Of the 86 companies that went through the program between 2010 and 2015, 13 have set up U.S. subsidiaries and three companies were acquired.

Advantage Austria clearly views the program as a successful initiative. It has therefore expanded variations of the program to other locations (such as Tel Aviv, which is also a hotbed for entrepreneurship). In 2016, it opened a joint office in Silicon Valley with the Austrian Federal

Ministry of Science Research and Economy so that Austrian companies and individuals in Silicon Valley may be even better served.

## APPLICATION TO CANADA

Canada already has a mechanism for the support of Canadian startups that is tied to Silicon Valley. The Global Markets Action Plan outlines the Canadian Technology Accelerator initiative that currently has hubs in New York City, Boston, and Silicon Valley (at the Plug and Play accelerator that also partners with the Austrian Go Silicon Valley initiative). As well, since January 2016 Canada House – a collaboration of MaRS Discovery District, Communitech, the University of Waterloo’s Velocity, RBC, and C100 – has become a new home for Canadian entrepreneurs visiting Silicon Valley. At first glance, it therefore appears that there are no lessons to be learned from the Austrian program.

However, after a review of both programs, there are still opportunities for an adoption and/or adaptation by Canadian export assistance programs. First, it appears that the conditions of the Canadian Technology Accelerator initiative require startup companies to be further along in their development. An extension of the program to early (earlier) stage companies may therefore be a possible direction of development. Second, as the Austrian program has already taken steps to take Go Silicon Valley to other areas with distinct entrepreneurial ecosystems (Tel Aviv), we feel that Canada could follow a similar route of expansion. There are several global hotbeds for entrepreneurship that would not only enable Canadian companies to grow, but also to establish a foothold in strategically important markets (for instance, the startup ecosystem in Singapore as a gateway to Asia).



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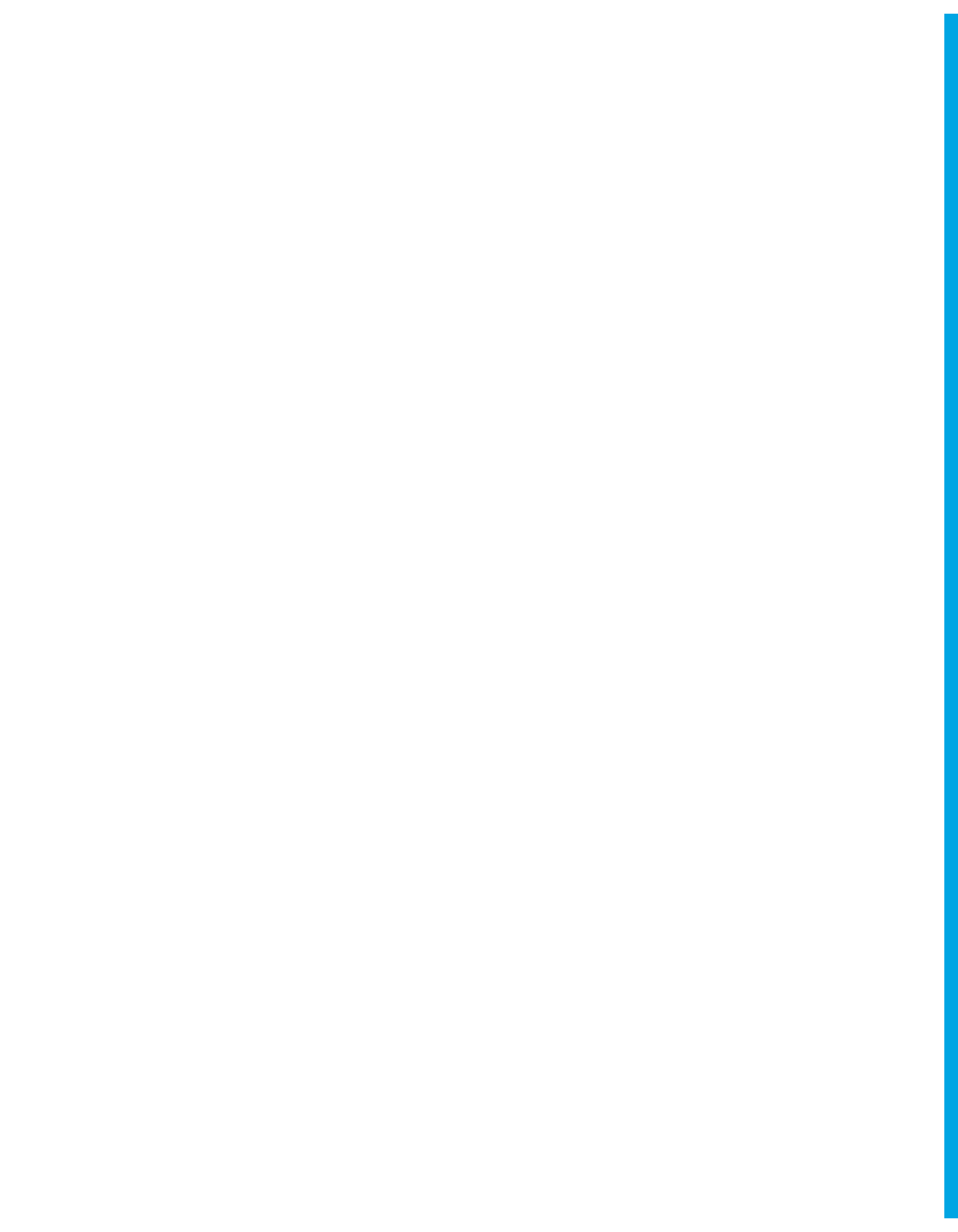
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