

Evaluation of New Zealand Trade and Enterprise's Beachheads Programme

Final Report

May 2012



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Executive Summary

1. This evaluation is designed to inform advice to government on the efficiency and effectiveness of New Zealand Trade and Enterprise's (NZTE) Beachheads programme. NZTE has made changes to the programme based on the recommendations from an evaluation in 2006 and its own work.

Overview of Programme

2. New Zealand's exports have grown more slowly than world exports since 1985 and its share in world exports has declined over the last 15 years. Compared to other countries of a similar size, New Zealand has a low ratio of exports and imports to GDP (for example, a little over 60% in 2008 compared to close to 100% for Sweden and 110% for Denmark)¹.
3. The objective of the Beachheads programme is to use private sector executives to work with New Zealand exporting firms in order to accelerate their entry and growth in offshore markets. Expansion by high growth firms into offshore markets helps generate growth in the New Zealand economy by lifting nationwide productivity as growing companies invest capital, create productive jobs, and are able to exploit economies of scale. Beachheads firms tend to be high-growth firms: data from Statistics New Zealand² shows that half, 50%, of the firms who have been through Beachheads experienced over 25% growth from 2005 to 2009. 22% of non-Beachhead firms experienced over 25% growth from 2005 to 2009.
4. NZTE uses its market knowledge and networks to identify suitable in-market private sector executives (advisors) to advise and mentor high-growth-potential firms on their business strategy and approach in the target market. Some advisors may facilitate contact between firms and other individuals in their personal business networks. Good advisors are able to add value by drawing on their working knowledge of the market, are able to relate well to New Zealand firms, and have a clear understanding of their role.
5. Advice relates to barriers encountered by firms operating in an offshore market (e.g. cultural differences, inadequate knowledge of the market or regulation, limited experience)³. Dynamics vary between markets and the programme is therefore flexible with each Beachhead being shaped for the specific market.
6. The advice and access to networks offered by the Beachheads programme is not normally available to New Zealand firms. Where it is available, it often requires a large amount of upfront investment by the firm and may be at a higher cost than when supplied by the government. Participation in the programme is intended to lead to firms sharing benefits with the wider business community – through reputational or knowledge spillovers.

¹ MED, Treasury, Statistics New Zealand (2011), 'Economic Indicators Report 2011'

² Statistics New Zealand's prototype Longitudinal Business Database. See Table 8 in Appendix 3.

³ This is supported by research, including: Statistics New Zealand (2007), University of Technology (2010), Lindsay (2010).

7. There are currently eight Beachheads catering to 100 firms – in Europe, North America, China, India, South East Asia, the Middle East, South America and Japan. There is also an advisory board in New Zealand. A further Beachhead is being considered for Australia as part of the New Zealand Inc. Strategy. The programme has a current spend of \$4.524m funded as part of NZTE's Output Class 2.

Beachheads Evaluation

8. It has not been possible to quantify the benefit to participating firms nor to the wider business community because it is difficult to isolate benefits of the Beachheads programme from other government activity and to identify a counterfactual (i.e. what the firms' performance would have been had they not participated in Beachheads). However, the evaluation presents valuable qualitative evidence (including a series of surveys and targeted interviews) and analysed firm performance data.

Evaluation Conclusions

9. The evaluation concludes that there is a clear role for government intervention in connecting participating firms with a network of in-market advisors.
10. Qualitative evidence clearly shows that Beachheads has been generally successful in helping firms reduce barriers encountered and accelerating entry and growth to export markets. Participants have valued the mentoring and advice from trusted private sector peers. There is also evidence that some spillover benefits are shared with the wider New Zealand business community.
11. The programme works well where NZTE officials, MFAT officials and Beachheads advisors work together to deliver government and Beachhead objectives.
12. The programme has recently changed operational delivery beyond market specific advice to encompass business strategy. NZTE refers to this change as moving from Version 2 to Version 3. Version 3 targets incumbent exporters looking to grow while not excluding market entrants and is supported by research that shows the largest export growth comes from firms that are currently exporting⁴. The evaluation considers the effectiveness of the programme under Version 2, with a view to commenting on the design of Version 3.
13. The evaluation recommends that the programme be maintained. A number of observations and recommendations are suggested to improve its effectiveness.
14. The effectiveness of the programme is dependent on the **programme flexibility; quality of communication; relevance of the private sector advisors; and ensuring firms' expectations are achievable**. Version 3 specifically addresses some of these issues.

Beachheads as part of the suite of government services

15. Firms' engagement with government services is facilitated by their NZTE account managers. These account managers need a detailed understanding of what services Beachheads can provide and the complementary services that NZTE and MFAT offer. For instance:

⁴ Fabling and Sanderson (2010)

- a. Other NZTE Output Class 2 (International Business Growth) services include in-market offices, Better by Design, Manufacturing Plus etc. In order to assess the overall effectiveness of internationalisation services we recommend an evaluation of NZTE's Output Class 2 within the next two years.
 - b. Beachheads is heavily reliant on a flow through of high-growth-potential firms and there is a need to ensure that other NZTE programmes provide an effective stair-casing into the Beachheads programme.
16. The **official status associated with Beachheads** is sought after by participants. However, this is not the core focus of the programme and MED, MFAT and NZTE should consider whether there are opportunities to further leverage government resources and official status to assist New Zealand firms' growth in export markets.

Markets

17. Programme implementation varies between each Beachhead and is driven by firm demand, market nuances, and government strategy. To ensure clarity each Beachhead should be driven by a stated market specific approach which fits under an over-arching programme plan. This could then inform the recruitment of firms and advisors for each Beachhead and improve the understanding of what could be expected through the programme.
18. The European Beachhead is working very well and South East Asia and India are largely satisfactory.
19. The evaluation suggests a number of market specific operational improvements. For example:
- a. China, North America and the Middle East have specific issues which need attention, particularly regarding the pool of advisors.
 - b. While there is potential benefit from a hosted office space in the Middle East the evaluation concludes that Beachheads should be focussed on core activity (advice and networks) and suggests that the office space should be delivered as part of NZTE's in market support in this region.
 - c. The low number of participants in South America and Japan has constrained the effectiveness of the programme. The NZTE Board should consider the on-going operation of these Beachheads within 12 months.

Operational suggestions

20. The Beachheads programme has been using the NZTE Customer Relationship Management system (CRM) to report on programme participation, prospects, and milestone completion. The Beachheads team should develop their use of the CRM to **analyse annual performance and inform on-going delivery**.
21. The evaluation concludes that the programme could **better engage alumni participants** so that benefits are shared more within the New Zealand business community enhancing network development in off-shore markets.

1 Introduction

This evaluation of the Beachheads programme, led by the Ministry of Economic Development (MED), is designed to inform advice to government on the efficiency and effectiveness of government policy supporting the Beachheads programme. The evaluation is being undertaken as part of MED's evaluation programme which aims to evaluate significant programmes on a five-yearly cycle. An earlier evaluation of the Beachheads programme, reported in June 2006, examined implementation questions. This evaluation will primarily focus on outcomes.

This report summarises evaluation evidence and findings and presents recommendations and conclusions. Detailed evidence has been presented in two interim reports.

New Zealand Trade and Enterprise (NZTE) designed the Beachheads programme to help New Zealand firms develop improved market knowledge and business networks in order to establish a presence and/or increase activity in export markets.

NZTE does this by leveraging its existing in-market networks to identify and match firms with business leaders (advisors) willing to help New Zealand firms. These advisors are selected for their relevant market knowledge or specialist expertise and their ability to advise New Zealand firms. They may also provide firms with access to their personal business networks.

2 Evolution of the Beachheads Programme

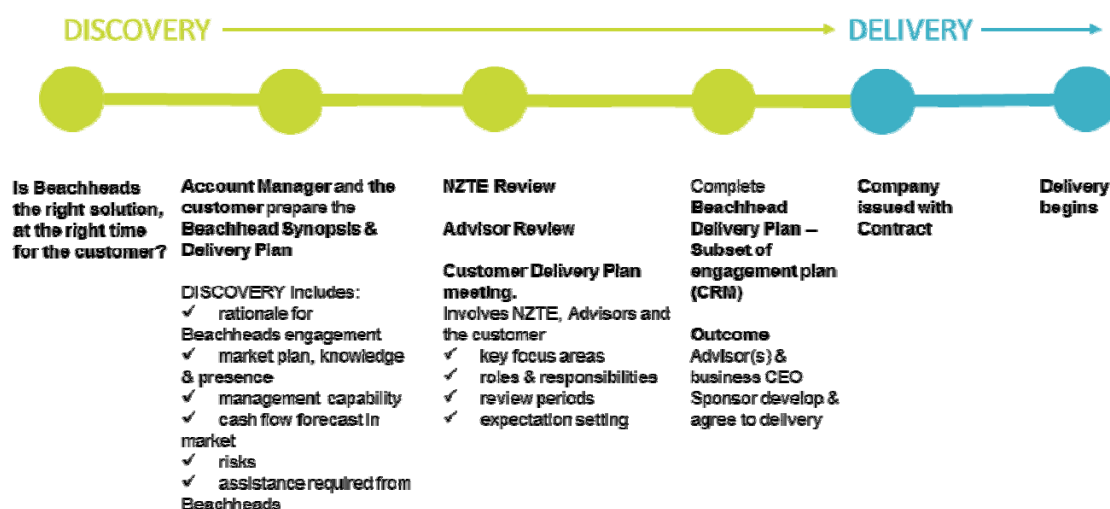
The Beachheads programme began as a single office location in Singapore in May 2002. Policy was then developed that identified the programme's initial aim as being to create "incubators for SMEs who are attempting to establish themselves in offshore markets and to create forward marketing bases for new exporters in strategic offshore markets" (Cab Min (03) 13/9(17)). Provision of co-located office space was a significant part of initial services in what is now referred to as Beachheads Version 1.

Version 2 of the programme was developed following the 2006 evaluation, which concluded that resources were best focussed on providing advice and building networks rather than providing physical sites. The focus under Version 2 became providing advice and/or mentoring to New Zealand firms establishing in-market and wanting to grow. More advisory boards were formed, including a Board based in New Zealand to screen potential participants. The programme has worked with some major exporters since this time.

The Beachheads programme underwent an operational change in 2011, which NZTE refers to as Version 3. Firms are now engaged at a more strategic level and earlier in the market entry process. This was brought about because feedback from advisors and customers suggested that Beachheads engaged too late in firms' market entry and means working more closely with firms to set and then achieve realistic milestones/ objectives i.e. helping companies shape their strategy rather than helping with the execution of a strategy. This is in line with the literature, which suggests that managers of Small to Medium sized Enterprises (SMEs) may have technical expertise but are less likely to have internationalisation skills, meaning that they may pursue suboptimal international market research and strategies (DTI, 2006).

The programme now has two phases, discovery and delivery as outlined in Figure 1.

Figure 1: Beachheads Version 3



The focus of the Beachheads programme is on advice to firms and access to off-shore networks. The programme acts as a public/private partnership. NZTE provides the operational structure and has established boards of advisors who are experienced private sector business people with a desire to assist their New Zealand counterparts. In-market advice can be general or regarding specific issues. Advisors are chosen so that their expertise covers a range of areas including:

- 'Global Mindset';
- Market Feasibility;
- Market Implementation;
- Customer Acquisition & Retention;
- Operations;
- Finding Resources;
- Government & Regulatory Guidance.

As well as offshore advisors, NZTE employs a Beachhead Programme Manager in each location. This person is the key contact offshore for participating firms' Beachheads matters and is also responsible for organising Beachhead activities. As well as meetings between firms and advisors and board activities, larger Beachheads provide workshops addressing topics of interest, e.g. 'Open for Business: Opportunities for NZ companies in Europe'. These workshop type events are also opportunities for networking amongst companies and between companies and advisors.

In 2011 Beachheads were operating in eight off-shore regions (see Table 1) and NZTE is investigating the demand for and possibility of a Beachhead in Australia as part of the New Zealand Inc. Strategy process.

Table 1: Beachhead Regional Offices in 2011

Beachhead	Established	Office location	Current firms (12/2011)	Alumni firms (12/2011)	Rank in 2011 merchandise exports (as at December 2011)	% of Total Merchandise Exports 2011 (as at December 2011)
North America	2002	Los Angeles	22	61	3 rd USA; 18 th Canada	US: 8.4%; Canada: 1.3%
South America	2008	Buenos Aires	4	2	None in Top 20	
Europe	2002	London	18	51	6 th UK; 13 th Germany; 17 th Netherlands	UK: 3.2% Germany: 1.6% Netherlands: 1.3%
Middle East	2005	Dubai	15	10	16 th Saudi Arabia 19 th UAE	Saudi Arabia: 1.4% UAE: 1.2%
India	2007	Mumbai	9	7	7 th	India 2.0%
South-East Asia	2002	Singapore	15	6	11 th Singapore; 10 th Indonesia 9 th Malaysia; 14 th Philippines 15 th Thailand	Singapore: 1.7% Indonesia: 1.8% Malaysia: 1.8% Philippines: 1.6% Thailand: 1.5%
China	2008	Beijing	13	2	2 nd China; 12 th Hong Kong	China: 12.3% Hong Kong: 1.7%
Japan	2006	Tokyo	4	6	4 th	Japan: 7.2%
Australia	TBC	Sydney	0	0	1 st	Australia: 22.8%

Sources: Statistics New Zealand, NZTE customer statistics

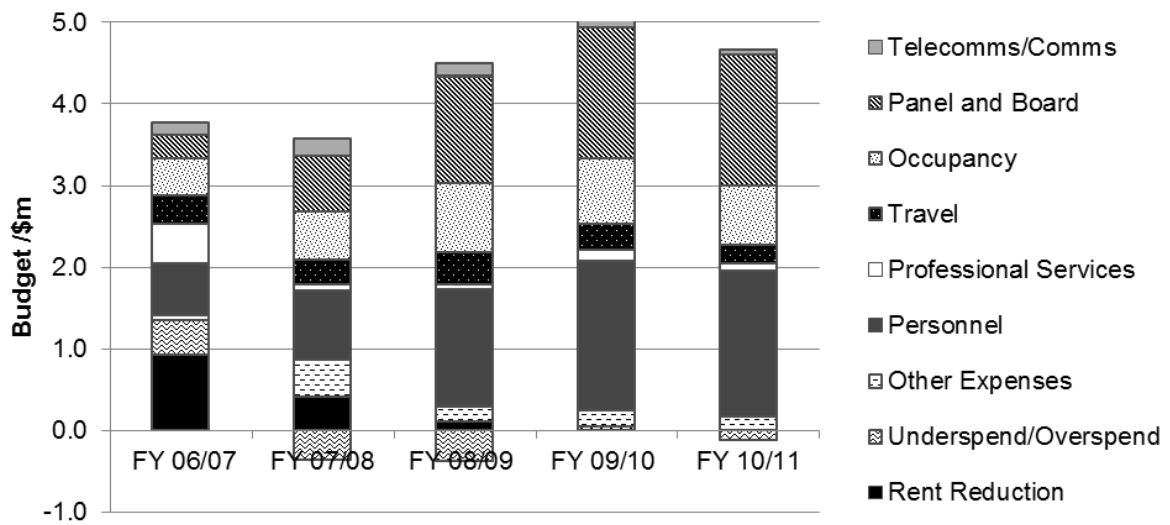
Budget

In 2010/11 the Beachheads Programme received NZ\$4.524m. The budget has been relatively unchanged for the last three years, see Table 2. In April 2007 the Beachheads budget increased by \$1.24m enabling establishment of the China and India Beachheads. Figure 2 shows the budget breakdown for the past five years (as provided by NZTE).

Table 2: Beachheads Programme budget 2005/6 to 2010/11. (Data provided by NZTE)

	FY 06/07	FY 07/08	FY 08/09	FY 09/10	FY 10/11
BUDGET	\$2,838,076	\$3,465,988	\$4,703,160	\$4,754,551	\$4,523,768

Figure 2: Beachhead Programme budget breakdown 2006/07 to 2010/11



The increase in Panel and Board and in Personnel costs reflect the implementation of a recommendation from the 2006 evaluation, which found that the value of the programme was in the advisors and their networks rather than the provision of office space.

Beachheads staff have indicated that current funding levels are adequate, given the number of firms likely to meet selection criteria⁵.

⁵ See later discussion on Programme Participants.

3 Beachheads Policy

The policy objective of the Beachheads programme is to connect New Zealand firms to private sector advice and complementary services that can enable them to establish and expand in key offshore markets. It is designed to accelerate firm in-market growth and is focused on high-growth-potential firms.

Policy fit

Improving opportunities to grow and compete internationally and improving access to opportunities in key markets are important objectives of the government’s economic priorities.

NZTE’s role is to ‘unleash the international potential of NZ businesses to build the nation’s lasting prosperity’⁶. NZTE activity is structured around three output classes. These are:

Output class 1	Output class 2	Output class 3
Services to develop business capability	International business growth services	Services to support sector development and special events

The Beachheads programme sits at the apex of NZTE’s output class 2 activities. It builds on a number of other capability development and business operations services delivered by NZTE and partner agencies, such as Manufacturing Plus, Lean, Better By Design and complements other in-market services such as NZTE’s offshore offices and the International Growth Fund.

Figure 3: NZTE capability development and business operations services



⁶ See NZTE’s ‘Statement of Intent’ for 2011-2014

Rationale for government involvement

New Zealand firms developing their in-market operations, or entering an offshore market, often have inadequate contacts and information to develop their business at an optimum rate (MED, 2008; OECD 2008). Particular barriers encountered by firms that Beachheads focuses on are:

- advice on overseas government regulation and tariffs,
- limited access to finance,
- language and cultural differences,
- limited experience in expanding beyond New Zealand,
- inadequate knowledge of target markets,
- an inability to rapidly increase supply and limited access to distribution networks.

These barriers mainly emerge when a firm which enters and operates in a new market has less information than established firms. This may constrain efficient market activity. New Zealand businesses entering overseas markets can be in a seriously disadvantaged position in relation to established firms. This arises from the constraints of distance, small size and relative newness resulting in an absence of the critical information that New Zealand firms need to compete and negotiate.

The Beachheads Programme has been developed on the assumption that support provided to a group of private firms benefits the wider business community. The two ways that this occurs are:

Reputation spillovers: Firms that invest in marketing and other activities to develop new offshore markets do not capture all of the benefits of their investment; their efforts also boost the reputation of other New Zealand firms in-market, including competitors. This may create a disincentive for firms to invest in such activities as they may not want to share the benefits with other firms, even though such activities would benefit the wider New Zealand business community. Even if firms are willing to share, they won't factor the benefit to others into their decisions, meaning that less investment will occur than is optimal for the overall economy.

Knowledge spillovers: Information acquired by firms in the process of market development, such as whether new export markets are viable and how to operate successfully in them, can often be subsequently acquired by other New Zealand firms at no or low cost. Firms do not take these wider benefits to New Zealand into account when entering new markets or expanding in-market, and so market entry and expansion is likely to be less than what is optimal for the economy as a whole.

This advice and access to networks is usually not available to New Zealand firms. Where it is available, it often requires a large amount of upfront investment by the firm and may be at a higher cost than when supplied by the government. Sanderson (2004) signals a role for government in reducing barriers encountered. If the government can encourage and facilitate steady market entry, then the associated barriers are likely to be eroded (Acs et al, 1997).

Outcomes

The programme is expected over time to develop a sustainable network of New Zealand firms which share knowledge and reputational benefits in off-shore markets. Implicit in this is involvement of alumni firms.

Individually participating firms are expected to benefit by additional growth in turnover and increased productivity.

Box 1: Facts about New Zealand's exports and exporters

- 'New Zealand is an outlier, for a small country, in having a small ratio of exports and imports to GDP. ... In part this is likely to be because New Zealand has not managed to overcome the impact of its distance from world markets.'
- 'As a share of GDP, New Zealand's real imports rose between 2000 and 2008, while New Zealand's real exports have been relatively stable since around 2001.'
- 'New Zealand's exports have grown slower than world exports since 1985. This partly reflects the concentration of New Zealand's exports in sectors with slower than average world export growth.'
- '...New Zealand's share in world exports has declined over the last 15 years. As a percentage of GDP, New Zealand's share of exports plus imports has also declined and is among the lowest of similar-sized countries.'
- 'Outward FDI is among the lowest in the OECD as a percentage of GDP.'

(From *Economic Development Indicators 2011*, a joint publication by the Ministry for Economic Development, The Treasury, and Statistics New Zealand)

- Fabling and Sanderson (2008) found that while there are a significant number of products and firms that export continuously, there are also a large number that export for relatively short periods. Firms appear to learn from their first attempt at entry what they can do better next time or if there should be a next time (Fabling and Sanderson, 2009).
- 'Of the 13,758 firms that exported at some point between 1996 and 2005, 30% exported in only one year, and a further 25% exported in less than 4 of these years.'

Intervention logic

The intervention logic diagram in Figure 4 shows how the intended outcomes are expected to address the policy problem.

Performance measures

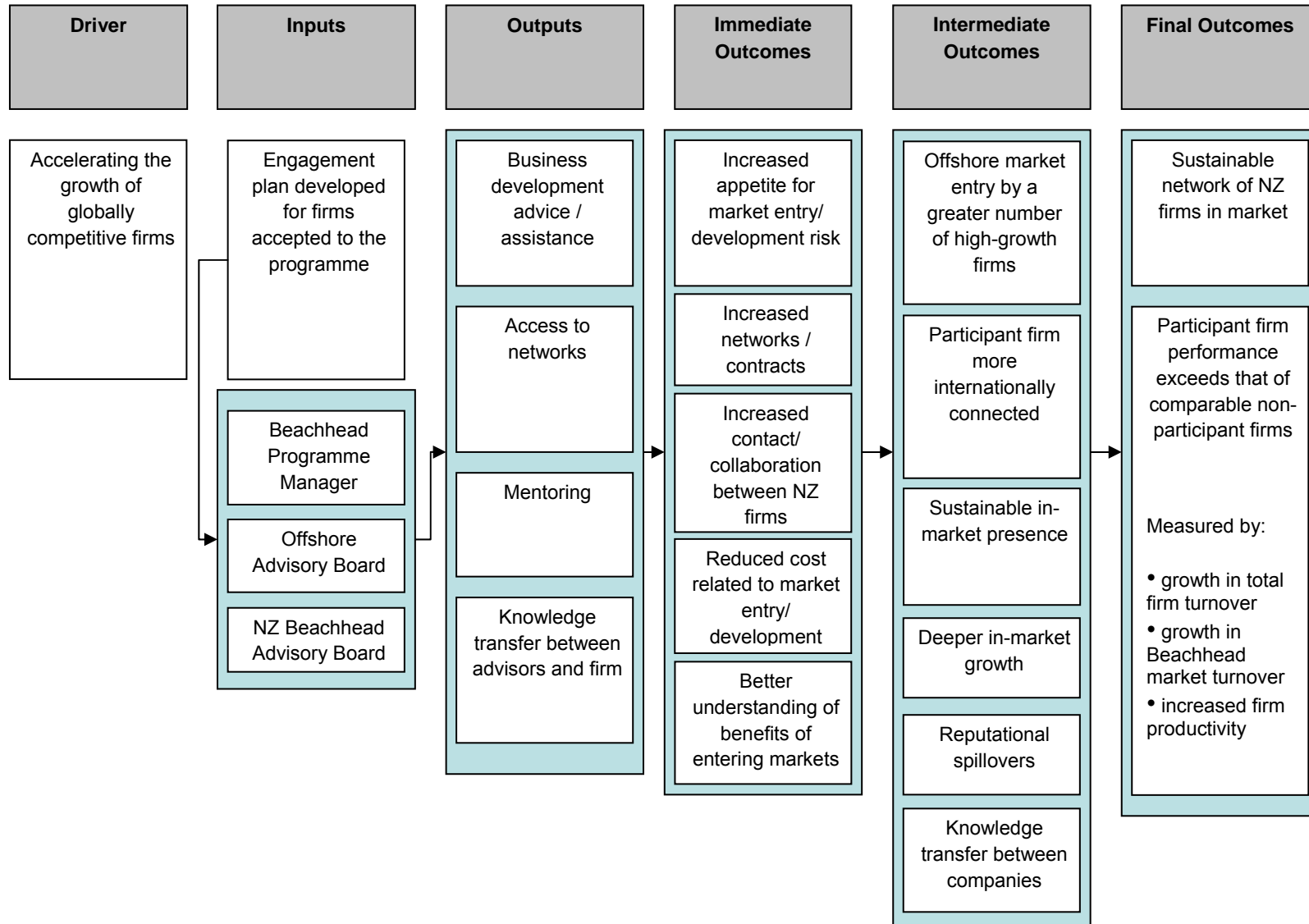
Performance measures are developed in order to enable MED to track NZTE's programme delivery. These have changed from year to year and while there is some consistency it is impossible to track measures across the years.

Performance Measures for 2011/12 have substantially changed from the previous years, in that the programme has no specific measures and will be reported as part of Output Class 2 which includes all of NZTE's off-shore programmes. While this will more accurately reflect firm experiences – many firms cannot distinguish which NZTE programme is providing which service – it may present some challenges in determining how well individual programmes are performing.

The Beachheads programme produces a monthly update from the NZTE Customer Relationship Management (CRM) system which monitors participation by Beachhead, sector, prospect and discovery phase companies, and milestones. An annual summary including both monthly and yearly trends would be useful.

Operational Suggestion: The Beachheads Programme develop its use of NZTE's CRM to include an annual summary of monthly dashboards. Such a summary should include monthly and yearly trends.

Figure 4: Intervention logic of the Beachheads Programme



4 Evaluation Methodology

An evaluation plan was agreed between MED and NZTE in March 2011, including evaluation questions and a literature review⁷ considering the barriers faced by SMEs seeking to internationalise and the rationale for government intervention in this area. While the Beachheads programme does not specifically target SMEs, it was decided to focus research on this area because a high proportion of NZTE's customers are SMEs, the international literature tends to focus on the barriers faced by SMEs (rather than other barriers such as distance or an economy's size) and the definitions of SMEs used in the international literature encompass many New Zealand firms.

The evaluation focuses on the programme under Version 2, but assesses the likely benefits or risks associated with Version 3.

Information was sought to address the questions, including the effect of the programme on firms' knowledge, decision-making, networks and sales. Much of this was summarised in two interim reports, forming an evidence base for the conclusions in this shorter, final report.

NZTE provided data such as Beachheads participants' demographics, financials and other relevant documents (e.g. the Beachheads charter). Other NZTE data included:

- Firm performance data. This was available for 88 of the 223 Beachheads firms. The data span 5 years 2006 to 2010, incorporating the years of the global financial crisis.
- Final assessment reports for 31 companies between September 2009 and March 2011 who either graduated from the programme or were granted an extension.
- Milestones set by 98 participants between March 2009 and September 2010.

Surveys were conducted that covered the evaluation questions and respondents' participation in the programme. These were summarised in interim reports 1 and 2.

Participant firms

148 firms who were accepted into the Beachheads programme between November 2005 and May 2011 were sent an online survey, with a response rate of 56%. This is sufficient to give confidence that the survey is representative of the overall population of participants.

Advisors

Advisors who had been Beachheads board members in the interval from 2006-2011 were invited to participate in a survey (this includes some former advisors). Following a request from NZTE the past members of the China board (which resigned in June 2011) were not included. While the resignation letters from the China board were viewed their contents did not address the survey questions and have therefore not been included in the evaluation.

Excellent response rates, 75% to 100%, were obtained from advisors in Europe, India, Japan, and South-East Asia. Good response rates, 50 to 60%, were achieved in all other regions. At least four responses, sufficient to be representative, have been received from each board.

⁷ The literature review is included in Interim Report 1.

Advisors were asked to generalise across all firms that they have seen through the programme. This tends to reduce the occurrence of outliers in the data when compared to the firm survey in which each firm's response is counted.

MFAT posts

MFAT posts were approached if the Beachheads programme managers had indicated that the programme covered that particular country. Responses from 22 MFAT posts were received, providing insights on all eight beachheads

Interviews

Interviews were carried out with:

- 16 participant firms. These were selected to reflect the diverse range of firms and markets involved with the programme and provide qualitative depth to the evaluation.
- Three NZTE account managers (who manage firms' interactions with NZTE).

Other sources

- Comments were sought from Beachheads in-market programme managers and NZTE regional managers.
- Data from Statistics New Zealand's Longitudinal Business Database (LBD) and the internationalisation module of the 2007 Business Operations Survey (BOS). The LBD contains business-related data for financial years 2000 to 2009 from a number of sources and is a useful and high-quality micro-data set. More detail can be found in Appendix 3.
- Regular catch-ups were held with Beachheads personnel, enabling the evaluation to stay focused and relevant to the actual running of the programme. Frequent consultation with and support from the Beachheads personnel were important in enabling the evaluation to progress through the various challenges that it faced.

Challenges of attribution and counterfactual construction

The nature of the programme made it challenging to (a) directly attribute outcomes to Beachheads and (b) construct a counterfactual. Attributing outcomes to Beachheads is difficult due to the close integration that the programme has with other NZTE and MFAT services, both onshore and offshore – many firms are involved in multiple programmes designed to assist internationalisation and do not necessarily distinguish between the different services that they receive. A complicating factor is that many of the services that the Beachheads programme offers do not have immediate and obvious tangible outcomes.

Ideally, an econometric analysis of the impact of the Beachheads programme would have been carried out using data from the LBD. However, constructing a counterfactual group of similar (comparable) firms is difficult due to:

- Isolating Beachheads from other NZTE services is not easy;
- Beachheads firms are atypical. They tend to have higher employment and sales and a very high proportion of their revenues (an average of 0.7) coming solely from

exporting⁸ when compared to the average New Zealand exporter. This makes it similarly difficult to use other New Zealand exporters as a counterfactual.

- Limitations with the LBD itself: longitudinal data must be available for a sufficient number of years and detailed export data is not available for service exports, reducing the number of Beachheads firms that can be included in an analysis.

As the programme differs between markets, quantitative results should be assessed by market rather than in general. The small number of firms in each Beachhead would make such an analysis less than conclusive and some Beachheads have not been in operation long enough to expect observable outcomes.

Although the points above are challenges and reduce the probability of robust results, they don't preclude an econometric analysis. However, to conduct such an analysis would have required more resources than were available.

The predominant focus in Beachheads Version 3 on business strategy, rather than networks and sales, will increase the time lag between programme outputs and outcomes. Longer lags make the impacts of a programme harder to measure. As mentioned in the section above on Beachheads policy, the programme should develop its use of NZTE's CRM to include an annual summary of monthly dashboards. Such a summary should include monthly and yearly trends in order to track progress over time.

An attempt was made to establish a qualitative counterfactual by asking firms to compare their experience in markets where they had used Beachheads with their experience in markets where they hadn't. Firms were reluctant to do this due to the unique characteristics of each market. The evaluation therefore had to settle for a consideration of individuals' perceptions of the difference that the programme had made.

An evaluation of NZTE's Output Class 2 (International business growth services) is expected to be undertaken (beginning in 2012/2013) and an econometric analysis of this suite of services is likely to prove more rigorous than a consideration of the small subset of firms that are in the Beachheads programme.

Given the difficulty in quantifiably attributing outcomes from the programme to participant firms, it was correspondingly difficult to quantifiably measure positive spillovers. Again, qualitative evidence from firms and advisors has had to be relied upon.

A number of opportunities have been provided for a range of stakeholders to contribute to the evaluation's data gathering (e.g. consultation regarding surveys) and comment on evaluation reports, including officials from The Treasury, MFAT, NZTE and MED.

Recommendation: Other International Business Growth Services in Output Class 2, including the 36 in-market offices, should be evaluated within the next two years, details of which will be clarified at a later date.

⁸ Based on available LBD and NZTE performance data for Beachheads firms.

5 Policy Context

Beachheads policy would benefit from further endorsement

The Beachhead programme began as a government initiative delivered by Trade New Zealand, subsequently NZTE. Beachheads was developed as an operational response for the Singapore market and the policy was formalised as part of the 2006 evaluation (see 'Evaluation of the Beachhead programme', MED, June 2006). Following the 2006 evaluation, Cabinet agreed that the programme be continued as part of the Expenditure Review of Business Assistance and Recent Evaluations of New Zealand Trade and Enterprise Programmes (EXG Min(06)3/7), although objectives were not set⁹.

Budget increases were received in 2003 for initial expansion of the pilot programme (CAB Min (03) 13/9(17)) and in 2007 for expansion of the programme into China and India (CAB Min (07) 12/1(16)). Beachheads is part of NZTE Output Class 2 and some performance expectations were set by cabinet for the overall Output Class (EGI (11) 28).

Recommendation: The Ministers of Economic Development and Trade be asked to continue the programme with the following Beachheads policy objective:

The objective of the Beachheads programme is to work with New Zealand exporting firms in order to accelerate their entry and growth in offshore markets through access to advice and networking assistance from private sector executives with deep knowledge of these markets.

Activity driven by cross-government policy for priority markets

New Zealand Inc.

New Zealand Inc. Strategies¹⁰ are a unified government approach to setting priorities and coordinating operations related to New Zealand's key economic partners. Strategies consider longer term trends (10-15 year projection) and then set five-year goals along with the steps and actions required to achieve them. The Ministry of Foreign Affairs and Trade (MFAT) has the lead. The agencies actively involved include MFAT, MED, NZTE, Ministry of Science and Innovation, Ministry of Agriculture and Forestry, Defence, Treasury, Tourism New Zealand, Department of Labour and the Ministry of Education.

To date, four country strategies have been developed: India (launched in October 2011), China (February 2012), the US and Australia (both have yet to be considered by Cabinet). The first of three regional strategies – ASEAN – is currently being developed. Regional strategies still to be developed are for the Middle East and European Union.

This work should lead government agencies offshore to adopt better coordinated approaches to each market that will lead to efficiencies and more effective work.

It is important that where possible Beachheads policy and market strategies should reflect the broader government strategy as developed by NZ Inc.

⁹ See Appendix 1 for recommendations from 2006 evaluation.

¹⁰ See <http://www.mfat.govt.nz/NZ-Inc/1-About/index.php> for background information on NZ Inc.

One of the priority actions proposed through the Australia NZ Inc. Strategy is that a Beachhead be launched in Australia. NZTE has undertaken preliminary development work and is waiting for formal signoff of the NZ Inc. strategy before implementation of the Australian Beachhead.

Beachheads as part of the range of government services

The Beachheads programme is one of the measures available to the government in facilitating firm entry and growth in offshore markets. Other support is provided by the NZTE offshore network, MFAT and other government agencies (MSI, Customs) and there can be an overlap between the advice offered by Beachheads and these other measures. Some MFAT posts have highlighted the complementarities between Beachheads and other NZTE activity and MFAT activities.

For instance, Beachheads does not address all the barriers faced by firms: participating firms identified finance-related barriers and market-specific barriers such as non-tariff barriers, regulation, and tax. Some of these fall within the scope of MFAT's mandate rather than that of NZTE or Beachheads. MFAT looks to minimize specific regulatory barriers to trade; Beachheads works with firms to improve firm performance in offshore markets.

While firms in most Beachheads markets mentioned the importance of the official status¹¹ provided by Beachheads participation, it is especially significant in China, India, South East Asia and the Middle East.

“To provide contacts, introductions and – simply put – impetus from the “gravitas” that a quasi-governmental face brings with it in the SEA/Asian region.” (Firm)

MFAT can contribute to this aspect of the programme. The more involved MFAT Posts are with the Beachheads programme the more likely they are to be supportive of it.

‘ In over 40 years of dealing with one New Zealand trade development organisation or another, I have not seen a programme which better delivers what business needs while at the same time being something that only a government agency could initiate and hold together. Moreover, it is a programme to which Heads of Mission can occasionally add their weight and make a real difference.’ (MFAT post)

‘If Beachheads didn't exist as a programme, then good Trade Commissioners would be using similar ideas and concepts for the benefit of NZTE clients. The fact that Beachheads has been developed, means that they are able to do this part of their work in a more structured and effective way.’ (MFAT post)

Operational Suggestion: The CEOs of NZTE and MFAT should ensure a consistent approach to supporting Beachheads across the world. The programme needs to be part of overall government activity in-market, including NZ Inc. country and regional strategies or points of focus.

Involvement in the Beachheads programme of other NZ government agencies, particularly MFAT, is an important complement to NZTE Beachheads services and contributes to programme success.

¹¹ Official status is associated with identification with the government. See also page 26.

6 Market-specific characteristics

This section should be read in conjunction with the sections on 'Efficiency and Effectiveness' and 'Firm Performance'. Every Beachhead market is unique, attracting a different group of firms and creating a different set of needs. Where possible, the evaluation sought to compare differences between the various Beachheads markets. The number of participants in each market changes the way the Beachhead operates. For example larger Beachheads having a greater focus on workshops and/or conferences. See Table 5 for participant numbers by market and year.

Summarising and combining responses from the firm and advisor surveys leads to the following conclusions about each Beachhead.

Europe: Participant firms and advisors both rate the European Beachhead highly. Most firms are positive about their experiences and most advisors think their time is effectively and efficiently used with the programme reaching the right firms and helping them succeed. Effort needs to be continued to ensure high standards are retained. There may be scope for better regional coverage or better regional liaison with continental European MFAT posts.

South East Asia: Participant firms rank this Beachhead very highly. Advisors are less satisfied, probably because the low number of participant firms contributes to advisors' time not always being used efficiently.

India: While firms are satisfied overall they are more likely than firms in other markets to be dissatisfied with the offshore process and the advisors. Most firms saw improvement in their networking. Indian advisors think that the programme is operating very effectively. All Indian advisors responded to the survey. While this is a relatively new Beachhead, established in 2008, some good results are emerging.

Japan: Not enough firms responded. This is likely to be due to the low number of participants in this market. Advisors are less satisfied than advisors in other markets, probably because the low number of participant firms means that their time is not well used. Given that Japan is New Zealand's fourth largest merchandise export destination, there is potential to increase the number of participants. All Japanese advisors responded.

South America: Not enough firms responded. This is likely to be due to the low number of participants in this market. Advisors are less satisfied than advisors in other markets, probably because the low number of participant firms means advisors' time is not well used. The response rate for the advisors survey was low.

China: The advisory board resigned prior to the evaluation in June 2011. The board's mass resignation indicated some frustration with the rate of growth of New Zealand business in China. The evaluation found that firms in China were more likely to be dissatisfied overall than the average Beachhead firm, and saw less in-market improvement in networking. This may reflect the time and skill needed to establish in China. It is considered that a Beachhead in China is important due to growing exports, increasing number of firms entering the market and the barriers to entry and growth encountered. The China Beachhead is being reformed by NZTE.

North America: The North American Beachhead has the highest proportion of firms 'very satisfied' with the Beachheads programme. Conversely it also has the highest proportion 'very dissatisfied' with the programme. A number of participants in the North American Beachhead noted that there was not a good advisor: firm match and that the advisors were

too concentrated in ICT. This harks back to the time when the Beachhead in North America was solely for ICT companies.

“The US programme is very heavily weighted to technology companies vs consumer goods. A lot of advisers and advice is based on tech firms which have a very different business model to ours. It would be good to see more advisers and sessions geared to consumer goods.”

The response rate for North American advisors was lowest at 53%. A significant number of North American respondents to the advisors survey were unhappy or unclear as to their role. For example, one said:

‘Currently, I am used as an on-call advisor with no clear objective except to provide feedback and counsel on the business plans of the referred company. Companies in the programme that I have worked with seem just as confused about what NZTE and the Beachheads programme offers them.’

The Beachhead manager spent a week in North America in December 2011 addressing some of these issues. It is important that this work continue and the amount of dissatisfaction decreases. Formulating and articulating a beachhead operational strategy is expected to help focus the programme in this market.

Middle East: Firms in the Middle East beachhead were least satisfied with the advisory services. The response rate for the advisors survey was low and responses were not strongly opinionated.

One of the key features of the Middle East Beachhead is the available office space. This is the only Beachhead that still offers this service, due to legal requirements placed on a company entering the United Arab Emirates. Many of the firms who have been through the Middle East beachhead solely used the office space, and not advisory services.

Conclusions: While the European Beachhead is working very well and South East Asia and India are largely satisfactory, the other five Beachheads have operational challenges which need addressing. The effectiveness of three Beachheads - South East Asia, Japan and South America – would be positively influenced if more firms participated. China, North America and the Middle East have other specific issues which need attention, particularly regarding the pool of advisors.

The approach in each market appears to reflect specific and evolving circumstances. While this approach allows for on-the-ground innovation, it might potentially contribute to some misunderstanding between stakeholders. It would be desirable to manage this both through existing work and further steps.

When asked to comment on the differences between the programme’s offering in different Beachheads, firms highlighted two things. Firstly, the Beachheads do differ, but this is to be expected as so do the markets. Secondly, many of the differences arise from the differences between advisors and the advisor: firm match. Interviewees confirmed this and also noted that for an individual firm, their experience in different Beachheads can reflect them maturing as an exporter.

“There is inconsistency, but this is not a problem, as market entry barriers vary from country to country. And therefore the services and advice required to circumvent those barriers must also be unique.”

“It comes down to which programmes have advisors with experience in our rather specific market sector. Some have this...some don’t.”

Firms were asked to rate how difficult a number of factors were for their business in the market. Their responses, summarised by market in Table 3, give some indication how markets vary.

Table 3: Firms were asked to rank factors on difficulty. By market, the following factors were most difficult (dark pink), second most (light pink), second least (light green) and least difficult (dark green).

Factor	Most difficult (dark pink)	Second most (light pink)	Second least (light green)	Least difficult (dark green)
Distance from the market	ME, SEA, USA, EU	JAP		
Rules and regulations (or lack thereof)	India, SEA, SAM	ME		
Access to distribution networks			SEA, SAM	India
Access to finance	India		SEA, China	
Language and cultural difficulties	China		EU, USA, India	
A need to rapidly increase supply			USA, ME, India, EU, China	
Degree of competition in the market	JAP, USA, EU, China, SAM			
Limited experience in this market			SAM, ME, EU	
Limited knowledge about the market			SEA	

Interestingly, while firms considered that ‘a need to rapidly increase supply’ was least difficult advisors saw it as one of the areas where firms most often needed development.

This information, which may be of use to market-specific operational strategies, could be further tested or enhanced through the regular milestone discussions.

Operational Suggestion: Beachheads operates within NZTE’s overarching market strategies. These in turn are linked to NZ Inc. strategies (where they exist). NZTE’s market strategies need to be well articulated to firms and advisors so that they have an understanding of the government’s and NZTE’s priorities.

7 Efficiency and Effectiveness of Process

Programme participants

There are no definitive criteria for entry to the Beachheads programme. NZTE describe companies in the programme as follows. Companies typically have:

- detailed business plans;
- an experienced management team;
- revenues of at least \$5 million and are aiming for \$100 million;
- an in-depth understanding of their target market;
- at least one senior manager 'on the ground' in the region they are applying for;
- independent governance.

Smaller companies, with exceptional opportunities, sufficient capital and an experienced management team are also encouraged to apply.

NZTE has found that Beachheads works best for a company when they:

- Have commitment from senior management team;
- Have resources and potential to scale;
- Have an established relationship with NZTE in the relevant offshore market;
- Have a long-term focus; and
- The beachheads region is their priority market.

This description is supported by advisors' perceptions of which firm characteristics are key for effective assistance.¹² The usefulness in providing advice to firms is limited if they don't have the time and resources to be able to address issues raised. These issues are identified in the literature review: 'two critical shortages may affect smaller firms: capital and management time' (Buckley, 1989). A significant number of advisors (~20%) said it was important that firms could: listen to advice and share experiences, be proactive in communication, and/or be able to learn.

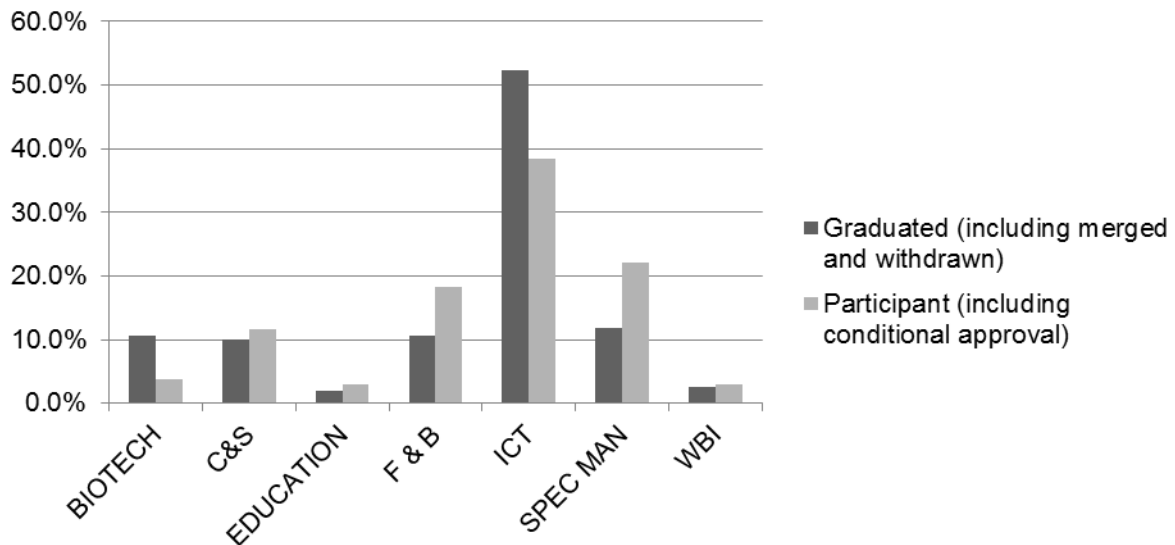
90% of companies that come into Beachheads come from NZTE's pool of managed accounts (i.e. pipeline and key accounts). In order to be a managed account, companies have met a threshold of criteria around their willingness to engage with NZTE and turnover of more than \$3m (pipeline) and \$25m (key).

Beachheads customer statistics provided by NZTE indicate that between June 2002 and May 2011, 255 firms were accepted into the Beachheads programme (although a number of these are subsidiaries of the same firm). As at May 2011, a little over 100 of these were current participants.

Figure 5 shows the distribution of firms by sector.

¹² See Interim Report 2, Advisors survey question 3.

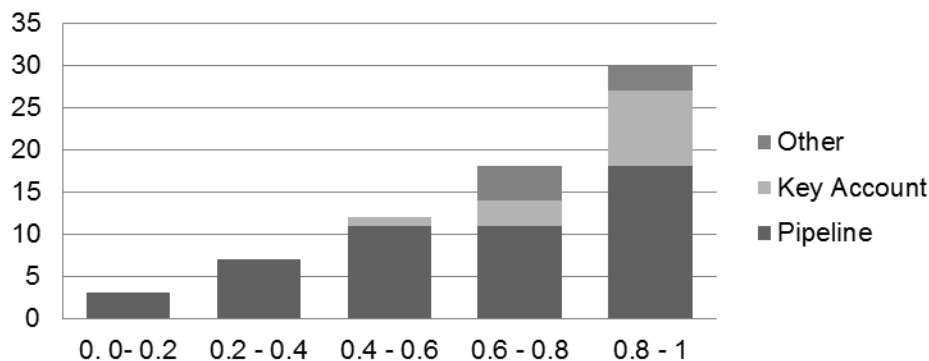
Figure 5: Sector distribution of Beachhead firms. (C&S: creative and services; F&B: food and beverage; ICT: Information, Communications and Technology; Spec Man: Specialised Manufacturing; WBI: Wood, building and interior) Source: NZTE Beachheads customer statistics



ICT companies are in the majority although the number and proportion of Food and Beverage and Specialised Manufacturing firms are increasing. Firms usually enter Beachheads from other NZTE programmes; therefore to change the sector mix of firms a wider NZTE focus is required. With current government emphasis on food and beverage sector more focus is required to improve participation in Beachheads in the food and beverage sector.

Performance information was available for 88 of the 223 Beachheads firms from 2006 to 2010. While the majority of participants are smaller firms there are some larger participants with revenue >\$100m. In 2008, 2009, and 2010 over 40% of the firms with data had more than 80% of their revenue from exports. Over the last years, from the data available, this tendency is increasing. Figure 6 shows the distribution of firm's export revenue to revenue for 2010.

Figure 6: Distribution of 2010 export revenue as a proportion of total revenue for 70 Beachhead firms. Over 40% of firms earn more than 80% of their revenue from exports.



Fabling, Grimes and Sanderson (2009) show that 'firms are more likely to introduce additional products to countries with which they already have an established trade relationship'. They also show that the expansion of incumbent exporters into new trade

relationships accounts for around 60 per cent of total growth in aggregate trade, far outweighing the 12-16 per cent contribution of newly entering exporters. This supports the focus of the Beachheads programme on ‘growth of exporters established in market’.

Participating NZ firms understand and grow in their export market

The majority of advisors and firms think that ‘the Beachheads programme assists most participating New Zealand firms to understand and grow in their export market’:

Table 4: Response to 'The Beachheads programme assists participating New Zealand firms to understand and grow in their export market.'¹³

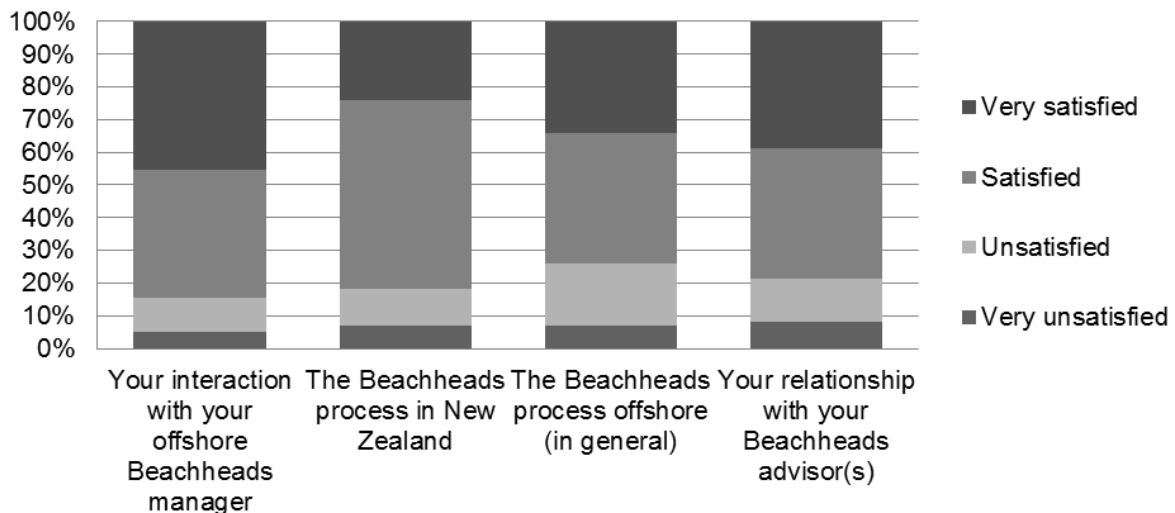
	Neutral or negative	Agree	Agree strongly	Agree to any extent
Firms	18%	57%	25%	82%
Advisors	4%	32%	65%	96%

“My experience of other government programmes is not as good as Beachheads... It is worth noting there are some other countries in the world who spend an inordinate amount of money on Export Programmes but they are actually misplaced and mis-targeted. I congratulate NZ on being well focussed.” (Advisor)

Data from the LBD (Table 8 in Appendix 3) indicates that Beachheads firms tend to have higher growth than non-Beachheads firms, although this may reflect selection bias. High-growth firms are often small and tend to be high-growth for only short periods of time (Hull & Arnold, 2008).

Firm satisfaction levels were high, particularly with advisors and offshore Beachheads managers (see Figure 7 below).

Figure 7: Please rate your satisfaction with the following:



¹³ Values may not add to 100% due to rounding.

There were a small number of dissatisfied firms who provided negative feedback throughout the firm survey. The main explanation given for dissatisfaction with the programme was poor advisor experiences or advisors not meeting firms' expectations.

"I think that everyone tried hard, but it would have been kinder to everyone if the NZ board had told me that they did not have the right person in the USA to be a real benefit to me, before I had to find out myself." (Firm)

Throughout the firm survey, it became evident that firms view the programme's main offerings to be:

- Networking
- Advice, including:
 - In-market operations (most common). This advice was received from both advisors and NZTE.
 - Industry-specific (only where a good firm : advisor fit exists)
 - Strategy
- Office space
- The official status rising from Beachheads, as a government programme that requires selection. The fact that this arose in the survey without prompting is an indication of the significance that firms place on the official status. This was seen across most markets (mentioned in China, Middle East, North America and South East Asia). MFAT and NZTE officials were also occasionally used in this regard.

These were the key reasons why firms entered the programme. For example:

"To provide a conduit into the market; to access the expertise of a group of individuals with experience in this market; to access a resource that could assist with "market introductions"; and to be part of the bigger New Zealand team pushing to expand business in Europe."
(Firm)

While the availability of office space in some markets and the associated official status provided by Beachheads are desirable attributes for programme participants they are not the core focus.

Operational suggestion: Responsibility for offshore office space should be moved from the Beachheads programme to the in-market NZTE service provision and be provided only if there is good rationale and strong demand.

Recommendation: MED, MFAT and NZTE should consider whether there are opportunities to further leverage government resources and official status to assist New Zealand firms' growth in export markets.

Beachhead services are provided to a wide range of firms, from new exporters to well-established exporters looking to grow. The service is not a generic product. While services received by individual firms may vary significantly we do not see any benefit from packaging types of services into different categories (for example a 'Beachheads Lite' providing services to firms entering the market). This may create unnecessary bureaucracy with barriers between services and different protocols. The changes made in Version 3 ensuring

firms have clear expectations and well defined objectives will ensure services provided are appropriate for individual firms' requirements.

Allowing the programme to remain flexible gives it the ability to work with the maximum number of firms possible to address their diverse and changing needs. An example of this is the option for certain firms to gain an extension after their two year stint in the programme. Another way to retain flexibility is to continue allowing a range of firms into the programme who may differ in terms of size and export maturity. The case studies, see Appendix 2, are a good illustration of the broad range of firms that the programme caters for.

Operational Suggestion: The Beachhead Programme flexibility should be retained. The programme deals with NZTE customers including: small firms; large firms; and firms in different stages of exporting maturity. This results in variable length Beachhead contracts. This flexibility contributes to programme success by enabling Beachheads to focus on maximizing the impact of the intervention.

Critical mass is required for each Beachhead to be effective

Table 5: Number of participant firms by year and region and cost per firm for 2010/11.

	2006	2007	2008	2009	2010	2010/11 costs per firm
ME	8	12	13	16	18	\$21000
Europe	33	30	36	38	35	\$22000
Japan	5	5	6	6	7	\$96000 ¹⁴
SEA	4	5	8	11	10	\$47000
US	40	47	56	51	48	\$15000
SAM	0	0	1	2	4	\$55000
India	0	0	7	10	14	\$9000
China	0	0	5	10	14	\$24000
Total firms	90	99	132	144	150	

The number of participants and costs per firm for 2010/11 financial year are given in Table 5. Off-shore Beachheads apply to head office each year for funding for their individual activities. Actual costs vary from region to region. In Japan and the Middle East costs are higher than they would otherwise be due to provision of office space (the Tokyo Business Centre closed in December 2010). The costs are lower for Beachheads that have been in place for some time and which have a relatively large number of customer firms. The costs per firm in India and China decreased substantially as the Beachheads became established and the number of firms increased. Costs per firm in South America and Japan are high due to the low number of participant firms and the cost of office space in Japan. A minimum of ten participants would appear to be the threshold around which costs stabilize. More than ten would be desirable.

Data from the LBD, see Table 9 Appendix 3, shows that the only countries, with Beachhead services, to which there were a greater number of New Zealand firms exporting in 2010 than in 2009 were China, Germany, Singapore, Malaysia and Vietnam. The number of New Zealand firms exporting decreased by 5% or more from 2009 to 2010 in the following countries: United Arab Emirates, Egypt, Qatar, Argentina, Brazil, Chile, Canada, Mexico, the US and the Philippines (see Table 9 in appendix 3).

¹⁴ This reflects provision of office space. The Tokyo Business Centre closed in December 2010.

Firm participation rates in South America and Japan are critically low. This was identified as an issue by advisors from those regions. Consideration of future options will require careful assessment. Given that the number of New Zealand firms exporting to South America reduced by more than 5% from 2009 to 2010, continuation of that beachhead may need justification.

NZTE, MFAT posts, Beachheads advisors and even some firms all stress that it is still important to ensure the programme continues to have high entry standards. Ill-prepared firms are unlikely to work effectively with advisors and advisors are unlikely to be as open with such firms.

Operational Suggestion: The low number of participants in the South American and Japanese Beachheads needs to be addressed. NZTE should review the operation of Beachheads in the context of NZTE's involvement in these markets and report on proposed actions to their board within twelve months.

Most firms entering Beachheads have used other NZTE services. Firms participate in particular markets for two or three years. While firms can remain in the programme for longer as they expand into more new markets there needs to be a flow of firms through the programme.

NZTE account managers sequence what services NZTE customers engage with. This starts with an overall engagement plan for each company, including its objectives in various markets. This is used to determine which services are relevant to that company and means that NZTE has a grasp on which companies are likely to be in the Beachheads programme in the future.

The role of NZ advisors has changed significantly. Prior to Version 3 the NZ Board's role was in selecting firms for participation in the programme. In Version 3 the NZ Board has a similar role to off-shore advisors and will be called upon when their particular expertise is relevant.

The New Zealand Board could target firms working in multiple markets with strategic exporting issues in New Zealand prior to establishing well-resourced priority markets off-shore. This may bring in a group of companies which target a specific sector, e.g. R&D technology, rather than a specific market.

Operational Suggestion: NZTE consider ways of enhancing the flow through of companies by using the New Zealand board to address exporting challenges for firms based in New Zealand.

The evaluation points to the success of the Beachheads programme resting on its ability to match the applicant firms, with a range of requirements, to advisors with appropriate skills. While 65% of advisors think the programme usually or often reaches the right firms there are times when it does not. In most markets, less than 5% of New Zealand exporting firms participate in the Beachheads programme. Why is the programme not reaching the other 95%?

Some firms choose not to interact with a government programme as this can involve significant compliance costs and in some cases firms consider that the costs aren't worth the

benefits. This is supported by Shaw and Darroch (2004) who suggest that managers of New Zealand SMEs may lack the time and expertise to apply for such help.

Potential customer firms don't always understand the benefits of the programme. Version 3 seeks to ensure that firms do understand the programme and potential benefits. Some advisors suggested they could be involved in programme marketing and/or informing NZTE account managers of the expertise they can share.

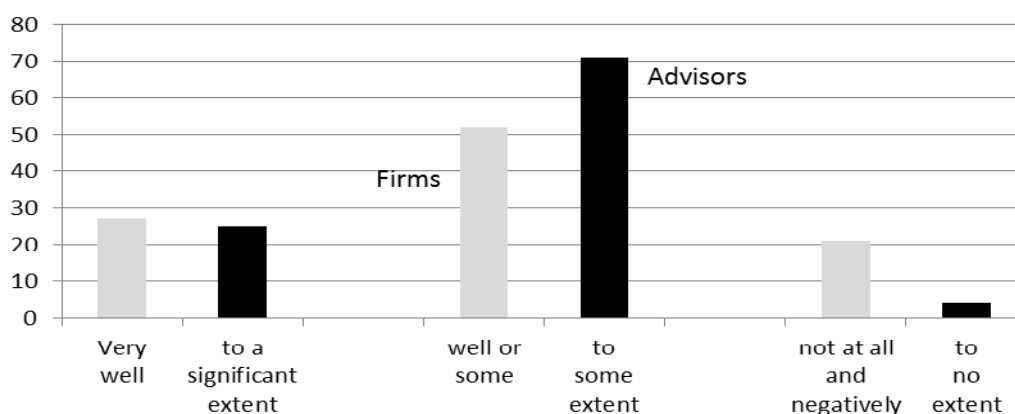
Operational Suggestion: All NZTE account managers should have a comprehensive knowledge of export services for firms including the range of expertise available from Beachheads advisors.

Programme success depends on quality of the advisor-firm relationship

An underlying challenge for the programme is to generate good “fits” between a diverse group of firms¹⁵ (varying widely in size, sector and experience) and a smaller group of advisors. A good “fit” encompasses a number of things including mutual understanding between advisors and firm managers and advisors having relevant expertise. A paper considering “factors leading to satisfaction in a mentoring scheme for novice entrepreneurs” found that “it is very important for the mentee to feel that his/her mentor truly understands what he/she is going through” (St-Jean and Audet, 2009).

The majority, 79%, of Beachheads firm survey respondents were positive about advisors' contributions with 27% of respondents stating that they were able to assist ‘very well’. Advisors were asked ‘To what extent have you been able to assist firms to ‘succeed’ in Beachheads?’ 96% of advisors thought they had been of some assistance.¹⁶

Figure 8: How well do advisors assist firm(s)?



¹⁵ We have interacted with people in firms identified by NZTE as being the Beachheads contact person (or their nominated replacement). This can be the CEO who spends time in off-shore markets (most frequently the case in smaller firms), the chief operating officer, or off-shore manager/ international manager for the company.

¹⁶ See methodology section for comments on comparisons of advisor and firm surveys. Advisors were asked to provide an average over all firms they have assisted.

When asked about specific aspects of advisor expertise, firm respondents reported:

Firms views on aspects of advisor expertise	Very helpful	Some help
Advisors' knowledge of specific markets	37%	47%
Insights about specific challenges facing their business	37%	46%
Insights into business strategy	32%	44%

This shows that many firms are accessing advice on a wide range of matters and find this advice to be of assistance.

Much of the advice mentioned may not require a direct “industry match” between the advisor and the firm. However, many firms are after an advisor to help with industry-specific issues. While a precise match would be ideal, in reality this is limited because of the New Zealand landscape with most exporting firms operating in narrow niches. Roughly a third of the 16 firms interviewed mentioned that they were niche operators and many of these thought that this fact had limited the benefit that they were able to obtain from the Beachheads programme. This is consistent with Treasury research on New Zealand business internationalisation (Simmons, 2002)¹⁷, which found that New Zealand’s exporters target niches as a strategy to overcome some of the barriers to exporting.

While precise matches may be difficult, some advisors can provide specialist knowledge. Both firms and advisors say that a quarter (25%) of advisors assist firms ‘very well’. Of these firms, over 75% say that advisors are very helpful at *both* ‘knowledge of specific markets’ and ‘Insights into business strategy’. With reference to Figure 8, pushing another 5% of firms from advisors help “well or some” into advisors help “very well” would be a significant improvement.

The firms that say advisors assist them ‘very well’ are spread across all eight Beachheads.

The absence of a close advisor: firm fit should not exclude firms from reaping benefits from Beachheads. Interviews with firms operating in narrow niches revealed that some of them approached the programme knowing that they were in a niche and looking for what they could gain from advice, rather than expecting a close advisor match.

A few firms commented on the need for more structure around the advisor : firm relationship; for example, clarity regarding what advisors can and are expected to offer and a requirement for firms to report back on progress against milestones¹⁸.

Operational suggestion: Membership of advisory boards should be reviewed to ensure participant firms and prospects are provided with access to the most relevant expertise based on firm needs and market priorities. Board activity and membership should be regularly reviewed.

¹⁷ Simmons, G. (2002), ‘Growing Pains: New Zealand Qualitative Evidence on Hurdles to Exporting Growth’, New Zealand Treasury Working Paper 02/10

¹⁸ See later section ‘Firms’ expectations of the programme need to be well defined’.

Communication is crucial for quality relationships between firms, advisors, and NZTE

The crux of the Beachheads programme is the relationship between the advisor and participant firm CEO or equivalent. Beachhead advisors have an interest in seeing New Zealand's firms and its wider economy prosper. Their involvement in the programme reflects this.

The Beachheads programme involves relationships between and across firms, advisory groups, NZTE, and MFAT. Communication is vital for these relationships to work well.

'Improved communication' was one of the two issues most frequently raised by advisors when asked to identify two things that could improve the programme (the other most frequently raised issue was firm participation and selection) and was expressed in many ways. Most frequently mentioned, by five advisors, was better communication between the New Zealand Beachheads teams (either NZTE Beachheads team or the New Zealand board) and off-shore advisors. This communication will change significantly in Beachheads Version 3 and effectiveness should be checked following implementation.

Communication, both positive and negative, was raised indirectly in other evidence. Table 6 illustrates some of the more frequently encountered issues.

Table 6: Factors affecting communication (raised in various questions in surveys).

Factors assisting communication	Barriers to communication
<ul style="list-style-type: none"> • colocation of BH, NZTE, and MFAT offices (e.g. NZ House in London) • commitment to relationships by participants: firms, advisors, BH chairs, NZTE staff, MFAT posts, etc.¹⁹ • conferences/ workshops/ BH events facilitating networking amongst firms • shared offices (ME only) 	<ul style="list-style-type: none"> • small number of participants (limits opportunities for networking and number of engagements for advisors) • confusion, lack of clarity on roles and/or appropriate objectives • bureaucracy, rules of engagement, complex reporting requirements

Tools are available to facilitate communication including the NZTE CRM (Customer Relationship Management) system. However such tools will not address all communication requirements. While meetings may facilitate some types of communication some advisors thought that there are "*too many meetings*". The quality of communication is important.

Beachheads Programme foundations lie in the relationships between advisors, firms, and other stakeholders. Communication is fundamental to good relationships. Comments on relationships did not identify any particular issues but highlighted how each firm's experience will reflect the quality of these relationships.

¹⁹ For example an advisor organised a meeting with a senior executive in a very large firm and the Beachhead customer did not turn up; equally some advisors do not follow up on issues they say they will.

Operational Suggestion: Relationship management should be tracked as an explicit issue in customer surveys and final reviews, and be reported on by board chairs. This gives on-going opportunities for communication issues to be identified and then addressed.

Communication was flagged as an issue in the 2006 Evaluation and a recommendation made to 'Achieve targets of 90-100% for communication issues in the next Beachhead programme Post Implementation Review Report.' We have not been able to locate such a report and it is unclear if this was achieved.

Box 2: Success of the European Beachhead

The European Beachhead was complemented by firms, advisors and other stakeholders as being one of the most effective and efficient Beachhead operations. A number of things contribute to this outcome.

The NZTE Regional Director has a strong and positive relationship with the Beachheads Board Chair and the Trade Commissioner also attends board meetings.

Beachhead advisors are viewed as an extension of NZTE services in Europe and are well integrated with the work NZTE's BDMs in Europe do for customers in Europe.

The Beachhead is sufficiently large to have two staff in London whose attention to detail facilitates communication and planning of activities both between firms and advisors and for other meetings and workshop and ensures proactive customer account management. *'There is good commitment from the NZTE staff running the programme, from the Chair and from the Board Advisors. They all go beyond the call of duty to deliver a high quality professional programme.'* (NZTE Regional Manager)

Most participant firms see benefits from the programme e.g. *'The support we have had in Europe has been fantastic and assisted greatly in our decision making processes and our subsequent success.'*

European advisors praised both the delivery and intent of the programme: *'the programme is very well run by the in-market officials and they facilitate and follow through very well on Objectives.'*

'I am not aware of any equivalent initiatives in other countries. New Zealand is leading in this respect though the beneficiaries don't always realise it.'

Our aim here is not to benchmark one Beachhead against another. In some ways other Beachheads out-performed Europe. We are trying to understand what aspects of the European operation promote successful outcomes.

Firms' expectations of the programme need to be well defined

Much of the dissatisfaction with the programme arose from firms' expectations not being met. 40% of respondent firms said they were not adequately prepared for the programme. Frequently given reasons for this were:

- not knowing what to expect, and
- expectations not being met.

Misplaced expectations are evident in the type of milestone objectives that were documented under Version 2. Firms set these when making an application to join the programme. Many of them were sales or market related and aspirational rather than reflecting programme outputs. While increased exports and growth is a final outcome for the programme, the outputs are: business development advice/assistance; access to networks; mentoring; and knowledge transfer between advisors and firms.

Analysis of 18 months of milestone data from graduated companies showed that sales/market were the most common milestones but had the lowest completion rate. The programme will not always be able to achieve aspirational sales targets during its two year engagement. Milestones should be linked to the programme's actual services.

'Like all businesses in all markets – it takes 10 years to be an overnight success, and in some markets success might never come. Finding the right way to test a market to see if there is potential and to do so efficiently could be considered a good outcome for a BH client. I suspect expecting resounding sales growth in three years is probably unrealistic. This is long term play.' (NZ advisor)

A possible reason for incompleteness of milestones could be milestones changing after the application. Version 2 did not record any such changes.

In Version 3, the final part of the Discovery process involves NZTE, Advisor(s), and the company's CEO agreeing to a set of realistic programme deliverables including 3 Beachhead milestones. The person responsible for tracking the milestones is nominated, review process agreed; and risks identified. The issue with milestone objectives under Version 2 has been recognised and actions taken by NZTE to address this area of concern.

Earlier involvement during market entry under Version 3 of the programme will help to determine which firms the programme can help and assist in planning how this will happen. This will reduce the likelihood of a firm's expectations not being met.

Clarity around what is expected of advisors is also important. The interviews provided more detail on advisor: firm relationships. In particular, interviewees noted that the programme's success depends on:

1. The individuals involved (Beachheads chair, advisors, NZTE staff and the firms themselves); and
2. Firms' expectations of both the programme and advisors.

A number of points were raised in interviews regarding expectations:

- The niche nature of exporters makes it challenging to match firms and advisors. The programme needs to have the right advisors, accept the right firms and correctly manage firms' expectations. Successful relationships are a two-way process.
- Logistics in overseas markets can make it difficult to have face to face meetings (e.g. even if advisors and firms are both in the same city, meeting in person may still involve hours of travel). This is another factor that makes it important to manage expectations.

- Firms would like more structure to the programme (e.g. more report backs, regular contact, conferences etc.). Again, this emphasises the need to manage expectations based on individual firms' needs and the available advisors. It was noted that firms' needs change over time and requested that the programme be flexible in its offering and length of time for engagement.

Advisors were asked to describe their role in the programme. Three roles were commonly identified:

1. assist with/ critique strategic planning/market entry plan (45% of responses)
2. in-market advice/ business intelligence/ market intelligence (36% of responses)
3. in-region contact/networks (50% of responses)

Networking was usually the last part mentioned and often inferred on the proviso that the advisor was happy with the first one or two aspects. For example:

'Should be to provide strategic insights into a company's US market plan, and to provide in market expertise that helps shape this plan. At a strategic level, not tactical level. Then, help the company network to achieve its objectives.' (Advisor)

Eleven advisors, 17%, described their role more simply as a mentor/advisor/coach/friend.

Both firms' expectations of the programme and objectives have largely been addressed by Version 3. These issues have been raised in this report as they arose as major concerns through the evaluation. When surveys and interviews were undertaken firms were not aware of the changes being made as they would only affect firms coming in to the programme. While most advisors were aware of the changes they were asked to report on their experiences to date. It will be important to follow up on these issues in subsequent review or evaluation of the Beachhead programme.

Operational Suggestion: Beachheads should update the NZTE board on implementation of Version 3 as part of routine monitoring and reporting. Particular emphasis should be put on firms' expectations and milestones to ensure that firms' expectations of the programme are well defined and firms' Beachheads milestones are useful, effective and reflect programme deliverables in Version 3.

8 Outcomes from the Beachheads Programme

The intervention logic in Figure 4 sets out the programme's expected outcomes. In particular, these are to build networks and increase knowledge, leading to an increase in firms' ability and desire for market entry and growth. Knowledge is expected to spillover between New Zealand firms, benefitting the wider economy. The programme is expected to result in an increase in participants' productivity and turnover.

The Beachheads programme appears to be contributing to positive outcomes for participant firms. While the evidence is mainly qualitative rather than quantitative, it was consistent across participant firms, Beachheads advisors and MFAT posts. 82% of participants and 96% of advisors agree that the Beachheads programme helps New Zealand firms to understand and grow in their export market²⁰, implying a positive outcome.

It is difficult to conclusively attribute outcomes to the programme. Firms are largely unwilling to compare their experience in markets with Beachheads with their experience in markets without it and an econometric analysis to measure the additionality of the Beachheads programme was not undertaken²¹.

Networks are leading to some sales growth

The programme is expected to improve firms' networks. 52% of respondents to the firm survey stated that this had been the case. The intervention logic sets out the expectation that improvements in networks will lead to improvements in sales. Direct sales contacts or endorsement from well-connected advisors are mechanisms through which this could occur. There were a number of comments stating that contacts from the programme had directly led to sales, or had had a positive profile/branding effect on their business and might be expected to lead to sales.

"... introduced us to specific customer contacts which has resulted in excess of €100,000 with good potential for on going sales."

However, the interviews emphasized that most firms find it difficult to place a monetary value on the benefits arising from the programme.

Respondents indicated that firms' in-market networking is most frequently within advisors' networks and not with other Beachhead, New Zealand or foreign firms. Willingness to engage in networking, the nature of the business the firm is involved in and the match between the advisor and the firm are all important factors in the creation of networks.

Advisors are unwilling to open their networks to firms without confidence in firms' ability to deliver because it puts their reputations at risk. This confidence can take time to establish and follows development of a working relationship between firms and advisors. While Beachheads Version 2 marketed access to networks as an integral part of the programme, Version 3 places more emphasis on business strategy and advice.

²⁰ For more detail, see the section 'Participating NZ firms understand and grow in their export market'.

²¹ See Methodology section for more detail

Networks are not yet sustainable without Beachheads

While the programme has existed for almost a decade in some markets and networks are developing, they are not yet sustainable. The small number of firms in-market and the distances involved makes it hard for small New Zealand firms to build networks.

At this stage, government involvement is still required to facilitate networking between Beachheads firms. It is difficult to see how networking would continue (beyond personal contacts) without continued facilitation from the Beachheads programme. DTI (2006) argue that the profit-seeking nature of commercial providers means that they perform an inferior service in this area compared to government providers.

Most alumni firms are not actively involved in networking events and in most Beachheads markets the number of participant firms is too small to support a functional network. Alumni have the option of remaining in contact with other Beachheads participants through a LinkedIn group managed by the programme. Benefits could accrue from past members of Beachheads being kept in contact with current programme participants and encouraged to support offshore network development.

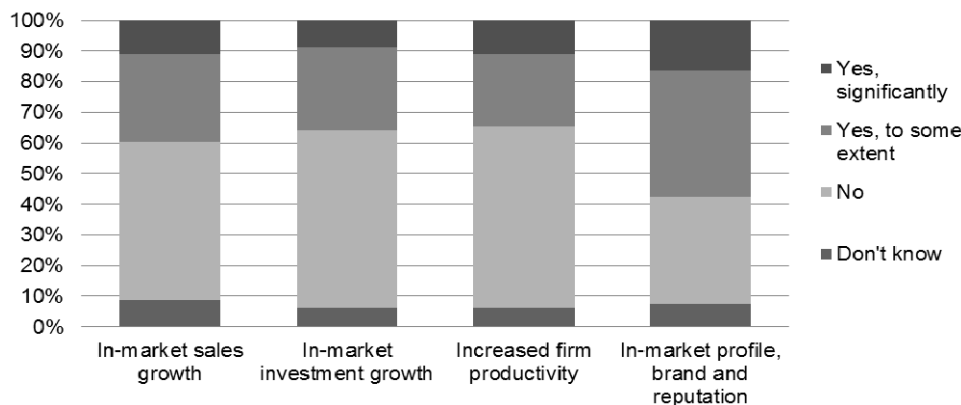
Operational Suggestion: Contact should be maintained with Beachhead Alumni to include them in off-shore network development. This may best be done by off-shore programme managers. The NZTE website should list past and current Beachhead participants by market.

Advice is leading to some sales growth

An increase in reputation, profile or branding could also occur through a firm acting on advice. This increase in knowledge/understanding is also expected to lead to in-market growth. Over 55% of firm and 75% of advisor respondents believe Beachheads has improved firms' in-market performance in the area of in-market profile, brand and reputation and over 40% of firm and 75% of advisor respondents believe it has improved their in-market sales growth (see Figure 9). Again, this was supported by comments. For example,

"In market sales growth particularly through focus on e-com strategy advice and direct to consumer business"

Figure 9: (Firm survey) Has the Beachheads programme improved your in-market performance in terms of...?



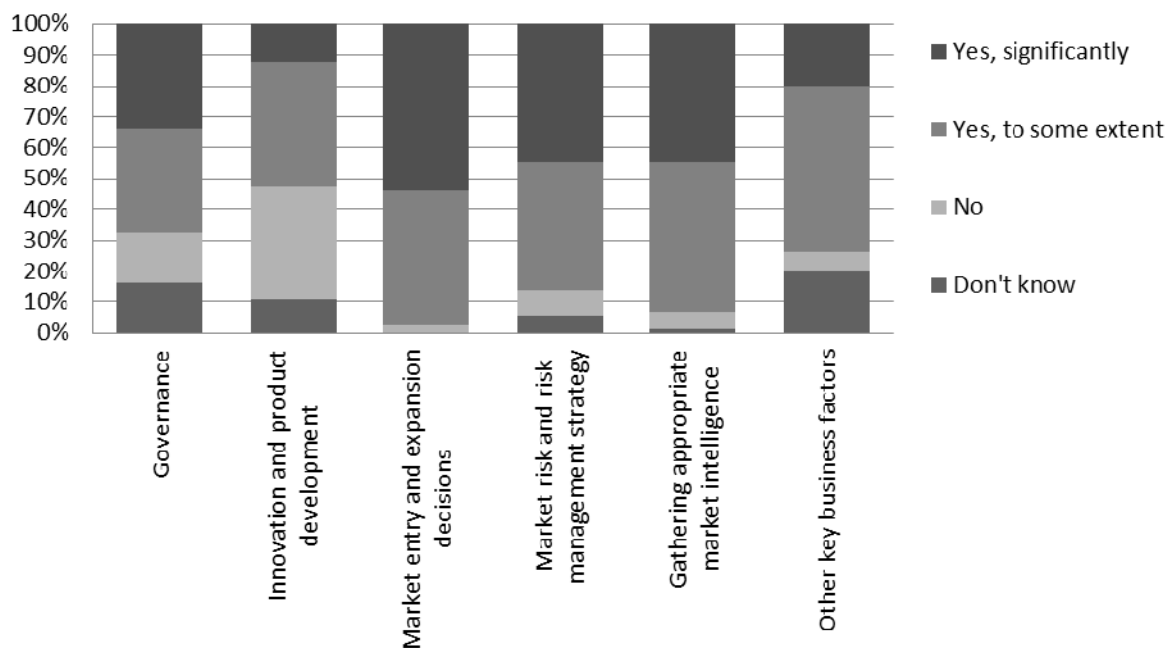
This suggests that, for at least some of the firms involved, the programme is meeting its intended outcomes regarding networking and advice leading to an improvement in sales, although it does not provide a quantifiable value.

Advice is reducing market entry/development costs

The intervention logic indicates that the Beachheads programme is meant to provide business development advice / assistance. This is intended to lead to an increased appetite for market entry/development risk and reduced costs related to market entry/development. There is some evidence for this having occurred, in that firms and advisors believe that the programme has improved firms' decision making on a number of fronts, particularly: market entry and expansion decisions, market risk and risk management strategy, and gathering appropriate market intelligence (Figure 10). Improvements in these areas are likely to reduce the costs of market entry/development by preventing expensive decision-making errors. For example, when commenting on what success in the Beachheads programme looked like, one advisor said:

"In one case pure survival and being saved from a serious commercial error of judgement."

Figure 10: (Advisors' survey) In your experience, does the Beachheads programme improve firms' decisions on the following?



In some instances the programme allows access to specialist advice that would either not otherwise be available, or that would only be available at a significantly higher cost.

Milestones indicate that expected outcomes in Version 2 were not always being met

The most common milestones were: (1) sales/market (30% of all milestones), (2) relationships/networks (17%) and (3) governance, advisory board and strategy focused (11%). This reflects the programme's intended outcomes of increasing market entry and in-market growth through the provision of advice and networks.

Sales/market focused milestones had a relatively low completion rate (less than 10%) while governance, advisory board and strategy focused milestones had a relatively high completion rate (over 30%). This is not as good a result as could be expected, given that the programme is intended to increase firms' market entry and in-market growth²².

Spillover benefits are occurring

There is evidence for knowledge spillovers. 60% of firm respondents stated that they had shared benefits from the programme with other New Zealand firms. This was confirmed in the interviews, where it became clear that the majority of information sharing was on an informal basis with firms outside the programme but within the participant firm's private business network, both within and across industries. However, firms (and consequently we) are unable to identify or quantify the direct economic benefits from such spillovers.

Advisors' responses supported this view, with over 70% stating that they had seen Beachheads firms sharing their in-market experiences with other New Zealand firms. Explanations for how this occurred included:

"Sharing experiences in an informal manner. Joint participation in a trade fair. Supplemental products and technology. Same directors on board."

Over 50% of advisors thought that the success of Beachheads firms enhanced the reputation of and opportunities for other New Zealand businesses in their market to some extent, with another 30% thinking that this occurred to a significant extent. This is supported in the New Zealand context by Fabling et al (2009). Advisors suggested that these reputational spillovers occurred through:

- networks, peer reference and anecdotally;
- general image and awareness raising of New Zealand; and
- encouraging other New Zealand firms to give it a go.

Such reputational spillovers tend to occur at an industry level. Specific examples that advisors gave of firms raising New Zealand's reputation in-market included the wine, ICT and dairy industries. However, it was also noted by one advisor that:

"NZ and NZ companies have such a low profile in the U.S. market that this sort of reputational feedback is unfortunately insignificant."

It seems, therefore, that reputational spillovers occur predominantly in niche markets or within industries where New Zealand firms have a significant market share.

Beachhead firms are more successful than other New Zealand exporters

Data from the LBD show that firms active in Beachheads have higher employment (**Table 7**), sales and growth than other New Zealand exporters. However, this cannot be attributed to Beachheads as it may simply reflect selection bias.

²² See the section titled 'Firms' expectations of the programme need to be well defined' for further discussion.

Table 7: Number of firms by employment level in 2009

Beachheads	#=0	0<#<6	6=<#<20	20=<#<50	50=<#<100	100=<# & !=.
Beachheads	12%	15%	26%	21%	15%	12%
Other exporters	15%	38%	25%	11%	5%	6%

Source: Statistics New Zealand

Recommendation: While there is limited quantitative evidence of direct economic impact, Beachhead participant firms, advisors, and other stakeholders have provided a significant body of qualitative evidence for the additionality of the Beachheads programme. We recommend that the programme be continued. The Beachhead budget should remain at its current level. Review of the budget may be necessary if an Australian beachhead becomes operational and/or the number of programme participants changes significantly.

9 Recommendations

	Page
1. While there is limited quantitative evidence of direct economic impact, Beachhead participant firms, advisors, and other stakeholders have provided a significant body of qualitative evidence for the additionality of the Beachheads programme. We recommend that the programme be continued. The Beachhead budget should remain at its current level. Review of the budget may be necessary if an Australian beachhead becomes operational and/or the number of programme participants changes significantly.	39
2. The Ministers of Economic Development and Trade be asked to continue the programme with the following Beachheads policy objective: The objective of the Beachheads programme is to work with New Zealand exporting firms in order to accelerate their entry and growth in offshore markets through access to advice and networking assistance from private sector executives with deep knowledge of these markets.	18
3. MED, MFAT and NZTE should consider whether there are opportunities to further leverage government resources and official status to assist New Zealand firms' growth in export markets.	26
4. Other International Business Growth Services in Output Class 2, including the 36 in-market offices, should be evaluated within the next two years, details of which will be clarified at a later date.	17

10 Operational Suggestions

	Page
1. The Beachheads Programme develop its use of NZTE's CRM to include an annual summary of monthly dashboards. Such a summary should include monthly and yearly trends.	13
2. Beachheads operates within NZTE's overarching market strategies. These in turn are linked to NZ Inc. strategies (where they exist). NZTE's market strategies need to be well articulated to firms and advisors so that they have an understanding of the government's and NZTE's priorities.	22
3. The CEOs of NZTE and MFAT should ensure a consistent approach to supporting Beachheads across the world. The programme needs to be part of overall government activity in-market, including NZ Inc. country and regional strategies or points of focus. Involvement in the Beachheads programme of other NZ government agencies, particularly MFAT, is an important complement to NZTE Beachheads services and contributes to programme success.	19
4. Responsibility for offshore office space should be moved from the Beachheads programme to the in-market NZTE service provision and be	26

provided only if there is good rationale and strong demand.

5. The Beachhead Programme flexibility should be retained. The programme deals with NZTE customers including: small firms; large firms; and firms in different stages of exporting maturity. This results in variable length Beachhead contracts. This flexibility contributes to programme success by enabling Beachheads to focus on maximizing the impact of the intervention. 27
6. The low number of participants in the South American and Japanese Beachheads needs to be addressed. NZTE should review the operation of Beachheads in the context of NZTE's involvement in these markets and report on proposed actions to their board within twelve months. 28
7. NZTE consider ways of enhancing the flow through of companies by using the New Zealand board to address exporting challenges for firms based in New Zealand. 28
8. All NZTE account managers should have a comprehensive knowledge of export services for firms including the range of expertise available from Beachheads advisors. 29
9. Membership of advisory boards should be reviewed to ensure participant firms and prospects are provided with access to the most relevant expertise based on firm needs and market priorities. Board activity and membership should be regularly reviewed. 30
10. Relationship management should be tracked as an explicit issue in customer surveys and final reviews, and be reported on by board chairs. This gives on-going opportunities for communication issues to be identified and then addressed. 32
11. Beachheads should update the NZTE board on implementation of Version 3 as part of routine monitoring and reporting. Particular emphasis should be put on firms' expectations and milestones to ensure that firms' expectations of the programme are well defined and firms' Beachheads milestones are useful, effective and reflect programme deliverables in Version 3. 34
12. Contact should be maintained with Beachhead Alumni to include them in off-shore network development. This may best be done by off-shore programme managers. The NZTE website should list past and current Beachhead participants by market. 36

Appendix 1: Recommendations from 2006 evaluation

Recommendations: policy

1. Retain the Beachhead programme as a separate programme
2. Formalise programme outcomes to reflect revised intervention logic model (Figure 30)
3. NZTE to work with MED (in conjunction with the Expenditure Review of Business Assistance Programmes) to achieve greater clarity around the Beachhead pipeline and linkages with the EDG-MD and the GSR to ensure more integrated service delivery across NZTE
4. Remove the rent reduction component of the programme for new programme participants beginning 2006/07
5. Redirect the funds allocated to rent reduction towards developing the networking, information and advice services
6. Develop targets for the Beachhead programme to be reported on via the NZTE Output plan structure
7. 80% of participant firms meet the following characteristics: be operating at an international scale prior to programme involvement (e.g., exporting or have a presence in-market), be already committed to market entry or development, be in a sector compatible with the available networks and achieve a minimum of \$2 million revenue per annum
8. Subject to cost benefit analysis, NZTE should consider developing the programme via five main regions (Americas, UK/Europe, North Asia, South-East Asia, Middle East/Africa) and ensure that a collocated office and/or an Offshore Advisory Board is present in each location
9. Establish more formal inter-firm networking and graduate firm services
10. MED to re-evaluate the Beachhead programme by November 2009
11. Collect performance data on participant firms (minimum two years prior to involvement and five years following acceptance into the programme) in conjunction with the NZTE performance measurement framework
12. Collect performance data on a comparable group of firms (using the NZTE performance measurement framework)

Recommendations: operations

1. Consolidate the programme in 2006/07 via activities which are more critical to the success of the programme and which should be given priority over the development of new Beachhead locations and/or services
2. Retain programme cap of 85 participant firms per annum for 2006/07 with the potential to expand to 120 in 2008/09

3. NZTE close the US – Fort Lauderdale and Singapore Beachheads and redirect funding to expanding networking, information and advice services at other regional Beachheads
4. Commence the reconstitution of the UK Advisory Board to the revised US board model
5. Scope both a North Asian Advisory Board and a South-East Asian Advisory Board
6. Achieve targets of 90-100% for communication issues in the next Beachhead programme Post Implementation Review report

Appendix 2: Case studies from Interviews

Six case studies have been written up from the interviews. Material presented includes a firm description and a summary of firm experiences in the programme. Not all material from an interview is included.

Interview with John Dunkerley, GM Global Market Development, BankLink

BankLink provides a unique software and data service solution to accounting practices, allowing them to cost-effectively automate their offering to small clients and thereby extending the range of clients that accountants can cater for. This niche has no direct competition in export markets.

Markets

BankLink's key markets outside of New Zealand are Australia and the UK. It takes around 2-3 years for BankLink to establish in a new market. They have been involved in the European Beachhead.

BankLink believes that the NZ and Australian markets are fundamentally very similar, yet they see the potential role for a Beachhead in Australia to be to help people appreciate the nuanced differences which can be costly when not understood and taken into account.

Advisor:firm fit

BankLink felt that they got on well with their Beachheads advisors. Contact has been regular but relatively informal – for instance at events at NZ House in London.

BankLink had hoped that Beachheads might be able to provide useful contacts, but had not really expected it as their needs are highly specific. As it turned out, the advisors were able to directly provide some useful contacts in the right areas (senior individuals in major retail banks). Beachheads involvement helped BankLink to feel more at home with NZTE offshore staff, who provided contact with some consultants and other contacts. These networks have been absolutely crucial to BankLink's success in the UK market. In this regard, BankLink believe the programme "has delivered" direct economic benefits.

The niche nature of BankLink's business meant that they sought general market-specific, on the ground intelligence rather than sector-specific advice; for example: where to locate their office, how much to pay staff etc. These are things that the firm could have worked out for themselves, but which take time and money – using advisors' knowledge is much more efficient. Advisors were also able to provide advice regarding other markets in the EU.

Interview with Robbie Thomson, Executive General Manager, Card Marketing International (CMI)

CMI are a financial services direct marketing company, assisting banks, insurance companies and financial services providers to sell products directly to their customers. This

is a “big niche” area. CMI were already established in New Zealand, Australia and South East Asia prior to approaching Beachheads. Their goal in entering the programme was to get introductions at a high level and to access market intelligence. Beachheads was an extra that added another layer to their business.

Advisor:firm fit

CMI has had a good relationship with their advisors and were “pleasantly surprised at how receptive and supportive they were”. The advisors were not from the same sector, but were still willing and able to provide suitable leads from their networks. Robbie thought that part of the reason behind this was that the company was already successfully committed to the market and willing to take opportunities, thereby gaining their advisors’ trust. Meetings had been “infrequent but regular”.

Although access to networks was the key aspect of the programme for CMI, they also accessed market-specific advice, for example around the cultural differences between NZ and Thailand, and instilling their NZ business ethos into their local staff.

Robbie believes that the quality of the Beachheads chair and the people they select for the board determines the success of the programme (along with the quality of the companies that get selected for it). Good crossover knowledge between NZ and South East Asia is one of the defining points of the chairman as well as his open and positive attitude to the Programme.

Government Imprimatur

CMI use the Brand New Zealand Fern Mark to leverage off their Beachheads involvement – i.e. to express that they’ve been selected by the New Zealand government as a top company. This is particularly the case in South East Asia where it is helpful for the government to be seen to be involved. High ranking NZTE staff have also been utilised in a similar manner.

Beachheads and NZTE

CMI thought that between NZTE and Beachheads, “they pretty much have it covered” in South East Asia. NZTE in-market was sometimes more helpful than Beachheads, with better access to relevant networks and on the ground support. This depends to a large degree on precisely who is employed where and the networks that they are linked to.

Interview with Charlotte Read, Villa Maria Estate

Villa Maria Estate is New Zealand’s largest family-owned winery. As a small player on a global scale, Villa Maria Estate pitches its product into a niche at the top end of the wine market – focusing on consistent and exceptional quality as opposed to competing on price.

Markets

The company exports to Australia, the UK, Europe, Asia and North America, with the latter three areas highlighted as regions with high potential for growth. Beachheads participation has been in North America and China. Charlotte’s comment regarding Beachheads was: “It is great to feel that you have a hand to hold in unknown markets.”

China: This Beachhead provided critique of Villa Maria's strategy and partner and challenged their understanding of the market: highlighting its caveats and where the company might go wrong. Other benefits included market-specific advice on marketing and recruitment.

North America: This Beachhead provided assistance with finding the right distributor and navigating the US legal system when changing distributors. Villa Maria purchased extra hours of their Beachhead advisor's time to gain more assistance in this regard.

Advisor:firm fit

Villa Maria commented that a good fit is the key to a good relationship; for example, Villa Maria's main advisor in China was from the Food and Beverage sector. Villa Maria felt that the relationship was one where they could contact their advisors at any time (within expected boundaries).

Charlotte noted that the chair of the China board had deliberately recruited a broad mix of advisors and that this diversity had been invaluable. The younger board members brought energy and ideas to the table, along with a sound knowledge of younger markets.

When asked to compare the company's involvement in markets where they used Beachheads to their involvement in markets where they didn't, Villa Maria felt that the biggest contribution that the programme made was through the confidential nature of the advisor:firm relationship. In markets where they didn't use Beachheads, Villa Maria would gather information from other firms about the market but would have to tread carefully around competitors rather than openly discussing issues. Using advisors is a much more efficient means of obtaining information about the market.

Spillovers

Villa Maria has talked to a lot of other New Zealand wineries: sharing insights with each other, passing on knowledge gained from the advisors and recommending approaches to the market. Villa Maria sees building New Zealand's brand as a top end wine supplier to be more important than competing with other wineries.

Interview with Andy Lewis, CEO, NZP (New Zealand Pharmaceuticals)

NZP was formed about 40 years ago out of the New Zealand meat industry and specialises in extracting and purifying a range of natural bio-chemicals, principally animal by-products. Their most significant products are the niche range of bile acids and derivatives in which NZP are acknowledged as a market leader, selling predominantly into the pharmaceutical and diagnostic markets.

Markets

The company is nearly entirely export focused and sells into nearly 40 countries using a range of distribution models. They conduct R&D in New Zealand and the UK, as well as collaborating with universities in NZ, the UK and the US. NZP has two sister subsidiaries: Just the Berries and Dextra, and have been involved in two Beachheads – the US and Japan.

US: NZP accessed market-specific advice in the US. While Andy felt that they could have obtained this advice elsewhere, finding someone you could trust who could point you to

other trustworthy individuals was crucial and NZTE fulfilled this role. Andy felt comfortable sharing information with advisors and saw advice as “roughly as expected” and “always helpful”.

Japan: Japan is NZP’s biggest market. NZP hadn’t accessed much by way of advice from the Japan Beachhead, but had used the office space as a stepping stone into the market.

NZ fern mark

NZP use the fern mark because New Zealand is a fundamental part of their identity. It reflects the image that they want to convey of high-purity products and a disease-free country.

Interview with John Cochrane, COO, Commtest

Commtest develop and produce vibration analysis and monitoring instruments. These are used to detect early precursors to failure, allowing machinery to be repaired or replaced before expensive failures occur. The company was acquired by the US-based Bently Nevada division of GE Energy in August 2011.

Commtest has a physical presence in four geographical locations (NZ/Australia, the USA, Dubai and China) and has participated in three Beachheads. It also sells products into approximately 40 countries by means of Channel Partners. The company had a different need in and received different benefits from each Beachhead.

Differences between the Beachheads programme in different markets

North American Beachhead (accepted 2005)

The most useful thing in this Beachhead was the ‘grilling’ in the application process. This ensured that the company had a solid business plan for the market. After acceptance there was very little contact. This was put down to the fact that Commtest’s product is not ‘typical’ and so while the advisors were well-meaning and made an effort, their experience didn’t match the firm’s needs. The company gained financial benefit from rent-relief.

Middle East Beachhead (accepted 2007)

In this market Commtest had an employee on the ground who had a great depth of industry knowledge and so required market-specific rather than industry-specific advice. The advisor was used as a sounding board rather than for formal advice, resulting in an ad hoc relationship that worked “very very well”. The primary benefit from the Middle East beachhead was the security the shared office space gave providing an “anchor of support” for their employee there.

China Beachhead (accepted 2010)

Commtest already had an established presence in China and was after strategic advice rather than market-entry advice. They struggled to get traction with the programme in this market because although they knew exactly what they needed, the Beachheads procedural steps were time consuming, as preliminary meetings were sometimes cancelled at the last minute. This is partly the nature of business in China and the comment was made that the process doesn’t match well with the realities of life in Beijing. The result of this was that Commtest received very little formal advice before the Beachheads board resigned, although the advisor that they did have was “ideally suited” to them.

Advisor:firm relationship

For various reasons outlined above, Commtest only had a meaningful relationship with their advisor in the China Beachhead, albeit for a short period of time. This relationship was described as “absolutely” allowing the two parties to engage with each other and “always valuable”.

Evidence for knowledge spillovers

Advice had been passed on to other firms – mostly on an informal basis – but the boundaries are blurred between which bits of advice came from their own experiences and which bits can be directly attributed to the Beachheads programme.

Interview with Stuart Wilson, CEO, Modica Group

Modica Group provides a suite of products for mobile phone companies and end customers globally, via a web based platform.

Markets:

Modica have clients in the US, Australia, South East Asia, Central America, the Middle East and the UK. Modica sees similar underlying difficulties in each of the markets that they have been in (getting established, customers and relationships). The Beachheads programme specifically addresses these issues and the company has been in the European and North American Beachheads.

The company looks for strong in-country partners. In the absence of such a partner in the US they joined Beachheads for help with the sorts of things that a local partner might provide (e.g. networks).

Beachheads experience:

Stuart felt that there are two elements to defining ‘success’ in the Beachheads programme:

1. Business support. I.e. practical things such as phone numbers, office space, an in-market address and contacts for lawyers and accountants you can trust.
2. Market support. I.e. introductions in the market – advisors need to be able to actually do this and provide trusted contacts. Invitations to government functions can be very useful for establishing trust through the perception of NZ government support.

Stuart thought that the process of application and on-going participation was “excessively bureaucratic” and that in many cases the policy was driving companies to do unnecessary work just to participate. As a company, this led them to make the decision that there was not enough return on investment in Beachheads. Modica found some parts of the entry process to be useful in that they learnt from their first refusal that they needed to up their game and really be involved in the market to achieve success.

The **Beachheads conferences** in the US have been useful for Modica, with the more practical ones being more beneficial than the more theoretical ones. The conferences were of assistance (but not necessarily the defining feature) in building a few key relationships.

Stuart saw NZTE as being more helpful to bigger businesses (e.g. through high-level strategy etc.) rather than small businesses (which may require a more hands-on approach).

Advisor:firm relationship

Stuart thought that “whilst the advisors had solid credentials, they were aloof and unwilling to participate at the level New Zealand firms require. They had no solid key performance indicators that were focused around delivering contacts and business to New Zealand firms; resulting in expensive ‘meetings’ and talk fests rather than solid return on investment for NZTE and New Zealand companies. Advisors need to actually help New Zealand businesses develop partnerships and close deals.” Stuart noted that it is necessary for firms to go through a rigorous selection process for advisors to be willing to open up their networks, which should pave the way for this level of engagement.

Appendix 3: Analysis from the prototype Longitudinal Business Database

The following information comes from Statistics New Zealand's prototype Longitudinal Business Database (LBD). The LBD contains business-related data for financial years 2000 to 2009 from a number of sources. The main unit of analysis is the 'enterprise level', where the enterprise is defined as a business or service entity operating in New Zealand. The spine of the LBD is the Longitudinal Business Frame (LBF) which records firm characteristics and changes in these characteristics over time. The LBF is able to identify the predominant industry affiliation of a firm (ANZSIC code), foreign ownership interests and firms' connections through some kind of reporting arrangement.

Several administrative data sources are also attached to the LBF. These include Goods and Services Tax (GST), tax returns (IR4), financial accounts (IR10), and aggregated Pay-As-You-Earn (PAYE) returns provided by the Inland Revenue Department (IRD) and Customs merchandise trade data. Several Statistics New Zealand business surveys are also attached, including the Annual Enterprise Survey (AES), which is the primary data source for calculating the National Accounts; the Business Operations Survey and the Research and Development Survey. All data in the LBD are annualised to firms' actual balance date, and then assigned to the closest year ending 31st March. The database continues to evolve over time. It is described in more detail in Statistics NZ (2010)²³.

Disclaimer:

The opinions, findings, recommendations and conclusions expressed in this report are those of the authors. Statistics NZ and MED take no responsibility for any omissions or errors in the information contained here.

Access to the data used in this study was provided by Statistics NZ in accordance with security and confidentiality provisions of the Statistics Act 1975. Only people authorised by the Statistics Act 1975 are allowed to see data about a particular business or organisation. The results in this paper have been confidentialised to protect individual businesses from identification.

The results are based in part on tax data supplied by Inland Revenue to Statistics NZ under the Tax Administration Act 1994. This tax data must be used only for statistical purposes, and no individual information must be published or disclosed in any other form, or provided to Inland Revenue for administrative or regulatory purposes. Any person who has had access to the unit-record data has certified that they have been shown, have read, and have understood section 81 of the Tax Administration Act 1994, which relates to privacy and confidentiality. Any discussion of data limitations or weaknesses is not related to the data's ability to support Inland Revenue's core operational requirements.

Statistics NZ protocols were applied to the data sourced from the Ministry of Social Development, the New Zealand Customs Service; the Ministry of Science and Innovation; New Zealand Trade and Enterprise; and Te Puni Kokiri. Any discussion of data limitations is not related to the data's ability to support these government agencies' core operational requirements.

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²³ Statistics NZ 2010: de Beer, Y, Greet P, % Morris, M 'Business participation in government assistance programmes', Wellington: Statistics New Zealand. (This and other information available on the LBD from Statistics New Zealand web site.)

Sales performance

Comparing sales performance of Beachheads firms (irrespective of when they joined) to other exporters finds a similar pattern of performance. Limited data in Table 8 indicates that Beachhead firms are more likely to be growing rapidly than non-Beachhead exporting firms. Prior to entering Beachheads many of the Beachheads firms were already growing more rapidly than average exporters. Comparing the intervals 2001 to 2005 and 2005 to 2009 suggests Beachheads firms have continued growing even more rapidly. This has not been shown to be a causal link and may reflect selection bias.

Table 8: Growth data for Beachhead and non-Beachhead exporting firms, 2001 to 2009.

	2001 to 2009 growth		2001 to 2005 growth		2005 to 2009 growth	
	Non-Bhd	ever BHD	Non-Bhd	ever BHD	Non-Bhd	ever BHD
growth <0	18%	12%	24%	17%	28%	27%
0 <= growth < 0.05	1%		2%	0%	2%	2%
0.5 <= growth < 0.1	1%	0%	2%	0%	2%	0%
0.1 <= growth <0.15	1%		2%	2%	2%	
0.15 <= growth <0.2	1%	2%	2%	2%	2%	2%
0.2 <= growth <0.25	1%		1%		2%	2%
0.25 <= growth	18%	38%	23%	31%	22%	50%
Growth data missing	59%	48%	44%	48%	41%	16%

Source: Statistics New Zealand

Participation in Beachheads markets

Export data comes in two forms: services and merchandise exports. The service export data is based on a survey and insufficient Beachhead firms were covered for analysis to be undertaken. At the time of analysis the last available data for service exports was 2005. Merchandise trade data comes from customs and was able to be used for limited analysis of Beachheads by export market, however, as the sector analysis showed, services accounted for 44% of companies in 2009 and over 50% in earlier years.

Table 9 shows the number of New Zealand merchandise exporters and the number of Beachhead merchandise exporters in Beachhead target countries. On average, 19% of firms active in these countries have sales less than \$1m. On average, 24% of firms in these countries have sales greater than \$50m. Countries with a large number (~500-700) of NZ firms exporting to them tend to have a higher proportion of smaller NZ firms (either sales < \$20m or rolling mean employment < 6).

Typically Beachheads firms are less than 5% of New Zealand exporters to any country. The exceptions to this are Argentina (AR), Brazil (BR), Mexico (MX), Chile (CL), Egypt (EG) and Qatar (QA) where the total number of NZ firms is relatively low compared to the other countries and the share of Beachheads firms is higher.

Australia, which is a possible new Beachheads location, is currently the destination for the largest number of New Zealand exporters and has the highest number of Beachheads companies.

Table 9: Beachhead target countries and the associated New Zealand Exporters. Totals are not given as both Beachhead and non-Beachhead firms can be active in more than one country.

	2007			2008			2009			2010		
	Non-BH	BH	%BH	Non-BH	BH	%BH	Non-BH	BH	%BH	Non-BH	BH	%BH
UAE	375	3	1	378	9	2	444	9	2	420	15	4
Argentina	96	3	3	102	9	9	105	6	6	90	9	10
Australia	6,291	18	0	6,132	24	0	6,126	33	1	6,102	45	1
Brazil	120	6	5	123	9	7	120	9	8	114	12	11
Canada	735	9	1	732	12	2	753	15	2	678	24	4
Chile	159	3	2	165	6	4	174	9	5	165	12	7
China	789	6	1	771	15	2	837	12	1	855	21	2
Germany	702	9	1	699	15	2	711	9	1	723	18	2
Egypt	57	3	5	63	3	5	78	3	4	66	6	9
France	360	6	2	399	12	3	387	12	3	381	12	3
Great Britain	1,728	12	1	1,680	21	1	1,524	27	2	1,491	27	2
Indonesia	288	3	1	294	6	2	297	3	1	291	6	2
India	318	6	2	339	6	2	369	6	2	363	12	3
Italy	333	9	3	324	6	2	327	12	4	318	12	4
Japan	987	9	1	903	12	1	924	15	2	906	24	3
Mexico	153	3	2	144	6	4	135	9	7	120	12	10
Malaysia	573	6	1	603	12	2	612	12	2	642	21	3
Netherland	552	9	2	585	9	2	591	12	2	579	21	4
Philippines	261	3	1	258	6	2	276	9	3	261	12	5
Qatar	54	3	6	60	0	0	72	3	4	66	6	9
Saudi Arabia	117	3	3	111	6	5	138	3	2	135	6	4
Singapore	1,095	9	1	1,116	15	1	1,137	18	2	1,149	24	2
Thailand	438	9	2	453	9	2	519	9	2	507	12	2
US	2,688	15	1	2,511	24	1	2,331	30	1	2,178	39	2
Vietnam	222	3	1	246	3	1	243	3	1	279	6	2

NOTE: All counts were randomly rounded to base 3 to protect confidentiality, so actual figures may differ from those stated.

Source: Statistics New Zealand

Demographics of Beachheads Firms

There has been substantial change over the five years that we examined in the composition of the Beachheads portfolio:

- When Beachheads started, their firm size was relatively small. In recent years Beachheads firms are more often larger than the average NZ exporters into these markets;
- The sector composition of Beachheads firms has evolved from a dominant focus on ICT and other business services into a much wider portfolio; and
- Average age of Beachheads firms has doubled.

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