

EXPORTS SUB-GROUP: Challenges Facing Companies in Northern Ireland – Findings & Recommended Actions

THE ISSUE

Several recent reports on the Northern Ireland economy have identified a clear underperformance in relation to export activity.

- The lack of larger firms tends to depress the export rates of a region.
- Northern Ireland export rates are slightly lower than similar UK regions. Exports to the EU are worth 12.2% of Northern Ireland's gross value added (GVA), compared with 13.1% for the UK as a whole.
- Northern Ireland exports totalled about £5.2 billion in 2006, about 20% of GVA, compared with UK exports which totalled approximately £243.8 billion in the same year, approximately 21% of GVA.
- Given the importance of exports to growth, particularly in a small economy, it will be important for Northern Ireland to focus on increasing exports. Growth in exports should be an important part of Northern Ireland's economic strategy in the future.

(Source: Review of the Competitiveness of Northern Ireland, Sir David Varney's Report, April 2008)

BACKGROUND

Following the presentation of a paper on exporting at the February 2009 meeting of the Economic Development Forum (EDF) it was agreed to establish a sub-group, chaired by Bill McGinnis with NICC as secretariat, to further explore the issue and report back to the EDF at the next meeting scheduled for 18 June 2009.

It was agreed that the sub-group should be representative of a cross section of public and private sector organisations to include the Business Alliance, DETI, Invest NI, NI Exporters Association, SME representatives and local authority representatives. The final sub-group was made up of: Bill McGinnis (Chair); Ann McGregor (NICC, representing the Business Alliance); Brendan McGurgan (CDE Ireland); Ger Connery (Sentel Independent); John McGrillen (Down District Council); Mark Nodder (Wrightbus); Patricia O'Hagan (Core Systems); Sam Butler (Sam Butler PR); Tony Simpson (DETI) and Vicky Kell (Invest NI). Several other companies in areas such as the North West were approached but were unable to participate due to diary issues.

SUBGROUP TERMS OF REFERENCE

The aim of establishing the sub-group was to prioritise the challenges associated with export activity and identify approximately six key actions to address these challenges through consultation with sub-group members and a survey of local businesses.

SURVEY & SUB-GROUP WORKSHOPS AND ACTIVITY

Minutes of workshop discussion and the detailed survey report are available for review; the following is a synopsis of key elements.

1. Sub-Group Meetings

The sub-group met on two occasions and conducted round table discussions firstly on what the issues are and secondly on ways to address them.

2. Survey

The sub-group issued a survey on export to the membership of three of the Business Alliance organisations. There was an 8% response rate to the survey. The sample of 135 companies was broken down as follows: NICC Membership – 66%, IOD Membership – 27% and CBI Membership – 7%. Of the 135 respondents 79% classed themselves as exporters with 21% in the non-exporter category.

3. Barriers identified in Survey

The survey identified two main barriers to exporting. These are:

- Cost of entry in terms of finance and management resources
- Lack of information on market opportunities (pre-export activity)

4. Barriers Identified in Sub-Group Workshops

The main challenges to export activity identified by the sub-group members are:

- Costs associated with entry into new markets
- Product development for export which is being inhibited by the credit crunch
- Lack of information
- Gap in the support available to non-exporting companies in terms of inspiring them to export and become export ready.

5. Recommendations

Recommendations were developed in consultation with the members of the sub-group and also through consultation with the trade services team at Invest NI. The aim of these meetings was to get a full understanding of the support available and to further engage Invest NI in the action plan to address the challenges identified. DEL was also consulted regarding the proposed graduate action.

The actions for consideration to address the challenges identified are outlined below.

1) Lack of Awareness of Existing Support: whilst the survey indicated that awareness of Invest NI support programmes was relatively good amongst respondents, the open ended questions indicated that, in general, awareness could be improved upon for both current exporters and non-exporters. Requests for support with market research, in market support, and grant assistance for market visits outside of trade missions, for example, indicate that there isn't a clear knowledge or understanding of the offering put forward by Invest NI. There is also a widely held perception that Invest NI support is for client companies only, were in fact this is not always the case for many of the support programmes available.

Awareness of the alternative programmes delivered by organisations other than Invest NI was generally quite low, suggesting a need to also raise the profile of this support.

Proposed Action	Rationale & Implication	Potential Cost	Lead Bodies
<p>Increase Awareness of Existing Support amongst local companies and export stakeholders and in doing so change perceptions of support accessibility. This can be achieved by:</p> <ul style="list-style-type: none"> - High profile export focussed advertising campaign, with strong brand in the style of 'Go for It'. - Effective signposting through engagement of stakeholders and briefing on the full range of export support available. - Building on the existing relationships between Invest NI client advisers and the trade services team. 	<p>The support programmes delivered by Invest NI and other organisations are extremely valuable in assisting companies to export. By raising the awareness of these programmes more companies can access the much needed support leading to increased export activity.</p> <p>Invest NI client advisers and staff in stakeholder organisations, such as the Northern Ireland Chamber of Commerce, InterTradeIreland, the Centre for Competitiveness, Councils etc, work with local companies on an ongoing basis. Regular updates on existing programmes and notification of new programmes will assist those involved to effectively signpost companies towards the relevant support. By providing detailed information on the eligibility criteria the appropriate type of company will be referred to the appropriate support programme.</p>	<p>Province wide press advertising campaign: Costs to be determined by resources required and nature of campaign agreed.</p> <p>Initial stake holder briefings: c £10,000.</p>	<p>DETI/INI/ NICC/ ITI/ ENI/other stakeholders</p>
<p>2) Gap in Support at Pre-Export Level: Northern Ireland companies are essentially micro SMEs in which the Managing Director undertakes the majority of</p>			

tasks and often does not have the time or the motivation to pinpoint and exploit export market opportunities. To effectively engage companies in exporting they need to be presented with an opportunity and given assistance to get the business.

Eligibility for Invest NI support on certain programmes for non-client companies requires a company to be either an existing exporter or have the potential to export. There is still a gap in the business development pipeline from the initial stages of the Start a Business Programme (SABP) to the point where a company is considered 'export ready'.

Proposed Action	Rationale & Implication	Potential Value	Lead Bodies
<p>Address the gap in-support through a pilot programme aimed at getting non-exporting companies and inexperienced exporters to the fully-fledged 'export ready' stage. The premise of this programme is to provide:</p> <ul style="list-style-type: none"> - Promotion & case studies. - Company review & action plan. - One to one 'how to' consultancy. - Access to mentor support. - Training and assistance in initiating the very basics of export activity. - Signposting to Invest NI Export Skills and Knowledge Workshops and other export support programmes. 	<p>Much of the existing support for export activity focuses on those companies that have already reached the export ready stage or will do so imminently. In order to grow the Northern Ireland economy through exporting we need to instil in companies the idea that exporting is the ultimate stage of business growth and ensure they have the skill set to embrace export activity with confidence.</p> <p>Whilst the new SABP seeks to identify 50 growth companies (VAT registration level) annually, in order to impact on export performance, we need to increase the reach of this support and engage a range of players including business organisations in support provision.</p>	<p>Delivery Costs for pilot project c £250K. Subject to tender</p>	<p>DETI/INI/ Export Stakeholders</p>
<p>3) Need for Graduates to Focus on Product Development for Export: In the current climate many companies are unable to take on the fresh graduate talent that they often rely on when developing new products or services. Companies are struggling to retain the staff they already have and do not have the financial resources to engage new graduates.</p>			
Proposed Action	Rationale & Implication	Potential Value	Lead Bodies
<p>Support companies through the credit</p>	<p>Companies tend to recruit new graduates to support product and market</p>	<p>Cost for graduate</p>	<p>DEL/DETI/</p>

<p>crunch by supporting the financial elements of the existing graduate placement programmes INTRO and E2. This would involve:</p> <ul style="list-style-type: none"> - Exploring further short term support for programme related fees and salaries (subject to rules covering wage substitution) 	<p>development. This provides valuable work experience for graduates (300 new graduates seeking work/work experience this year will come on to the job market this year)</p> <p>Due to the economic climate with high levels of redundancies or freeze on recruitment many companies are not able to invest in graduates this year. This will have a negative impact on product and export market development. It will also have a negative impact on employability for new graduates due to the lack of work experience.</p> <p>Existing programmes include INTRO and E2 which represent additional costs to business.</p> <ul style="list-style-type: none"> - Intro Fee is £1,500 *and the company pays the salary - E2 Fee is £6,000 and salary met through benefits <p>*temporary credit crunch moratorium on this fee at present</p> <p>In this challenging time there is a definite need to support businesses in taking on key resources that influence on export activity.</p>	<p>programme: c £500k</p>	<p>Universities/ INI</p>
<p>4) Cost Associated with Entry into Export Markets: Cost of entry into new markets was identified as the main barrier to trade. Costs associated with setting up a member of staff in another country in terms of salary and living arrangements as well as the cost involved in getting to this stage were the main concerns of local companies. Previous support programmes, such as the market entry grant scheme, although well received by companies had its weaknesses. There is a general opinion that the claim process is slow and the awareness of current Group Accelerator Programme (GAP) support is low.</p>			
Proposed Action	Rationale & Implication	Potential Value	Lead Bodies
<p>There is a need to look at options that could be put in place to financially assist companies in new market entry. Options include:</p> <ul style="list-style-type: none"> - Invest NI to continue to improve 	<p>There are two issues in this area:</p> <ol style="list-style-type: none"> 1. Companies receiving support - issues are around cash flow management and claiming process. 2. Companies not receiving support – issues are around awareness of support available and their ability to access support. 	<p>Promotion of GAP (see point 1) and additional budget if required based on uptake</p>	<p>DETI/INI</p>

turnaround on claims. - Promotion of GAP. - Increased budget for GAP/extension of funding if applicable	Programmes such as the GAP Programme with 4 page application forms and fast responses are positive but need promoted.		
5) Market Opportunity Information and Expertise: Information and expertise to assist in developing export market opportunities was identified as one of the main barriers to exporting. Support does exist which aims to provide this specific support yet companies are still seeing it as a challenge. Companies often take part on market visits but do not focus on the necessary follow up afterwards. The ‘Going Dutch’ programme unlike many other trade missions not only focuses on lead generation but also encourages participants to follow up contacts made. This type of programme has not only proved popular with NI companies but has also generated much success.			
Proposed Action	Rationale & Implication	Potential Value	Lead Bodies
Companies would like more support in identifying market opportunities. This could be achieved by: - Introducing more programmes similar to the successful ‘Going Dutch’ programme. - Invest NI allocating more staff in sales opportunity identification within markets. - Considering how business can accessing INI library on line across NI.	The issues in this area are: 1. Exporting companies face resource issues relating to market research and sales. 2. Companies not exporting lack expertise, confidence and resources. 3. Managing Directors/owners in SMEs are often overstretched this can hinder business development 4. Often companies ignore nearer markets* 5. Information – Export Library is in INI HQ often busy MDs do not have the time to take advantage of the material available. * the success of the ‘Going Dutch’ programme highlights that support which includes the opportunity identification and hand holding to access near markets can be effective. Programmes such as these, focussing on geographic areas where it is relatively easy to do business, hone export skills and are useful spring boards to other more complicated markets, whilst also securing more business out of the mission activity.	Cost for programme delivery: c £500k Actual costs to be determined by number of additional programmes and other deliverables.	DETI/INI/ Other Stakeholders