

# GROWING WITH ASIA

Developing Asia Capability in  
Australian Businesses

DISCUSSION PAPER







# ABOUT US

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Asialink Business is the National Centre for Asia Capability, mandated by the Australian Government to create an Asia capable workforce in Australia. Asialink Business supports organisations nationally to engage with Asia through capability development programs, research and information, and public forums and events.

Working across all sectors of the economy, we design and deliver impactful solutions tailored to our clients' niche Asian growth needs. Our expertise covers all Asian economies and includes extensive experience in assisting organisations expand into Asia. With national representation across Australia, Asialink Business has a highly-skilled team of Asian market and sector specialists, business practitioners, market intelligence professionals and capability development specialists.

Our commercially focused solutions enable our clients and partners to optimise their business with Asia, by accessing customised insights, skills and networks, including:

- Country, market and industry-specific insights and research
- Market development planning and opportunity assessments
- Cultural intelligence, negotiation skills and relationship building to drive business outcomes
- Executive and leadership training
- Business thought leadership
- Asian stakeholder engagement, business facilitation and events.

For more information visit [asialinkbusiness.com.au](http://asialinkbusiness.com.au).

# FOREWORD

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Australia's small and medium-sized businesses have an impressive ability to turn opportunities in the market into tangible business outcomes. In doing so, we often see these businesses grow and then look to continue that growth in new markets both domestically and abroad.

From the thousands of conversations we have with our business customers each year, we know many of these growing small and medium businesses overlook expansion into Asia due to the perceived difficulty and complexity of entering the Asian market. While the vast business opportunities that lie in Asia are well understood and are the subject of much discussion and research, what is less clear are what capabilities Australian businesses need to develop to tap into those vibrant markets.

As Australia's largest bank, we understand the complexities of investing, running and growing a successful business. With more than 70 dedicated specialists within our Asian Banking team led by Jonathan Yeung, we are a committed and trusted partner to help Australian businesses grow, nurture connections and unlock new opportunities.

That's why we are proud to partner with Asialink Business to publish 'Growing with Asia: Developing Asia capability in Australian Businesses', providing growing and expanding businesses a practical guide to navigating entry into the Asian market.

Through our partnership with Asialink Business, we've been able to identify six key capabilities that any Australian business should acquire if it wants to benefit from the opportunities that Asia offers.

We know Asia holds huge potential to Australian businesses that are prepared to develop the right capabilities and find the right partners. Those companies that do, and can adapt their offering accordingly, are most likely to develop a strong competitive advantage.

**Adam Bennett**

Group Executive, Business & Private Banking  
Commonwealth Bank of Australia



Australian businesses increasingly need to look offshore for growth opportunities. This is equally the case for small and medium businesses,<sup>1</sup> as it is for our larger corporates.

From the rapid rise in e-commerce, to free trade agreements that

have opened new doors, the opportunities for Australian small and medium businesses in Asia are evolving at an unprecedented rate. Many individual markets in Asia can serve as launch pads for these businesses to go global.

Asialink Business has taken steps to improve the provision of information resources, training and bespoke research to Australian small and medium businesses in the last five years. But there is plenty of work still to be done to ensure more Australian businesses can access the skills, knowledge and networks they need to grow with Asia.

Previous research conducted by Asialink Business highlighted the lack of Asia capabilities among Australia's largest businesses. To date, there has been less attention paid to the specific Asia capabilities required by small and medium businesses to pursue opportunities in Asia.

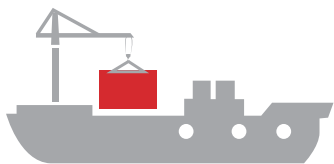
Most of Australia's small and medium businesses are still not equipped to identify or pursue the opportunities presented by Asia. There are challenges unique to smaller businesses (as compared to larger businesses) that require the prioritisation of Asia capabilities to provide a clearer, more practical and affordable pathway into Asia.

This paper will support a national call to action to encourage our small and medium businesses to take targeted and urgent steps to bridge capability gaps, and by doing so, lay pathways to future growth with Asia.

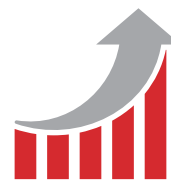
**Mukund Narayanamurti**

Chief Executive Officer  
Asialink Business

## FAST FACTS



Small and medium businesses account for **4 per cent of the value of Australian goods exports**.<sup>1</sup>



Importers and exporters were more likely to have achieved **revenue growth over the last year**.<sup>2</sup>



Only **7 per cent of small and medium businesses** are engaging in international trade as **exporters**, **7 per cent** as **importers** and **6 per cent** as **exporters and importers**.<sup>3</sup>



Only **15 per cent of small businesses** report receiving any form of **government assistance**, compared to **57 per cent of large businesses**.<sup>4</sup>



The majority of small and medium business employees work **average overtime of 7 hours per week**.<sup>5</sup>



**56 per cent** of small and medium sized businesses are operated by **GenX or Millennials**.<sup>6</sup>



**Online blogs and articles** are one of the major sources of information and business support for small and medium sized businesses.<sup>7</sup>



**50 per cent** of small and medium sized businesses have been in business **less than 10 years**.<sup>8</sup>

1 Australian Bureau of Statistics, *Characteristics of Australian Exporters*, 2016-17, 5368.0 <<http://www.abs.gov.au/ausstats/abs@.nsf/mf/5368.0.55.006>>.

2 MYOB Business Monitor, *The Voice of Australian Business Owners & Managers*, <<https://www.myob.com/content/dam/myob-redesign/au/docs/AU-Business-Monitor-May-2018.pdf>>.

3 Facebook, OECD, The World Bank, *Future of Business Survey*, (April 2018) <<https://eu.futureofbusinesssurvey.org/>>.

4 Ibid.

5 Australian Small Business and Family Enterprise Ombudsman, *Affordable Capital for SME Growth*, (2018), Commonwealth Government of Australia, Canberra, <<https://www.asbfeo.gov.au/sites/default/files/documents/ASBFE0-affordable-capital-for-SME-growth.pdf>>.

6 Ibid.

7 Australia Post, *Under the Radar*, (2017), <[https://auspost.com.au/content/dam/auspost\\_corp/media/documents/small-business-white-paper-aug2017.pdf](https://auspost.com.au/content/dam/auspost_corp/media/documents/small-business-white-paper-aug2017.pdf)> 11.

8 Ibid.





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# INTRODUCTION

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The opportunities in emerging Asian consumer markets are massive and growing. By 2030, lower middle-income countries — including India, Indonesia, and Vietnam — will have middle-class markets that are US\$15 trillion (AU\$21 trillion) bigger than they are today (this forecast growth is more than 11 times the size of Australia's current GDP).

To compete for this consumer market, Australian small and medium businesses need to develop Asia capabilities — the skills, knowledge and networks needed to succeed when doing business with the region. This discussion paper is a first step to understanding the capabilities that Australian small and medium businesses need to win in Asia. It aims to help them to focus on the vital capabilities that will support them to expand into Asian markets.

This discussion paper initiates a larger project that, for the first time, will focus on how Australian small and medium businesses can compete in Asia. Previous research has focused on Australia's biggest corporations,<sup>2</sup> which is less relevant to small and medium businesses that are often too focussed on day-to-day operations to explore new markets or cost saving opportunities in Asia.

Drawing on the latest international business literature, case studies and interviews with small and medium business owners and leaders, this discussion paper emphasises the importance of six Asia capabilities to small and medium businesses. It also provides insight into how Australian businesses can develop these capabilities over the short and long run.

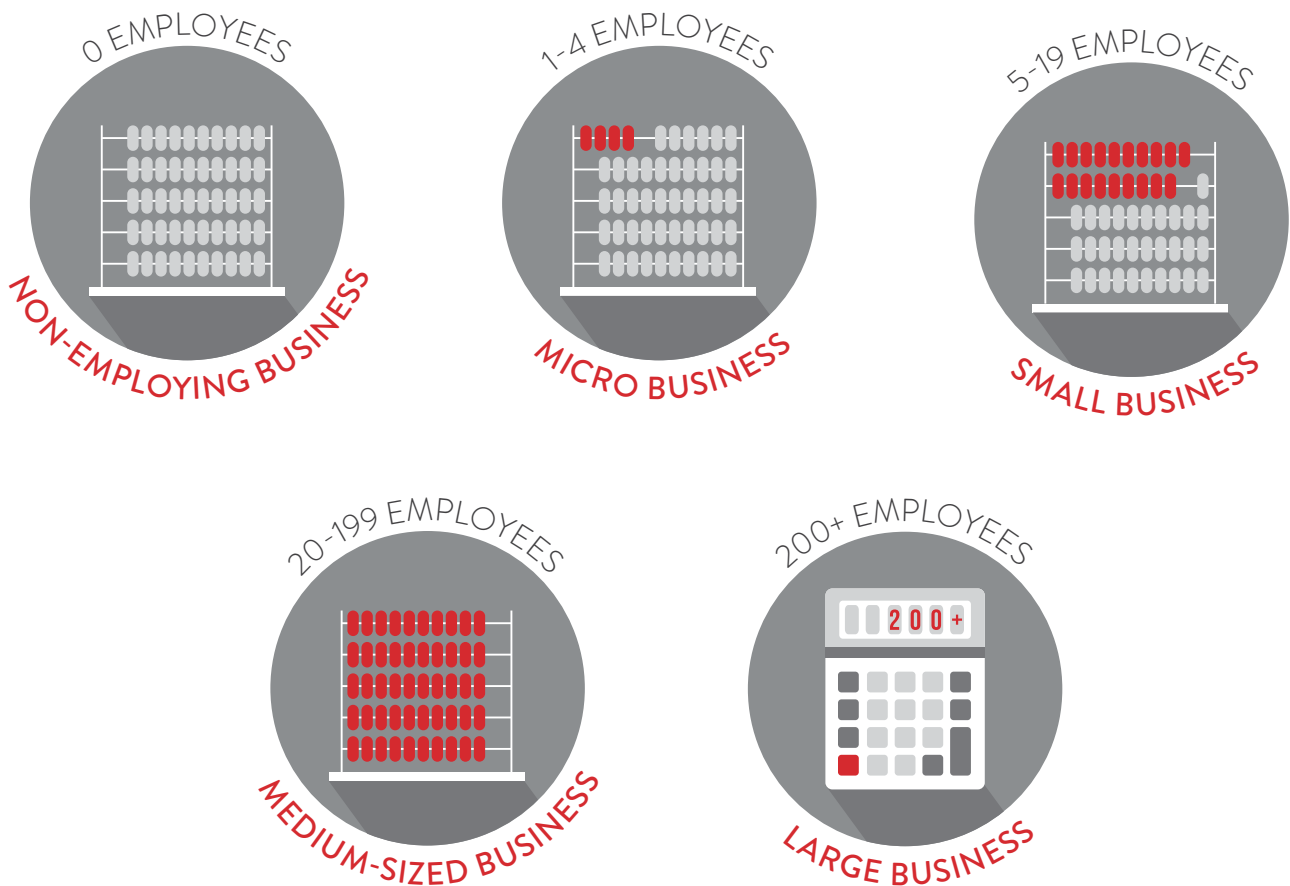
The analysis is structured in four sections:

- The first section explores the opportunities for Australian small and medium businesses in Asia and what holds Australian businesses back.
- The second section examines the Asia capabilities that Australian small and medium businesses need if they are to grow with Asia.
- The third section discusses the benefits that Australian businesses can gain from establishing a presence in Asia.
- The final section concludes this stage of the research and outlines the next stages of the project to better understand Asia capabilities of Australian small and medium businesses.



# BUSINESS CATEGORIES

A small to medium business is determined by headcount, ranging from 0-199 employees. The categories of small and medium businesses are:





# AUSTRALIAN BUSINESSES NEED TO DEVELOP CAPABILITIES TO CAPITALISE ON EMERGING OPPORTUNITIES IN ASIA

By 2030, it is predicted that Asia will account for more than 50 per cent of the global middle-class consumption market. The engine room of this consumption growth will be today's lower middle-income countries. For example, India, Indonesia, and Vietnam are forecast to have middle class markets that are \$20.7 trillion bigger than today; for context, this economic growth is more than 11 times Australia's current GDP.<sup>3</sup>

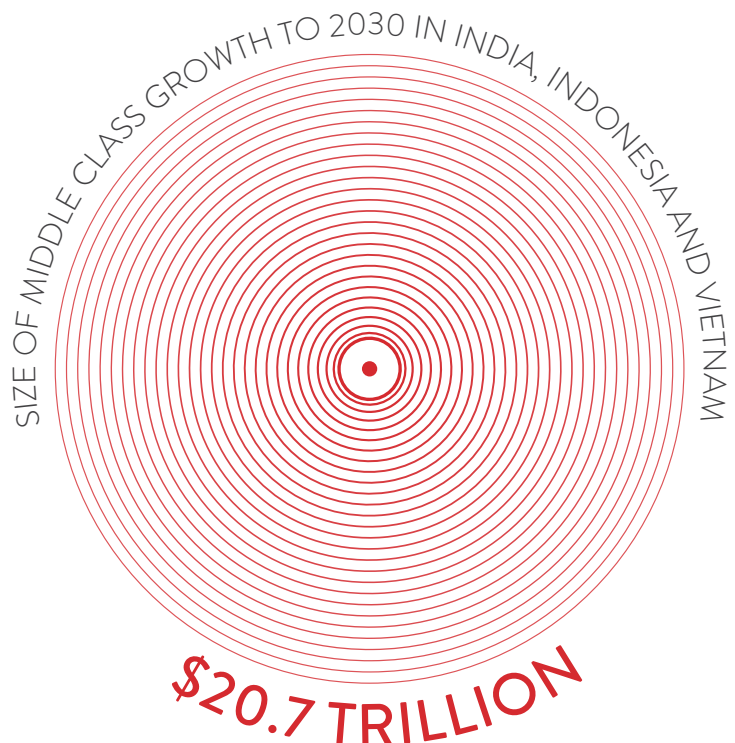
The idea that Asia represents huge opportunities for Australian businesses is not new. In the 1989 paper *Australia and the Northeast Asian Ascendancy*, Ross Garnaut noted:

*In economic terms, Australia's horizons are being widened rapidly by the sustained growth close to our northern shores of economies that need, uniquely, the goods and services that we have the chance to produce well, and that possess resources that we need most for our development.*

In 2012, the Commonwealth government's report on *Australia in the Asian Century* expanded on Garnaut's sentiment, saying:

*The Asian Century offers a wealth of opportunities for Australian businesses and consumers as the flow of goods, services, people and capital increases between Australia and the region... To make the most of these opportunities, Australian businesses must become fully part of the region, adjusting their strategies, linking with regional value chains and developing long-term relationships. Australian businesses need to continue developing products, services and expertise that are valued in Asia — by innovating and by understanding the diversity in demand, conditions and customs.<sup>4</sup>*

Since the publication of the 2012 report, four new bilateral free trade agreements (FTAs) have been put into force — all with Asian partners (Malaysia 2013, South Korea 2014, Japan 2015, and China 2015). These FTAs build on existing agreements including those with ASEAN, Singapore and Thailand. Negotiations on three further Asia-focussed economic agreements have concluded and are at different stages of finalisation (the Indonesia-Australia Comprehensive Economic Partnership Agreement, the Australia-Hong Kong Free Trade Agreement and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership).<sup>5</sup> Negotiations with India are also ongoing.





## AUSTRALIAN BUSINESSES ARE FOCUSED ON KEEPING THE LIGHTS ON, NOT ASIA

Access to Asia, even with more conducive bilateral trade frameworks in place, is complicated by significant diversity in language, culture, religion, ways of doing business and systems of government. This complexity is a high barrier, particularly for small and medium businesses that are often time poor and constrained by limited financial, human and informational resources. Increasing revenue and attracting customers rank highly as business priorities for many small and medium businesses. But the idea of selling to foreign markets is a priority for very few. Their focus is on survival more than exploring opportunities to expand their customer base or reduce costs in Asia.<sup>6</sup>

Without economies of scale, small and medium businesses are more susceptible to external shocks. They can face relatively high barriers to finance that can stifle their ability to build capability and capacity to compete for larger opportunities. The Reserve Bank of Australia has recognised that the persistent lack of patient, affordable capital

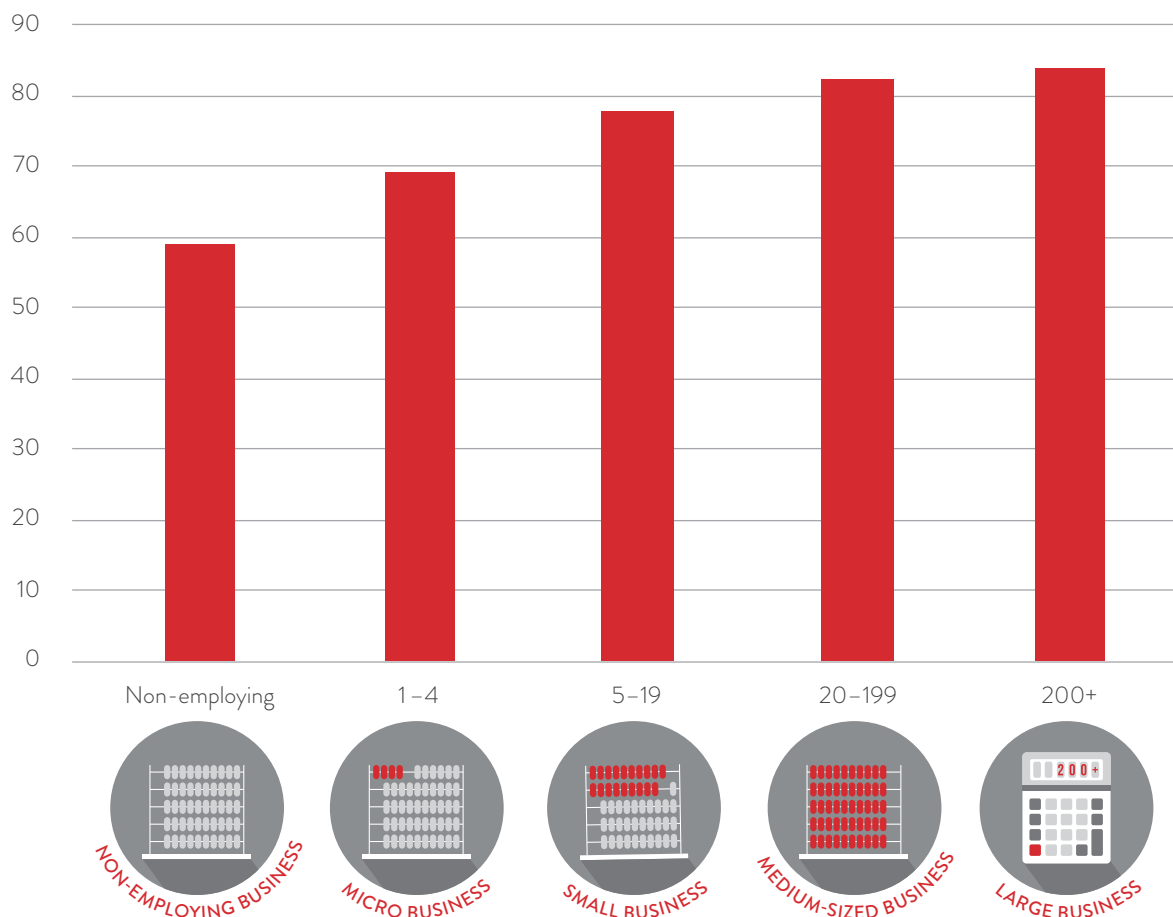
available to small and medium businesses is a significant barrier to growth.<sup>7</sup> While higher costs of capital for small business is a global problem, it is greater in Australia than peer economies such as the United Kingdom and Canada. Both the UK and Canadian governments have set up funds in recent years to improve small and medium business finance.<sup>8</sup>

*“At the moment the platform is only in English, we could definitely expand into other languages and other markets, but as a company that is almost entirely self-funded, we just don’t have the resources to throw at those ventures yet. We’re just prioritising where our strengths are.”*

— Emma Lo Russo, CEO Digivizer

The pressures faced by Australian small and medium businesses are reflected in the four-year survival rates (Figure 1).<sup>9</sup> Small and medium-sized business survival rates are, on average, 6.7 per cent lower than large businesses (non-employed survival rates are 19.7 per cent lower).

**FIGURE 1: SURVIVAL RATES OF AUSTRALIAN BUSINESSES BY HEADCOUNT (2014-17, %)**



Source: ABS 2018, Counts of Australian Business 8165.0



## SUPPORTING BUSINESSES' GROWTH INTO ASIA BENEFITS AUSTRALIA

The pressure on Australian small and medium businesses to survive puts a premium on focussing on lower risk domestic markets. This risk aversion towards unknown markets means that aspirations outlined in the 2012 *Australia in the Asian Century White Paper* to 'become fully part of the region, adjusting their strategies, linking with regional value chains and developing long-term relationships' will not be met unless small and medium businesses develop the capabilities to explore further afield.

Small and medium businesses are a major contributor to Australia's economy. Yet most small and medium businesses are unable to take advantage of the opportunities for growth on Australia's doorstep. Australia's more than 2.23 million small and medium-sized businesses represent 99.8 per cent of all Australian businesses (by number). They play a

major role in Australia's economic prosperity (Figure 2), accounting for \$615 billion (57 per cent) of Australia's GDP. They employ 7 million people (67 per cent of the workforce)<sup>10</sup> and pay around 40 per cent of total company tax revenue.<sup>11</sup> According to ABS data, the value added by Australian small and medium businesses in 2016-17 was 56.7 per cent compared with the 43.3 per cent added by large businesses.<sup>12</sup>

The number of Australian small and medium businesses is also growing, supported by improved access to markets through online platforms and the increasing casualisation of the workforce.<sup>13</sup> ABS data shows that entries of small and medium sized businesses have increased from 13.4 per cent in 2013-14 to 15.1 per cent in 2016-17.<sup>14</sup> The net growth of small and medium businesses (entries minus exits) has also increased from 1 per cent to 3.1 per cent over the same period.

**FIGURE 2: THE NUMBER OF AUSTRALIAN ORGANISATIONS BY SIZE (HEADCOUNT), AS AT JUNE 2017**

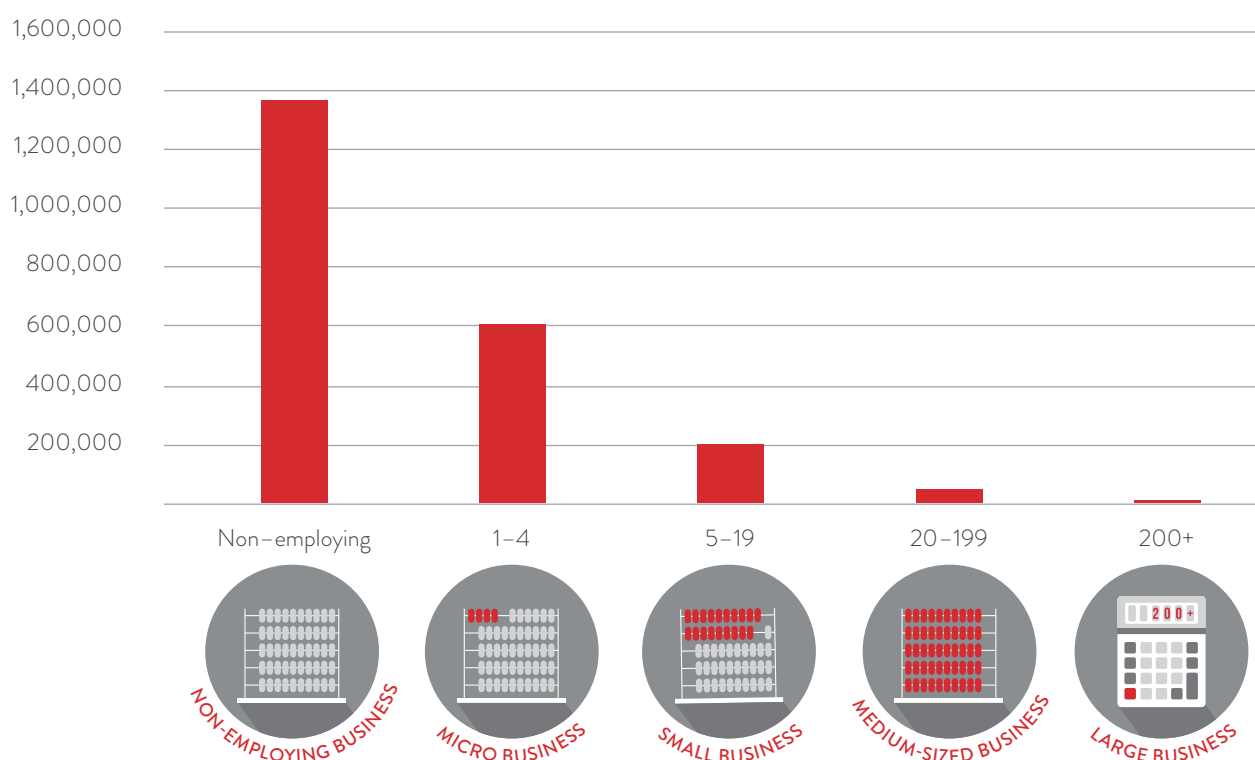


Figure 2 source: ABS 2018, Counts of Australian Business 8165.0



# THE ASIA CAPABILITIES THAT AUSTRALIAN BUSINESSES NEED

Australian businesses need to develop Asia capabilities to take full advantage of the opportunities in the Asian Century. In the past five years steps have been taken to build businesses' Asia capability and provide small and medium businesses with the resources they need to grow with Asia. But there is plenty more work to be done. Trade deals are in place to increase opportunities, but without even more accessible information and access to the right capabilities, small and medium businesses will struggle to overcome the barriers to growing with Asia.

As a first step, this discussion paper aims to define the most important Asia capabilities that small and medium businesses should focus on and the practicalities of implementing these capabilities.

Asia capability is a dynamic concept. Case study analysis reveals that small and medium businesses have different Asia capability requirements to large organisations that compete for large-scale opportunities. For large corporations, the marginal benefits that come from developing all 11 Asia capabilities outlined in the original *Asialink Taskforce* report are vital to compete on the global stage. For small and medium businesses that are vying for smaller opportunities against less sophisticated competitors, they can focus on quick wins to propel them successfully into Asian markets.

Out of the 11 Asia capabilities that were outlined in the original *Asialink Taskforce* report, four individual capabilities are vital to all businesses, including small and medium businesses, to succeed in Asia (See Appendix 1):

1. Sophisticated knowledge and experience of Asian markets/environments.
2. Extensive experience operating in Asia.
3. Long-term trusted Asian relationships.
4. Ability to adapt behaviour to Asian cultural contexts.

Two further organisational capabilities emerged as important for medium-sized businesses (20-199 employees) as they compete for relatively larger opportunities against more sophisticated multi-national businesses and domestic Asian firms,<sup>15</sup> these are:

5. Leadership committed to an Asia-focus strategy.
6. Customised offering/ value proposition based on customer insights.

The following sections explore the importance of these six Asia capabilities to Australian small and medium businesses operating with the resource constraints discussed above. The analysis draws on international business literature, case studies and interviews with Australian small and medium business owners and leaders.

## BUILDING IMPORTANT CAPABILITIES FOR SMALL AND MEDIUM BUSINESSES

### Sophisticated knowledge of Asian markets/ environments

It is difficult for small and medium businesses to get the information they need to enter and succeed in Asian markets. They mainly rely on easily accessible information from the internet or capabilities within their own team to support their business decisions.<sup>16</sup> But this information often does not keep up with policy and economic movements that support strategic business decisions, such as which markets to enter or distribution partners to engage. For example, the team at Tiller (a productivity tech start-up) resorted to 'how-to guides' available online to try and work out how to find a manufacturer in China. After a number of dead-ends, they realised there was no substitute for on-the-ground knowledge. They engaged an agent based in China with a wealth of knowledge of the manufacturing industry, networks and language skills required to ensure that Tiller was getting a consistently high-quality product out to customers.

*"There's no book on how to do this from start to end. As far as we were concerned, we were doing something that hadn't been done before."*

— Ed Thomson, Co-founder, Tiller

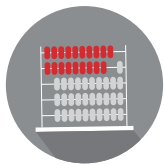
Icon SOC, a leading Australian cancer-care provider, outsourced sophisticated knowledge of Asian markets to support their entry to Singapore. They hired consultants to develop extensive research on market opportunities and compatibility throughout ASEAN. Icon SOC are now building on their experience in Singapore to help shape the business' expansion to Vietnam.

# ASIA CAPABILITIES FOR AUSTRALIAN BUSINESSES

Out of the 11 Asia capabilities that were outlined by the original *Asialink Taskforce*, four individual capabilities are vital to all businesses, including small and medium businesses, to succeed in Asia (see Appendix 1). Two additional capabilities are vital to the success of medium-sized businesses (see Appendix 2).

## THE 11 ASIA CAPABILITIES

### SMALL BUSINESSES



Extensive experience operating in Asia



Sophisticated knowledge of Asian markets/ environments

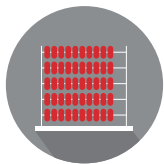


Long-term trusted Asian relationships



Ability to adapt behavior to Asian cultural contexts

### MEDIUM-SIZED BUSINESSES



Leadership committed to an Asia-focused strategy



Customised offering / value proposition based on customer insight



Capacity to deal with government



Useful level of language proficiency



Customised Asian talent management



Tailored organisational design with tendency to local autonomy



Supportive processes to share Asian learnings





## ICON SOC

### “YOU CAN’T DO ASIA FLY-IN FLY-OUT”

Icon SOC is a medium-sized Australian-owned business based in Singapore that provides cancer treatment and services throughout Southeast Asia. Guided by a long-standing team of doctors, Icon SOC treats thousands of patients every year. They have seven centres in Singapore and outreach clinics in Vietnam. In addition to treating Singaporeans, Icon SOC cares for patients from surrounding countries in Asia who travel for the business’ clinical expertise.

#### DO YOUR HOMEWORK AND RESEARCH POTENTIAL MARKETS BEFORE ENTERING

For Icon SOC doing the background research on potential Asian countries to set up their hub in the region was just the beginning. They hired consultants to survey several different Asian markets before landing on Singapore due to its connectivity to the rest of Asia and relative ease of doing business. But for CEO Teena Pisarev, the only way to maintain a sophisticated and working knowledge of the markets in Asia is by being on the ground.

*“I genuinely think that we would not have had the same success if we had tried to do this at arm’s length. You have to have a presence, but really you have to be there”*

— Teena Pisarev, CEO, Icon SOC

#### THE APPROACH IN ASIA IS VERY DIFFERENT FROM AUSTRALIA

There are nuances that companies miss if they are not living and working in the business’ market. One example of the subtle differences in Singapore is that nurses in the cancer clinics were responsible for mixing compounds for chemotherapy. In Australia that is normally a role for pharmacists.

It was important for Icon SOC to adapt to this practice, ensuring that the appropriate safeguards were in place but also that they weren’t detracting from the existing skills of their nurses in Singapore. “If you want to be effective and productive, you have to understand what the norms are for

each employee group and overlay that with your existing workflow to find a middle ground”, Pisarev says. At the end of the day it was a key management decision that benefited from the CEO being in Singapore to ensure the business understood the issue and got the balance right.

And of course, there are additional advantages to living and working in the region. For Pisarev, the opportunities are endless, presenting themselves daily. As a medium-sized business, Icon SOC is better resourced than smaller businesses to capitalise on these opportunities. But it still finds that it can’t take advantage of all of them.

*“I didn’t realise how many opportunities there were in ASEAN until I got here”*

— Teena Pisarev, CEO, Icon SOC

As well as the exposure to these opportunities, there are also important cultural reasons for being in Singapore. Business leaders throughout Southeast Asia place significant weight on personal relationships. Pisarev says that potential local partners want to know that a business is in Asia for the right reasons, that its leaders live in Asia, that the company is invested in the region and that its relationships are in the region. “You can’t do Asia fly-in fly-out”, she says.



Teena Pisarev, CEO, Icon SOC (middle)

## Extensive experience operating in Asia

The first step into Asia is the hardest. Several small and medium business owners and leaders noted that they had no prior experience in Asia. With little support to take the leap, many owners and leaders jumped blindly or got lucky by meeting the right people with the right capabilities at the right time (others weren't so lucky). Irrespective of how businesses had initiated their strategy to capture growth opportunities in Asia or how they had sourced the expertise to enter Asia, they are now developing their own experience in Asian markets. Several of these small and medium businesses have been operating in-country for up to 20 years and now have the capabilities and confidence to look for opportunities across the region.

The experiences of several small and medium businesses illustrate how they have been able to develop and internalise Asia capability after they establish a presence in Asia. This highlights the benefits that can be gained from reducing initial barriers to entry for small and medium businesses. Australian businesses will more easily develop the capabilities they need to grow with Asia if they can overcome initial barriers to market entry.

It is generally easier for medium-sized businesses to develop Asia capability. Medium businesses have the resources to invest in their staff and build and maintain experience operating in Asia. But for smaller businesses, without the same level of resources, this is more of a challenge. Smaller businesses more commonly choose to outsource Asia experience to an agent or to local staff who have local cultural and business understanding. Exposure to Asia for small businesses is a first step, but they will struggle to unlock future growth opportunities without internalising and building Asian experience within the organisation.

*"Officials in China are looking to work and deal with people who have in-depth knowledge and experience in the country"*

— **Jim Tanner, CEO, Envis**

## Long-term trusted Asian relationships

Trusted relationships and networks are key to business success in Asia no matter the size of the business. But they are harder to establish for many small and medium businesses that cannot dedicate the resources to a full-time presence in the host Asian market. International business literature describes the formation of 'networks of relationships' as a way for businesses in Asia to overcome commercial uncertainties that arise from the diversity of language, culture and regulatory and political systems that impact the business environments of Asia.<sup>17</sup>

During in-depth interviews, one medium-sized business leader spoke of the advantages of living and having her family in Asia. She said it showed a level of commitment to her business presence in the country and led to more meaningful conversations with business partners. But few of

the other small or medium businesses had the resources to do the same. This exposes the different benefits that come from different levels of investment in business relationships. While small and medium businesses may build long-term relationships purely through the passage of time, developing deep and genuine trust in that relationship may be difficult without the constant interactions that come from being in the country.

*"You can't build relationships or your business without being on the ground, showing up and putting the work in"*

— **Anna Robinson, Owner, Take Us To Thailand**

## Ability to adapt behaviour to Asian cultural contexts

It is difficult for Australian businesses to develop cultural intelligence without investing time and resources. But companies entering Asian markets without the necessary cultural intelligence and market awareness are likely to fail.<sup>18</sup> Cultural context is important not only to individual interactions and relationship building but also, in larger businesses, to understanding the work environment and how to manage locally engaged staff.

*"We didn't know much about the culture, but we knew we had to protect ourselves from cultural ignorance"*

— **Ed Thomson, Co-founder, Tiller**

International business literature suggests that in addition to knowledge, individuals must also be motivated to adapt their behaviour to a different cultural environment and be able to engage in adaptive behaviours.<sup>19</sup> This is not to discount the importance of having foundational knowledge (such as cultural competency training) of what to expect in Asia but highlights the importance of lived experience in developing this capability into a competitive advantage.

*"Establishing a business in China takes time, re-education in cultural norms, a good network of contacts built up over time, a modicum of luck and a large amount of travel and considerable time on the ground"*

— **Rowan Kennedy, Chairman, Envis**

Small and medium business owners and leaders spoke of being exposed to a range of different experiences during their time living or operating in Asia. Examples of these encounters included:

- in Macau, staff quitting because after 12 months they had not received a promotion
- in Singapore, paying staff for the '13th month' as an annual bonus
- remembering the importance of Chinese numerology for business interactions in China and throughout business communities in Southeast Asia.

*"Living in Singapore now means that I have day-to-day management of staff. The team dynamics in Singapore are very different to Australia. It is important to get an understanding of the differences"*

— **Teena Pisarev, CEO, Icon SOC**





## BUILDING CAPABILITIES FOR MEDIUM-SIZED BUSINESSES

Medium-sized businesses have more resources to draw on than small businesses, but to grow they must compete for bigger opportunities. Bigger opportunities attract more sophisticated competitors. To compete in Asia, medium-sized businesses need to develop organisational capabilities, in addition to individual capabilities. Two organisational capabilities are vital for medium-sized businesses to develop to compete for larger opportunities in Asia. These are:

1. Leadership committed to an Asia-focussed strategy.
2. Customised offering / value proposition based on customer insight.

### Leadership committed to an Asia-focussed strategy

While all businesses require commitment to an Asia-focussed strategy, this capability is generally more relevant to larger businesses where there is a defined difference between management and employees. It recognises that while there may be individual Asia capability at an employee level, this will be of no benefit unless management are committed to nurturing that capability and deploying it to grow in Asia. This requires a formal strategy that is communicated throughout the business.

*“Our international reach is in response to our belief in the importance now and growing success of Australia / Asia relations”*

— **Peter Hutchins, Managing Director, Charter Keck Cramer**

Internationalisation of small and medium businesses relies more heavily on the entrepreneurial spirit of leaders, as compared with larger organisations.<sup>20</sup> Entrepreneurial knowledge, relationships, experience, training, skills, judgment and the ability to coordinate resources are important to small and medium businesses moving into international markets.<sup>21</sup> This is especially true of medium-sized businesses that can leverage their agility and ability to adapt to new opportunities. But to leverage this agility,

expats and local leaders need to be engaging in the region.

### Customised offering / value proposition based on customer insight

Over the past two decades, local customisation has been decisive for global companies seeking to expand their market share in Asia.<sup>22</sup> While small and medium businesses lack the resources that major global brands can deploy in market research, some Australian small and medium businesses have seen strong returns on more modest investments in customisation.

For example, Adelaide-based Beston Global Foods, founded in 2014, has become one of Australia’s fastest growing food and beverage exporters. It has achieved this by investing in extensive research into local tastes to customise its products, as well as by committing resources to educating new markets. The company recently developed a range of premium cheese products specifically for the Thai market, which it has promoted through wine tastings.

*“Client demands are constantly changing you have to keep that in mind and ensure that the whole team is focused on meeting the needs of clients in India”*

— **Shane Herbert, Customer Services Manager, Proteomics**

Previous research conducted by Asialink Business found that Australian small and medium businesses ‘appear to be behind competitors (on average) in the customisation of their organisations, people, products and services to the context of each Asian market’.<sup>23</sup> Adapting to consumers in Asia is a country-specific exercise in aligning a company’s products to its customers.

*“Understand where your clients are coming from and how they are thinking. In negotiations there is no black and white, you have to find that middle ground and work together to find a compromise”*

— **Ivan Lam, Head of International Business, Charter Keck Cramer**

## CHARTER KECK CRAMER

### “GOING GREAT DISTANCES FOR CLIENTS”

The changing nature of the Australian property market is something Charter Keck Cramer has come to deeply understand over the past 45 years of operation.

Charter Keck Cramer was first established as a valuations firm in Melbourne in the early 1970s. Charter has since expanded and diversified its service offering. It now provides independent strategic property advice to clients locally and internationally across valuations, advisory, research and strategy, projects and capital.

In 2015 Charter appointed Ivan Lam to Head of International Business to ensure that international clients had a direct line into the business. Ivan provides highly skilled, experienced and independent advice to clients on capital investment into the Australian property market. This gave Charter's clients the resources to assist in the investment process and strongly guard their ultimate investment.

*“Our international reach is in response to our belief in the importance now and growing success of the relationship between Australia and Asia”*

— **Peter Hutchins, Managing Director, Charter Keck Cramer**

The pathway to opening an office in Singapore was organic and stemmed from Ivan and Peter's growing number of relationships and clients from ASEAN. The push into Singapore was adopted with enthusiasm and strategic development through the Executive Board in 2017.

Being on the ground in Singapore has allowed Charter to further develop and support the strategic needs of its clients both locally and internationally. It has also increased the company's capacity to be the safe pair of hands to help facilitate clients' growth into the Australian property market.

#### HIRING TALENT THAT CAN OPERATE BETWEEN COUNTRIES AND CULTURES

Charter was recruiting for its first on the ground resource for several months. While appointing someone was crucial to providing the best service to clients, that quality of service could only come from appointing the right person. Charter's goal was to ensure that the appointment would have client skills and industry experience, along with local knowledge, local relationships and work experience in both Australia and Singapore.

Charter appointed Brynner Loke as Executive Manager – ASEAN Business to its Singapore office in November 2018. Brynner undertook a summer internship program at Charter's Melbourne office while completing his Masters Degree at an Australian university.

#### STRUCTURING A BUSINESS THAT GROWS WITH ITS CLIENTS

Charter has grown with its clients' needs. Establishing a Singaporean office is part of its national and international expansion that is occurring as Charter grows in partnership with its clients.

It can see that its clients benefit most when Charter is engaged before an investment decision is made. That way, Charter can guide them through the process and toward the assets of greatest long-term value. Charter is part of both the deal structuring and execution, as well as a long-term property partner.

Charter Singapore currently offers services that help people safely and productively invest in Australian property.

With a deep understanding of the critical linkages between planning policy, property markets and property industry dynamics Charter provides the perspective and foresight needed to deliver investment into the Australian market.

*“We speak the same language”*

— **Ivan Lam, Head of International Business, Charter Keck Cramer**

Acknowledging the importance of the culture of its Chinese clients, Charter provided staff training on appropriate cultural practices — from handling business cards to how to have a meal.

Having Ivan on the executive team as Head of International Business also meant that the company had someone who could converse with clients in their own language.

“Sitting in a business presentation, I understand more complexity than a company that is receiving information through a translator. Having language skills helps me understand the clients better and they understand me better too. Many of the big companies still rely on translators,” says Ivan.



From left: Brynner Loke, Shaun Golden and Ivan Lam at Charter's Singapore office.



# A PRESENCE IN ASIA WILL HELP AUSTRALIAN BUSINESSES DEVELOP CAPABILITY

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Each of the six capabilities introduced above are best developed through on the ground experience in Asia. While technology is making it easier to ‘engage’ in Asian business, it is not an all-in-one solution. New platforms need to be used to complement, not substitute, being on the ground in Asia. Online e-commerce platforms like Alibaba provide access to significant market access with over 113 billion orders annually.<sup>24</sup> But there are also risks if arm’s length customer engagement is not backed-up by Asia capability.

The well-publicised example of Bellamy’s, an Australian producer of infant formula, illustrates the need for businesses to develop Asia capabilities. A series of business decisions by Bellamy’s management, linked to selling their product on e-commerce platform TaoBao, wiped \$500 million from the company’s share price. One of the key learnings for Bellamy’s was the need to understand the significant role that *daigou* — resellers who would buy the formula in Australia and sell to their networks back in China — had in assuring the quality of the product to the buyers. By selling online, consumers did not have any assurances of the quality of the supply chain or the product. In the fast-moving and continually evolving e-commerce marketplace, applying such deep customer-centric insights can be critical to success.<sup>25</sup>

Bellamy’s experience is one of many examples that illustrate the risks associated with arm’s-length engagement with Asia. Without access or expertise and/or spending time on the ground, it is difficult to create the market and cultural knowledge, trusted relationships or understanding of local consumer preferences that allow organisations to win in competitive markets over the long run. Business owners

and leaders interviewed had implemented several strategies for mitigating this risk. They included a spectrum of engagement models, including:

- hiring an agent to conduct operations and communications in the country
- regular business trips
- establishing a satellite office for staff to visit and use when they are in the country
- establishing a full-time presence with an office and locally engage staff in the country.

These strategies were seen as key to developing the capabilities that support businesses to succeed in Asia.

The arm’s-length model (for example, engaging an agent) provides resource-constrained small and medium businesses access to the skills and information they need to pursue short term opportunities at lower risk. But without internalising Asia capabilities within the organisation it is difficult to develop a foundation for the business to learn and expand in the region over the longer term.



## DIGIVIZER

### “THE WAY TO GROW AS AN ORGANISATION IS TO MAKE IT PERSONAL”



Digivizer CEO, Emma Lo Russo

Digivizer is a platform that allows businesses to analyse the performance of their digital marketing programs, in real-time and across all the main social and search channels. The company was founded by Emma Lo Russo in 2010 and has grown rapidly. The company now employs over 55 employees across 14 countries.

In 2016, Digivizer won a contract for work throughout Asia for a leading global technology company. The company very quickly went from having no physical presence in Asia to establishing a regional network with a hub based in Singapore.

*“We went from having none to having 14 staff throughout 14 countries in Asia within one month. Since then, we have won a lot more business in Asia because we have that footprint.”*

— Emma Lo Russo, CEO, Digivizer

Digivizer’s experience illustrates some of the challenges that smaller businesses face when building an Asia strategy and expanding internationally. Emma had worked in larger companies and led successful growth strategies into the United States, Europe, the Middle East, Africa and Asia, including China — but with significant resources at her disposal to back those moves.

*“I realised that while we could win such a great opportunity, I couldn’t afford a Big 4 consulting firm or rely on an HR department or finance department to hand over the task of making our move into Asia a reality. So it was pretty much me, my EA and an intern working on how we could set up in Asia within 30 days!”*

— Emma Lo Russo, CEO, Digivizer

Digivizer engaged an agent in Singapore to help facilitate the visas and to provide some of the banking infrastructure for

paying employees in the region. But Emma also leveraged her own experience and smarts to attract talent. She promoted her executive assistant at the time to Head of People, and backfilled the EA role. Together they began hiring new staff throughout the region. Digivizer’s strategy has been to hire nationals with local language expertise in addition to strong English skills, who understand the cultures and have the in-depth knowledge of the markets in each country. “It is part of our secret sauce,” says Emma.

There are real benefits to having an established network throughout the region. The business model ensures that the company is on top of developments in Asia and can best meet existing and new clients’ needs.

Geographic dispersion of staff resources also poses challenges. Most employees are the sole Digivizer employee in their country of operation. A degree of remoteness is inevitable and creating (or extending) a culture to embrace the team based overseas, and to ensure they share the values already established, is critical.

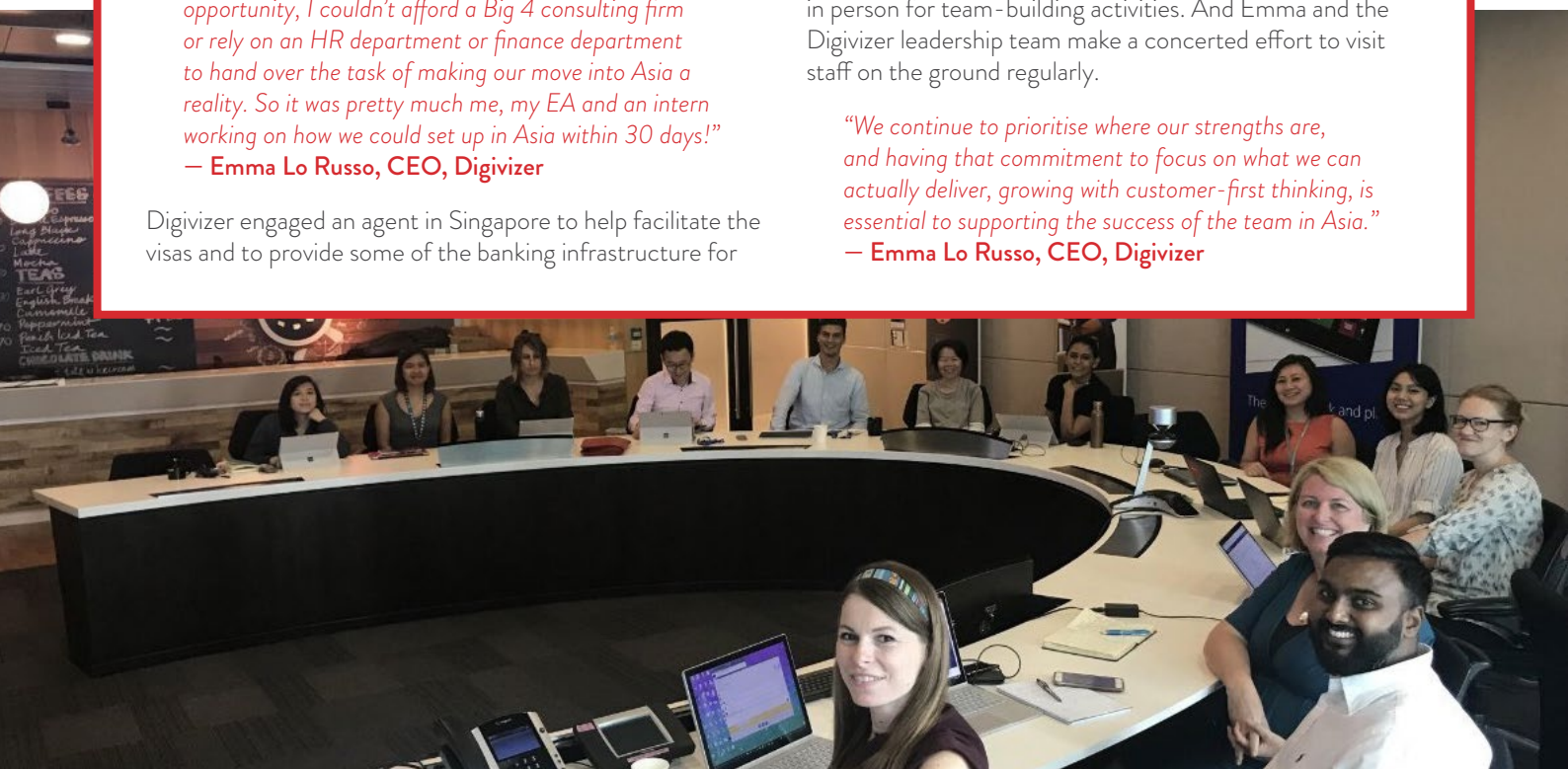
*“The way to grow as an organisation is to make it personal. The more personal and passionate you are about what you are doing, the more that employees and business partners will be invested in what you are trying to achieve.”*

— Emma Lo Russo, CEO, Digivizer

To address this issue, Digivizer uses strong collaborative technology to ensure daily connectivity between staff in the region, as well as monthly team video briefings and cross-region face-to-face learning. Annually, the staff also meet in person for team-building activities. And Emma and the Digivizer leadership team make a concerted effort to visit staff on the ground regularly.

*“We continue to prioritise where our strengths are, and having that commitment to focus on what we can actually deliver, growing with customer-first thinking, is essential to supporting the success of the team in Asia.”*

— Emma Lo Russo, CEO, Digivizer



# CONCLUSION

The rapidly growing markets in Asia present an enormous opportunity for Australian businesses. But most businesses still need to develop the skills required to capitalise on the opportunity. This is especially true for resource-constrained small and medium businesses that are more focussed on their day-to-day operations than looking for opportunities abroad.

Small and medium businesses are critical to Australia's economic prosperity. If these businesses aren't looking for opportunities in Asia, then the Australian economy will not be leveraging its full potential during the Asian Century. Prioritising the Asia capabilities that will reduce market entry and information barriers and allow more Australian businesses to take advantage of the huge opportunities is vital. Australian small and medium businesses that engage in exports and imports with Asia will also have a stronger outlook for revenue growth.

This discussion paper identifies four Asia capabilities that all small and medium businesses require to compete in Asia, these are:

1. Sophisticated knowledge and experience of Asian markets/environments.
2. Extensive experience operating in Asia.
3. Long-term trusted Asian relationships.
4. Ability to adapt behaviour to Asian cultural contexts.

Two further capabilities were also revealed as vital to medium-sized businesses that are competing against more sophisticated rivals for larger opportunities, these are:

5. Leadership committed to an Asia-focus strategy.
6. Customised offering/value proposition based on customer insights.

While there are short-term arm's-length solutions to fill Asia-capability gaps, such as engaging an agent, they do not internalise capabilities within the organisation. Without internalising Asian experience, knowledge and networks there will be little foundation for small and medium businesses to leverage or expand on in the long run.

The case studies for this report show that there are significant business opportunities available for Australian small and medium businesses in Asia. While business leaders reflected on the steep learning curve for capitalising on Asia's growth, they recognised the value of this experience and its ability to provide a strong foundation for their ongoing growth journey in Asia.

This discussion paper is a first step to help Australian small and medium businesses to identify the Asia capabilities that are not negotiable to compete for emerging opportunities small and big in the region. The next step in this research project is to develop a publicly available online Asia-capability self-assessment tool and resource library, which will lower the information barriers that prevent many Australian small and medium businesses from looking beyond their own backyard.

## HOW ASIA CAPABLE ARE YOU?

**Take the quiz to assess your Asia capabilities**, identify gaps and access helpful resources.  
Grow your business today!



# APPENDIX 1:

## INDIVIDUAL ASIA CAPABILITIES

CAPABILITY	OVERVIEW
Sophisticated knowledge and experience of Asian markets/environments	<ul style="list-style-type: none"> <li>• In-depth understandings of the business, cultural, political, ethical and regulatory environments specific and unique to each Asian country of operation</li> <li>• Understanding of the strength of local Asian competitors and of the importance of 2nd and 3rd tier cities</li> </ul>
Extensive experience operating in Asia	<ul style="list-style-type: none"> <li>• Extensive experience (&gt;2 years) operating across a diverse range of Asian markets</li> <li>• Successful experience managing risk (e.g. FX/I.P.), working with governments and regulators, and navigating market access hurdles</li> </ul>
Long-term trusted Asian relationships	<ul style="list-style-type: none"> <li>• Investment in, and the ability to develop and maintain, business networks and long-term relationships</li> <li>• Ability to utilise long-term relationships to identify and select quality partners and/or acquisition targets</li> <li>• Ability to deal and negotiate with Asian business executives, potential partners and acquisition targets</li> </ul>
Ability to adapt behaviour to Asian cultural contexts	<ul style="list-style-type: none"> <li>• Sensitivity to the impact of culture on the process and content of business interactions</li> <li>• Flexibility to adapt behaviours to specific Asian cultural and business contexts</li> </ul>
Capacity to deal with government	<ul style="list-style-type: none"> <li>• Ability to work with government entities, state-owned enterprises and government processes</li> <li>• Ability to deal and negotiate with Asian political leaders and regulators in local markets</li> </ul>
Useful level of language proficiency	<ul style="list-style-type: none"> <li>• A useful level of proficiency in the local language(s), for better communication and to demonstrate commitment and cultural sensitivity</li> </ul>



## APPENDIX 2: ORGANISATIONAL CAPABILITIES

CAPABILITY	OVERVIEW
Leadership committed to an Asia-focussed strategy	<ul style="list-style-type: none"> <li>Engaged leadership with clear strategy for Asian operations and clear vision of how they fit within a more global business</li> <li>Leadership team of both expatriates and locals with experience gained through cross-cultural rotations</li> </ul>
Customised Asian talent management	<ul style="list-style-type: none"> <li>Customised local talent management strategies to attract, develop and retain local talent</li> <li>Fluid rotation of emerging leaders (both Asian and expatriates) to, from and within Asia</li> </ul>
Customised offering/value proposition based on customer insight	<ul style="list-style-type: none"> <li>Adaptation of offering, brand and value proposition to Asian market segments and preferences, informed by customer insights</li> <li>Global standardisation balanced with local customisation to optimise economies of scale and scope</li> </ul>
Tailored organisational design with tendency local autonomy	<ul style="list-style-type: none"> <li>Tailored organisational structure to suit one's own business and the local market conditions</li> <li>Tendency toward local autonomy and country-specific organisational structure, providing flexibility to adapt to complex and rapidly changing Asian markets</li> </ul>
Supportive processes to share Asian learnings	<ul style="list-style-type: none"> <li>Processes in place to ensure proactive and collaborative sharing of Asian learnings and best practice between business units, functions and countries</li> </ul>

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1-4 employees — micro business  
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