ANALYSIS OF TH

EXPORTING SME ON TH

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Contents

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Foreword

The governments of Ireland and Northern Ireland recognise that exports will be a key driver of economic recovery and growth. In the 2012 Action Plan for Jobs the Irish government state that 'indigenous company growth through trade is central to our plan for recovery, growth and jobs'.[1] In the Northern Ireland Programme for Government 2011-2015 the Executive aims to 'increase the value of manufacturing exports by 20%'.[2]

InterTradeIreland commissioned this study to identify the attributes and characteristics that distinguish exporting firms and to assess if there are potential cross-border opportunities that can help contribute to the two governments' common economic priority.

Data from our All-island Business Monitor (AiBM) shows that almost two thirds of businesses across the island do not export posing a danger that the burden of leading economic recovery may fall on too small a base. Certainly increasing the number of exporting firms can only be beneficial to sustained economic recovery in both regions.[3]

Identifying the distinctive characteristics of successful exporting firms will help us to either pick out firms that have such attributes and speed up their path to exporting or to assist firms develop the characteristics in which they are currently deficient.

This study confirms the view of other international research studies that the drive and ambition of key decision makers within a business, is a critical factor in the business decision to export and that other internal capabilities in the areas of strategic planning and innovation are important.

The study emphasises the importance of a stepped approach in capability-building programmes in order to address the development needs of both experienced and inexperienced exporters. This approach can be designed to focus not only on increasing the level of exports but also on increasing the number of companies engaged in exporting.

Importantly, the study shows that the cross-border market on this island is a first step into exporting for almost three quarters of businesses and that the experience gained acts as a stepping stone to further export markets off the island. The work of InterTradeIreland with such businesses, who are first-time or relatively inexperienced exporters and who have the drive to grow coupled with the appetite to develop the attributes and characteristics that distinguish successful exporting firms, can play a significant role in expanding a domestic export base that is internationally competitive.

[1] DJEI (2012).
[2] DETI (2012).
[3] Results from the survey for this report was compared to results from the Q3 2012 InterTradeIreland Business Monitor, surveyed at the same time, and found that 65% of exporters were growing/expanding compared to 15% of non-exporters in the Business Monitor cohort

Executive Summary

The objective of the study is to identify key characteristics present in successful exporting SMEs, assess the extent to which cross-border exporters have moved onto other markets 'off the island' and gauge the impact that cross-border trade and exporting activity has on the overall performance and capabilities of the businesses. The research for this study has drawn primarily on the experience of companies that have participated in the trade programmes of InterTradeIreland, Enterprise Ireland and Invest Northern Ireland. They key findings of the research are summarised below.

Importance of cross-border market

- The cross-border market is particularly vital for small firms. Nearly two thirds of the exports of small firms in Northern Ireland go to Ireland while almost a sixth of the exports of small firms in Ireland go to Northern Ireland.
- The cross-border market is also critical for the first-time exporter in both jurisdictions. Cross-border sales represent the first export market for almost three-quarters of businesses across the island (73%), with 90% of Northern Ireland firms taking their first export steps in the Irish market and two thirds (63%) of Irish exporters taking the same steps in the opposite direction.
- The experience gained in cross-border trade acts as an export stepping stone for a majority of firms. It has had a significant influence on the development of additional export markets in 71% of businesses.
- Over one-third (35%) of those businesses with existing cross-border or off-island sales have expanded into additional markets in the past three years and 42% of all firms surveyed are actively looking to develop new or further export markets.

Key characteristics of exporting SMEs

Exporting SMEs tend to be more innovative, more strategic and crucially are led by Key Decision Makers that have a greater drive to grow. Moreover, they are more likely -with experience- to devote resources to the export effort of the business.

- Businesses with export activity ranked themselves as very good or excellent in the following attributes:
    - Willingness to adapt, innovate and change - particularly in new products, routes to market and branding/packaging (84%)
    - Willingness to collaborate with others in developing exports (80%);
    - Ability to explain their key value proposition (79%) and
    - Appetite and ambition of senior management to develop export markets (75%).
- Results from the survey are consistent with existing research affirming that for many SMEs, the key factor determining if a company will export is the drive and aspiration of the Key Decision Makers in the business.
- Exporters are, on average, twice as likely as non-exporters to have a written strategy or business plan. However, while the majority of export-oriented businesses have a structured and strategic approach to their business and their exporting activity, this proportion grows significantly with experience in exporting.
- Fewer inexperienced than experienced or new exporters rated themselves very good or excellent in having specific export objectives, having a process for managing market entry or having estimated the costs of export development. This finding suggests that exporting begins as an ad-hoc and opportunity-driven action rather than a strategic decision.

Export barriers and supports

- More than half of respondents identified a lack of internal financial resources, access to external finance and awareness of available supports and market knowledge as the main challenges to exporting.
- Businesses repeatedly cite the lack of resources as a barrier to export growth, particularly a dedicated, on-the-ground resource in the target market. The resource issue is heightened by current pressures on cash flow and the need to see a commercial return from new markets within a short timeframe.
- Consequently, businesses state that the main form of support they require is the provision of resources, such as market knowledge, additional finance or networking assistance. The firms interviewed prioritised a particular type of resource: senior individuals typically based in the target market, who had existing experience of the sector, along with a clear understanding of how the market worked and how business was done, with extensive networks and access to clients.

Conclusions

The report sets out six key lessons that should be considered in terms of policy and programme development in order to encourage more non-exporters to become exporters and to develop the capabilities of inexperienced exporters:

1. The importance of Key Decision Makers (KDMs) to businesses becoming successful exporters. **Agencies should assess the characteristics of the KDMs, particularly their ambition and aspiration to grow, as a criteria** in selecting companies to support. In addition, management and leadership programmes are a significant element in the agencies' offerings and provide an opportunity for opening up supports on a cross-border basis to businesses.
2. There is a pathway to exporting with cross-border trade being the first step for a significant majority (73%) of firms, many of whom subsequently go on to expand into markets off the island, particularly GB but also the Eurozone and North America. **This suggests that the border might be used as a stepping-stone to exporting further afield and that these businesses are encouraged to progress along the pathway from cross-border trade to off-island exporting**.
3. The report identifies the need to develop capabilities, particularly in the areas of innovation and strategy, so that inexperienced and new exporters can move on to greater success off the island. Agencies should consider how to better integrate innovation programmes with export development and **consider the extent to which a company has adopted innovative practices as selection criteria for export support**. In terms of strategy, there is recognition that companies will base exporting decisions on the immediate opportunities. However, in the longer run **supports need to embed a more strategic approach into company capability** as this will be key to further success.
4. Far and away the most important resource required by businesses is **the availability of experienced in-market resources** offering identification of opportunities and immediate access to potential clients or customers. Agencies should explore the means by which experienced sales resources can be accessed by the first-time and inexperienced exporters. These supports need to be linked to the **direct involvement of a senior management resource with responsibility for planned export activity**.
5. Businesses expressed an interest in collaborative working with other partners in order to develop and exploit market opportunities, including the provision of a complementary product, capability or service that would enable all partners to export more effectively and efficiently. **The development of such partnerships could be explored on a North/South basis.**
6. The survey results reveal that experience is an important factor in how businesses develop or acquire the strategic attributes necessary to become a successful exporter. Support programmes should be **tailored to the level of export experience of businesses and cover their needs in the transition from an non-exporter to an inexperienced or experienced one**. For example, participation on a trade mission would be too daunting and less beneficial for most first-time or inexperienced exporter. However, participation in a tailored 'market study trip' in which the business gains both international exposure and a taste of the market will allow them to take an informed next step (i.e. develop a export strategy for that market or keep looking for alternatives).

1. Export activity and the importance of the cross-border market

1.1 Overview

Both Northern Ireland and Ireland are open economies with exports accounting for significant proportions of their sales. In Ireland exports had a third year of increase in goods exports in 2012 to almost €92bn and the same upward trend was experienced by services exports in 2011, to €81.4bn. In Northern Ireland the total external sales by manufacturing companies was estimated to be £12.9bn in 2011/12, an increase of 6.1% over 2010/11, while services exports are estimated to be £409.6 million in 2010, a drop of 17.4% compared with the 2009 figure of £496.0 million.[4]

In terms of destinations for goods from Ireland, Northern Ireland accounts for a very small proportion (1.5% in 2012) of goods exports from Ireland, despite a slight upturn in cross-border sales from 2011 to 2012. However, for exports from Northern Ireland the Irish market is very important, accounting in 2011-12 for almost a quarter (24.2%) of exports, nearly the same as sales to the rest of the EU combined (26.5%), and 29.1% of the services exports by the High Export Performance Group go to Ireland.[5]

This study is focused on assessing the distinctive attributes and characteristics of exporting firms. A sample of 277 businesses which have participated in the trade programmes of InterTradeIreland, Enterprise Ireland and Invest Northern Ireland were surveyed for the study.

In this study the levels of export experience are defined as follows:

Inexperienced exporters are those who do not export, have cross-border sales only or have been exporting off-island for less than one year.

New exporters are those who have been exporting off-island more than one year but less than five years.

Experienced exporters are those who have been exporting off-island for more than five years but less than ten years.

[4] Using an alternative source, HMRC's Regional Trade Statistics, gives a similar upward trend in goods exports outside the UK to £5.58bn in 2012.
[5] Using HMRC figures Ireland accounts for 36% of exports.

Although the value of cross-border trade has declined from the peak of €3.8bn in 2007 to €2.7bn in 2012, 43% of cross-border traders surveyed reported an increase in sales compared with three years ago with only 15% reporting a decline (see Table 1.1). ‘New’ and ‘inexperienced’ exporters were more likely to report an increase in cross-border sales, at 53% and 48%, than their ‘experienced’ peers (35%), which might be explained by building up a market share after an initial entry as opposed to pressure to hold onto an existing share. Larger businesses with more than 50 employees were more likely to have experienced increased cross-border sales (53%) than businesses with 11-49 employees (43%) or businesses with 10 or fewer employees (39%).

Moving to exports off the island we see that more businesses (68%) reported an increase in these sales over the last three years than those involved in cross-border trade (43%). The same trends by size of businesses - larger ones more likely to have experienced an increase (77%) than smaller (64%) - holds here while manufacturing businesses (71%) were slightly more likely than service businesses (63%) to have experienced an increase.

A key impact for businesses involved in cross-border and/or export sales is an increase in the number of their employees. Table 1.2 compares the number of employees that a business had when it first began to export with the number of employees currently in the business. The overall results are positive with 51% of respondents moving up at least one employee size band, 43% remaining in the same employee size band and only 4% moving down an employee size band.

For example, of the 86 businesses who had between 3 and 10 employees when they began exporting, 25 have now between 11 and 20 employees, ten have between 21 and 49 employees and six have more than 50 employees.

These figures show that firms engaged in cross-border trade and exporting bucked the wider trend of employment losses in recent years.

Table 1.1: Change in cross-border and off-island sales over the last three years

	Increased	Remained the same	Decreased
Cross-Border	43%	42%	15%
Off-Island	68%	26%	5%

(Base: 240 – those with cross-border or off-island sales)

Table 1.2: Change in employees since business began exporting[6]

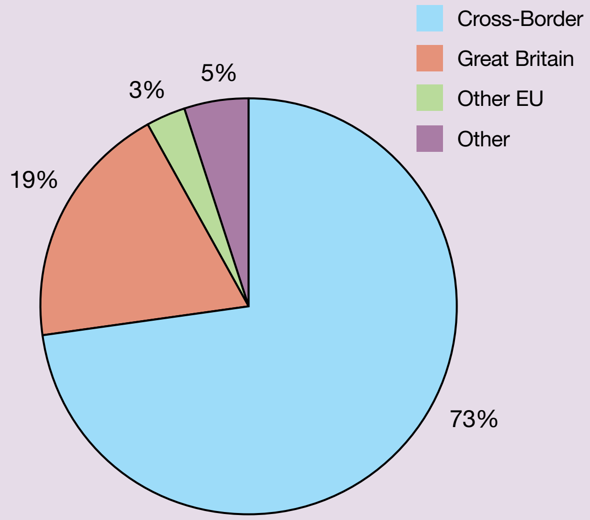
		How many employees did you have when you first began to export?						
		<3	3-10	11-20	21-49	50-100	100+	Unknown
		30	86	18	11	6	2	3
How many employees do you have now?	<3	9	4					
	3-10	19	41	1				1
	11-20	1	25	5	1			
	21-49	1	10	9	6			
	50-100		2	1	3	5		2
	100+		4	2	1	1	2	

(Base: 156 – those who have export or cross-border sales, in the last ten years)

1.2 Initial export market

Cross-border trade represents the first market outside of their domestic market for the vast majority (73%) of businesses that commenced exporting within the last 10 years, as indicated in Figure 1.1.

Figure 1.1: First export market outside of domestic market



(Base: 156 – those who have been exporting or cross-border trading less than 10 years)

The cross-border market is the first export market for a much greater proportion of Northern Ireland companies (90%) than Irish ones (63%). In contrast, Great Britain was the first export market for more than a quarter of Irish businesses (26%), but only 8% of their Northern Ireland peers and 19% overall. Larger businesses (>50 employees) are more likely to have targeted markets outside the British Isles for their initial export activity – these markets represented the first export destination for 13% of larger firms, compared to 8% overall.

The in-depth interviews with businesses supported the survey findings as firms in both Northern Ireland and Ireland reported that the cross-border market is viewed as a natural extension of the domestic one. In other words the majority of companies treat it as an 'all-island market', rather than considering Northern Ireland or Ireland as export markets, primarily due to the geographic proximity and similar cultures.

Despite a number of distinct differences, the most obvious of which is currency; many respondents stated that these two markets were much closer in terms of preference and behavior than the GB market.

Although companies view cross-border trade as a natural extension of their domestic markets, activity can frequently be opportunistic or reactive. This is particularly true for Irish companies, where the better margins and volume available in the domestic market make it difficult

[6] The cells of the table are colour coded as follows:

- Blue shading: company is in the same band now as it was when it started exporting;
- Green shading: company has moved up to a higher band than when it started exporting;
- Red shading: company has moved to a lower band than when it first started exporting.

or unnecessary to dedicate resources to the Northern Ireland market. This means that when the decline in domestic demand forced them to reprioritise cross-border trade, there was no structured approach in place and many companies stated that it was not until they made use of an agency cross-border trade support programme (such as InterTradeIreland's Acumen) that they had a more planned and targeted approach to their activity.

However, the interviews also identified some interesting differences between Irish companies exporting into Northern Ireland and those going in the opposite direction. For businesses from Ireland the domestic market was so buoyant up to 2007/2008 that they did not need to look elsewhere. In addition the margins available within the Irish market exceeded those available in either Northern Ireland or GB.

At that time the scale and growth within the Irish market vastly exceeded that of Northern Ireland. This was true both for overall volume and also the typical size of individual customers.

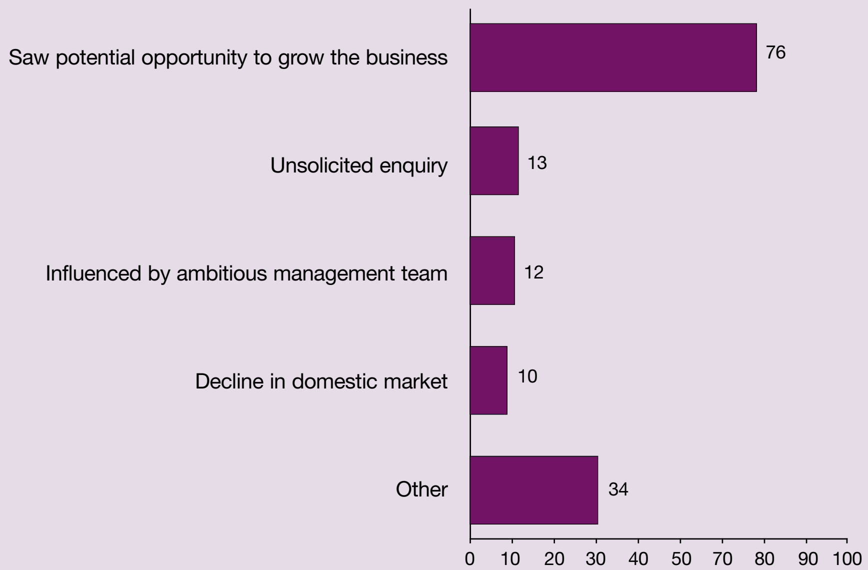
When the level of demand in the domestic Irish market began to drastically shrink in 2008 businesses in Ireland began again to consider export markets and Northern Ireland was a natural first choice. For businesses exporting for the first time Northern Ireland appeared to be a 'natural' geographical extension of the Irish market. The small scale of the Northern Ireland market meant that it was insufficient to justify treating as a discrete market for these exporting firms, but was useful as a springboard or stepping stone into the GB market. Companies also reported that initial activity in Northern Ireland gave them the confidence to look at GB.

They also benefitted from establishing relationships with companies in Northern Ireland which also have a British presence, providing them with an initial "entrance" to that market.

For Northern Ireland businesses, the Irish market can be (and largely is) treated as a distinct export market in its own right, as there is sufficient scale and volume to allow this. The profound economic changes in that market have had conflicting effects on Northern companies. For some, the increased importance of extremely competitive pricing has caused them to withdraw from the Irish market as they are unable to compete and gain suitable margins. For others the increased emphasis on cost has created market opportunities, enabling them to penetrate the market on the back of low-cost alternatives or substitutes, whereas previously a premium product or market leader would have been the preferred option. One issue raised in the interviews is that payment is perceived to be more difficult in Ireland, with a greater risk of default.

Businesses commented that operating in different currencies is not an issue from an administrative perspective, as many businesses operate both sterling and euro accounts.

Figure 1.2: Reasons influencing the selection of first export market



(Base: 156 – those who have been exporting or cross-border trading less than 10 years)

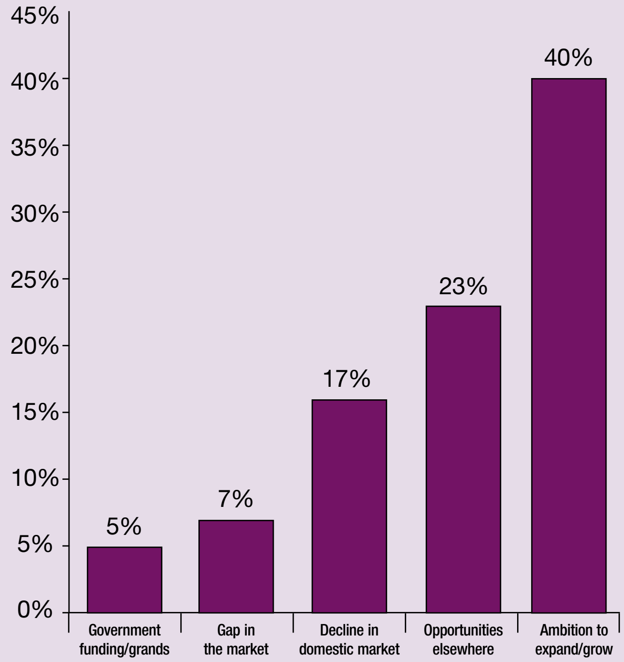
Volatility in the exchange rate can, however, have a profound impact on competitiveness and profitability. For example, in late 2007 the rate of exchange was £1.00 = €1.50, while, in early 2009, there was almost parity, with £1.00 = €1.02.

This shift meant that South-to-North trade and exports into GB became significantly more expensive or that the margins were significantly eroded.[6]

Regarding their initial export market, 76% of businesses said the identification of a business opportunity was the reason influencing the choice of first export market, as shown in Figure 1.2. The 'Other' reasons include encouragement to go on a trade mission (7%) and proximity to the market (3%).

However, when asked what the single biggest factor influencing the development of export or cross-border trade was 40% of businesses stated "the desire to expand or grow" and 30% as having "identified opportunities elsewhere" (see figure 1.3).

Figure 1.3: Single biggest factor influencing the development of cross-border and export sales



(Base: 240 – those who have export or cross-border sales)

[6] The rate in April 2013 was £1 = €1.19.

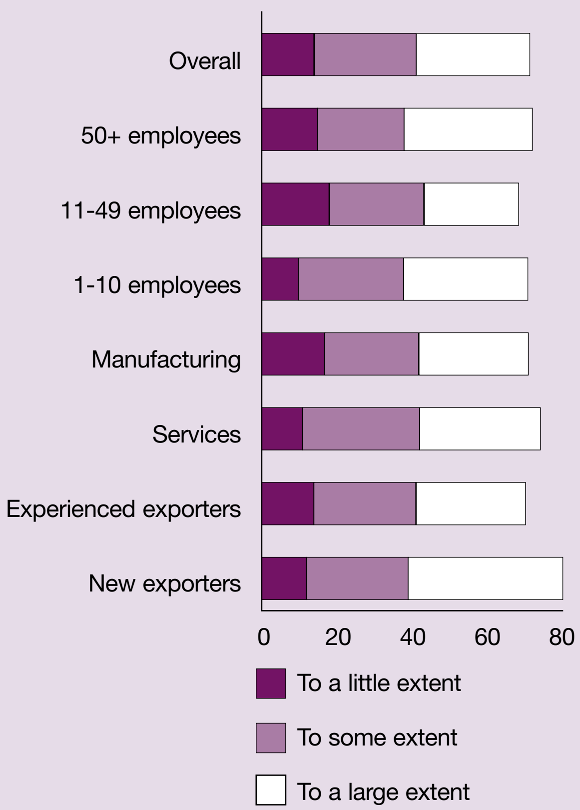
Only 5% of businesses said the provision of Government funding or grants was considered to be the biggest factor influencing them.

1.3 Cross-border trade as a stepping stone

The survey found that experience gained in cross-border trade has a significantly positive influence on the likelihood of businesses developing additional export markets. Almost three quarters (71%) of those with cross-border sales considered the experience of cross-border trade to have influenced them to consider developing other markets (see case study in page 16).

Cross-border trade, therefore, appears to act as a natural stepping-stone into the GB market. Of those who started exporting within the last 10 years 73% stated that cross-border trade was their first export market (see Table 1.3) while two-thirds (67%) of these businesses subsequently commenced trading in GB.

Figure 1.4: Influence of cross-border experience on the development of other markets



(Base: 223 – those that have cross-border sales)

CASE STUDY

Cross-border trade as stepping stone: Oilean Glas Teo (OGT) export success

In 2004, Donegal entrepreneur Declan Gallagher took seaweed extracts, developed a system to harvest it and formed Oilean Glas Teo (OGT - "Green Island Ltd"). Oilean Glas Teo manufactures algaegreen seaweed fertilizer from locally hand harvested seaweed, used for golf courses, horticulture, lawn and sports fields. After having grown the business steadily in the Irish market, Declan and his team turned their attention to Northern Ireland.

"Northern Ireland is such a big golfing destination; it was a natural market for us to target. But it was a market that we had not looked at before and didn't have the connections. Growing a business and looking to new markets is always challenging, particularly for small businesses, who may have limited knowledge of new markets. That's where InterTradeIreland really came in and helped us to expand with the support of the Acumen programme."

InterTradeIreland's flagship sales and marketing programme, Acumen, offers local businesses up to €18,750/£15,000 in funding, to assist them to increase their cross-border export sales, improve their knowledge of new markets and identify new business opportunities.

With the support of InterTradeIreland, OGT not only increased its cross border sales, but it also became export focused. OGT has now expanded into the UK, US and Far East golf markets, supplying to over 12,000 golf courses in the US alone. Some of new OGT's clients include golf courses in Palm Springs and Pebble Beach, California as well as football clubs such as Arsenal and Real Madrid.

"Our experience in cross-border trade has allowed us to look at new opportunities as it has taken away a little bit of the risk and fear factor of entering a new market or developing a new product. We have been able to build further the team within the company so we have much more knowledge of these new markets. We continue to see our turnover grow every year, but it is a very controlled growth for a company of our size. Exports are the future of our business and that's where we continue to develop"

OGT currently employs 21 people and has a turnover of €1.7 million and will continue to enter in new markets and further develop their product line.

Face-to-face interviews confirmed that initial cross-border trade encourages further export activity off the island and particularly into the GB market. The GB market was widely considered by interviewees to be a growing one, in contrast to the sluggish markets on the island, making it more attractive.

However, companies believe the GB market to be very different than the cross-border market because of size (the GB market being significantly bigger than the combined all-island market) and the different competitive environment (competitors frequently being larger and able to offer extremely competitive pricing or discounts as a result of economies of scale). As a result companies observed that a degree of innovation was essential for success in the GB market. It is believed that competing with generic or 'me too' products that offered nothing different was unproductive, especially as indigenous competitiors were typically more competitive on cost.

The GB market was also recognised as requiring significant investment – not only in product development, to offer 'something different', but also in sales and marketing resources, with an in-market presence considered essential to properly target and then deliver the work.

It is recognised that the latter requires a commitment of time by senior personnel to the export market, both initially to develop the business and subsequently to manage the on-going delivery of projects. For some companies, this meant that senior executives were spending 2-3 days per week in the GB market. However for others, particularly smaller firms, the commitment was greater, with the Managing Director or other senior individuals moving to the market in order to give it the required level of attention.
Interviewees noted other additional costs associated with moving off the island to the GB and other markets, such as the need for investment in a stock of product. This requires the increased availability of, or access to, working capital, one of the main barriers that companies in both Ireland and Northern Ireland face.

Then there is the cost of transport to the new market, which is a barrier not experienced to the same extent in cross-border trade. This can be considerable for some companies, especially those involved in high volume / low margin products. For Irish companies in particular, a combination of high transport (and other) costs and low margins mean that any detrimental movement in the rate of exchange with Sterling can have a profound impact on their ability to compete – or even be profitable – in the market.

For firms in Ireland and Northern Ireland we have seen that the cross-border market is considered to be closer than the GB one, in terms of trends, preferences and behaviours. Cross-border trade can act a 'springboard' giving businesses the confidence to enter the larger GB market or allowing them to fine-tune their approach to selling. For others, cross-border trade was a more tangible lead-in to the GB market – where they were able to 'piggyback' into the GB market based on their experience of either working with GB companies operating on the island or of working with the bigger NI/Irish companies which have a presence in that market. Nevertheless, it is recognised that there is a substantial element of sunk cost required to enter the GB market or further afield that is not necessarily required in the cross-border market.

1.4 Expansion into additional export markets

Just over one third (35%) of exporters have expanded into new markets in the past three years. As shown in Table 1.4 small businesses are much less likely to do so, at 23% compared to 42% and 46% of medium and large businesses respectively. Location too, has an impact with twice as many (44%) of firms based in Ireland going into new markets in the last three years as those based in Northern Ireland (22%).

The level of experience has had a significant impact on expansion – just 10% of inexperienced exporters (those with no exports, cross-border sales only or exporting off-island for less than one year) expanded into an additional market, against 46% of new and 43% of experienced exporters.

These are the types of businesses that are probably most open for support that help them to expand their export base.

Table 1.3: First export market outside of domestic market

	Cross-Border	Great Britain	Other EU	Other
Overall	**73%**	**19%**	**3%**	**5%**
1-10 employees	71%	20%	5%	4%
11-49 employees	76%	21%	0%	3%
50+ employees	74%	13%	4%	9%
Manufacturing	76%	19%	2%	3%
Services	69%	19%	4%	8%
Northern Ireland-based	90%	8%	2%	-
Ireland-based	63%	26%	4%	7%
Limited company	73%	19%	4%	4%
Other status	73%	20%	-	7%

(Base: 156 – those who have been exporting or cross-border trading less than 10 years)

Overall 42% of the respondents stated that they are actively looking to develop other markets, a higher figure than the 35% which actually entered new markets within the last three years. The propensity to consider additional markets is also influenced by the level of experience, with experienced exporters the most likely to be considering additional markets (47%). However, it is important to note that 33% of inexperienced exporters are also considering additional markets, which compares favourably to the 10% of inexperienced exporters that have done this in the last three years. As stated above this may well be a group which needs assistance in turning intention into delivery.

Overall Great Britain is the most popular new market entered with 26% of firms doing so, followed by USA (15%) and Germany (10%).

However, while GB was the most recent market for 45% of Northern Ireland firms, it was the most recent destination for only 19% of Irish firms, which put it behind the 'Rest of EU' (24%). Although only 10% of inexperienced exporters have entered new markets within the last three years, the significant majority of those went to GB (83%).

In terms of new markets being targeted the 'Rest of EU' is the most popular (28%), followed by the GB market (25%), the USA (16%), Asia (15%) and Africa (13%), showing something of a diversification away from the traditional markets.

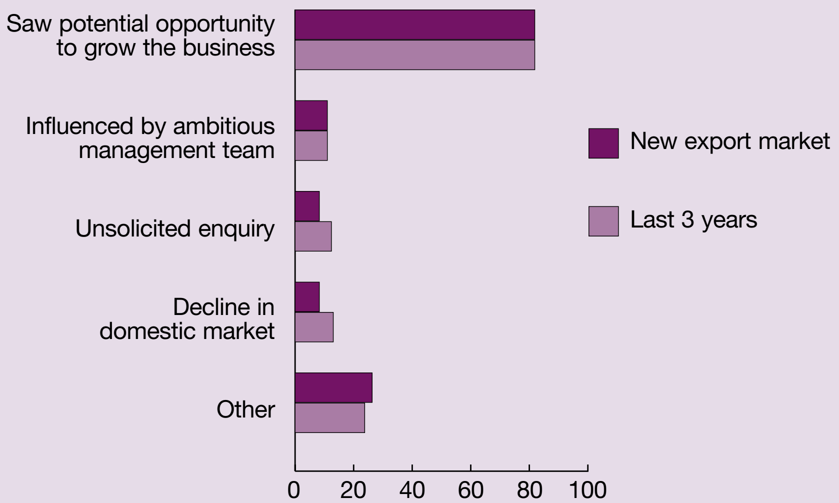
The reasons given by businesses for selecting their most recent export market (figure 1.5) are very similar to those for selecting the company's first export market (see figure 1.2 above), with 83% of companies having selected their most recent export market because they saw a potential opportunity to grow the business. These reasons do not differ much whether it is the most recent market entered or the next export market planned.

Table 1.4: Expansion into new markets within the last three years

	Yes (last three years)	No (last three years)	Yes (develop new markets)	No (develop new markets)
Overall	**35%**	**65%**	**42%**	**58%**
1-10 employees	23%	77%	44%	56%
11-49 employees	42%	58%	40%	60%
50+ employees	46%	54%	42%	58%
Manufacturing	83%	71%	11%	11%
Services	28%	72%	38%	62%
Inexperienced	10%	90%	33%	67%
New	46%	54%	45%	55%
Experienced	43%	57%	47%	53%
NI-based	22%	78%	37%	45%
Ireland-based	44%	56%	45%	55%

(Base: 277 – those with cross-border or off-island sales)

Figure 1.5: Reasons influencing the selections of most recent and next export markets



(Bases: 84 – those who have expanded into new markets in the last three years; 116 – those who are actively looking to develop sales in other markets)

2. Characteristics of an exporting SME

2.1 Overview

The focus of this chapter is on identifying the distinctive attributes and characteristics present in export-oriented companies on the island of Ireland.

SMEs in both Ireland and Northern Ireland start exporting for a variety of reasons summarised in Table 2.1. These drivers encompass a range of internal factors within the business and external factors in the market, which can be either proactive or reactive.

In 2006 InterTradeIreland published the report, '*Who Exports? A Firm-Level Study of the Characteristics of Exporters and the Determinants of Export Performance for Northern Ireland and the Republic of Ireland'.* One of the key findings of the study was that there were noticeable differences between exporters and non-exporters. For example, exporters were found to be bigger, more productive, more innovative[7] and pay higher salaries than non-exporting firms and – significantly – they exhibit these desirable characteristics several years before they sell any product or service abroad.

The study also highlighted that the attitude of smaller firms towards international operations was different from that of larger firms. The amount and quality of resources (such as managerial resources, education level of the employees, capital and capacity) are crucial factors in the export potential of such firms. In particular, differences in managerial capability and ambition are important factors in explaining the exporting behaviour of small firms, suggesting that the influence of internal factors on exporting operations is greater than in large firms, with the individual characteristics (such as the attitude to risk) of the key decision maker crucial in determining the export decision.[8]

Table 2.1: Reasons for exporting

	DRIVER	
	Internal	External
Proactive	• Management drive and aspirations • Economies of scale • Unique product or service • Particular knowledge or information	• Clear market opportunity • Government support • Larger market • Bigger customers • More profitable
Reactive	• Spread the risk • Extend seasonal sales • Utilise excess capacity • Extend the Product Life Cycle	• Receive unsolicited orders • Home market simply too small • Home market in decline • Approach by foreign distributor

7 This is supported by Forfás (2007).

8 For an European take on this subject see: Eurofound (2012), Born global: The potential of job creation in new international businesses, Publications Office of the European Union, Luxembourg.

Other research affirms that for smaller companies, the internal drivers are of extreme importance and emphasise the role of management. Maslach and McNaughton (2007) propose, based on a comparison of high-growth small and medium sized enterprises in Canada and the USA, that the Key Decision Maker (KDM) is the most important factor within the SME in terms of export development and internationalisation.[9] This research identified specific educational and experiential characteristics of the KDM that influenced both the pace and method of internationalisation:

a. The KDM is young, which promotes an aggressive growth orientation / attitude, in turn promoting firm growth;
b. The KDM has extensive international experience, influencing their attitude towards 'global';
c. The KDM has advanced education, leading to openness to new ideas or perspectives (which in turn influences the global orientation / attitude mentioned above); and
d. The KDM actively pursues the use of networking to exploit collaborative opportunities.

In relation to these characteristics, it is important to highlight that a 2012 Forfás report, *Key Skills for Enterprise to Trade Internationally*, found that strategic export business planning, export sales planning and market research skills were identified as key areas where Irish SMEs were deficient.

Table 2.2 provides an overview of tangible firm characteristics such as size, sector and ownership which have been observed in the exporting businesses surveyed for this study.

Table 2.2: Overview of the characteristics of exporters from survey results

Size by number of employees	• Companies with more than 50 employees are more likely to have cross-border sales (89%), significantly more likely to have off-island sales (81%) and significantly less likely to have no exports (6%). • Companies with 10 or fewer employees are less likely to have off-island exports (56%) and more likely to have no exports (16%).
Sector	• Companies in the service sector are more likely not to export (17%) and slightly less likely to have cross-border (77%) or off-island (61%) exports than companies in the manufacturing sector (83% and 71%).
Ownership status	• Limited companies are more likely to have cross-border sales (84%) and off-island exports (69%) than 'Other' businesses[10] (65% and 55%).

The survey and face-to-face interviews undertaken for this study also identified a more intangible set of qualitative characteristics associated with exporting companies. These tend to relate closely to the human capital of the company and have been highlighted by companies as critical in their export activity. They include, for example, engagement in innovative practises, management commitment, attitude to risk, etc, and are broadly consistent with the characteristics identified in other research mentioned above.

[9] This finding is supported in further research on KDMs, such as Carson et al (1995), Hill (2001) and Miesenbock (1988).
[10] The 'Other' category includes sole proprietorship, partnerships or family businesses.

The analysis of the characteristics of exporter SMEs is summarised and organised under four areas that have been highlighted in the survey results:

- Innovation;
- Strategy;
- Ambition and capabilities; and
- Resources.

The following sub-sections explore in detail the positive impact these characteristics have on the export success of SMEs on the island of Ireland.

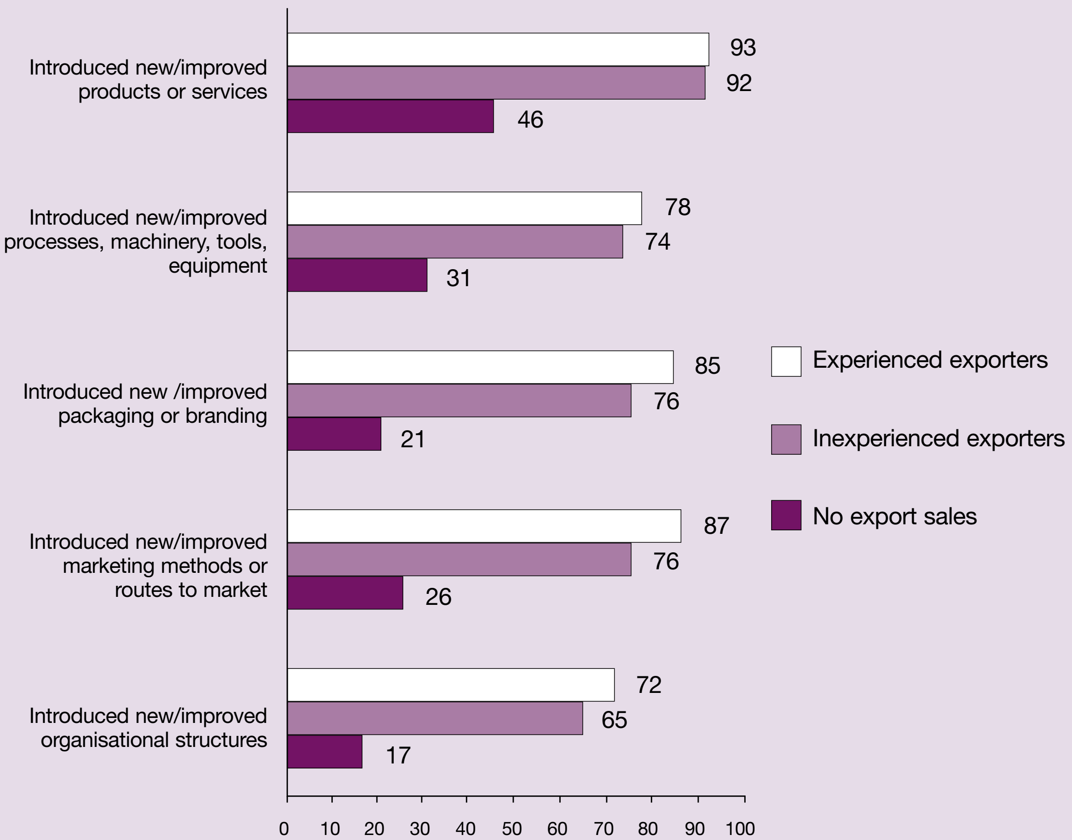
2.2 Innovation

The survey results show a strong relationship between exports and the full spectrum of innovation-related activities from new products and processes to improvements in marketing or business models. Figure 2.1 shows a comparison of results between the participants of this study's survey and those businesses with no export sales surveyed in the q2 2011 InterTradeIreland Business Monitor.[11] There is a pronounced gap between the two groups across each of the activities considered innovative.

The survey results show that experienced and new exporters are more likely to have undertaken innovation-related activities than inexperienced exporters, although the latter are still more likely to be innovative than non-exporters.

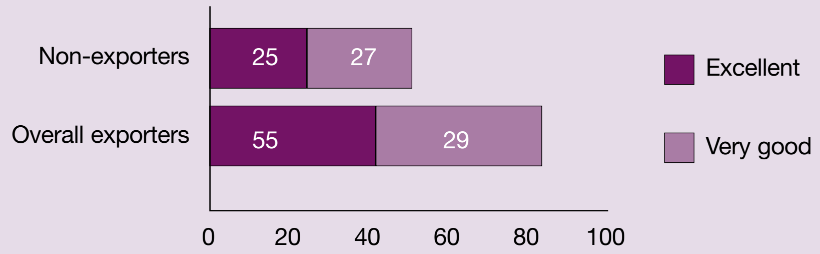
Survey results also indicate that exporting companies have an innovation culture inside their organisation. Figure 2.2 shows that twice as many rate themselves as 'excellent' (55%) in being willing to innovate, adapt or change as the average non exporting business surveyed in the q2 2011 Business Monitor (25%).

Figure 2.1: Innovation activity undertaken within the last three years



(Base: All respondents (277) and non-exporters in Business Monitor, q2 2011 (645))

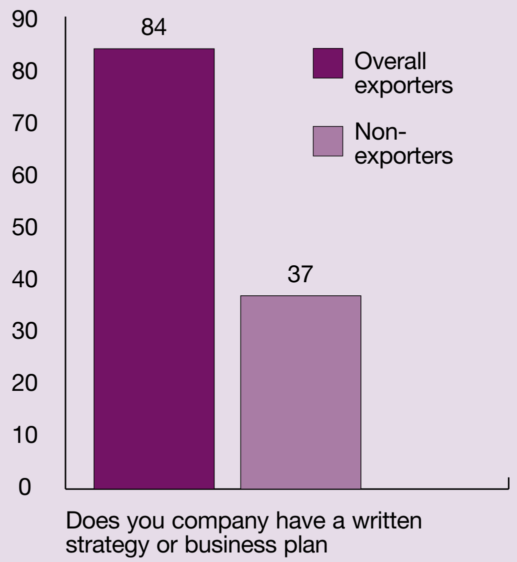
Figure 2.2: Exporters, non-exporters and willingness to adapt, innovate or change



(Base: All respondents (277) and 1103 (Business Monitor, q2 2011))

Exporter companies, particularly new exporters (63%), seem more likely to be responsive to customer and market needs, a feature that is valuable when entering new markets. An unwillingness to do this, on the other hand, can be a barrier to export success.

Figure 2.3: Exporters, non-exporters and strategic approaches



Base: All respondents (277) and q2 2011 Business Monitor (645)

Another finding from the survey is that exporters demonstrate a greater willingness to take calculated risks than businesses with no export activity (39% compared with 16%).

One final aspect of innovation that has been emphasised in a recent InterTradeIreland report, *Leveraging the Innovation Ecosystem for Business Advantage: A Cross-Border Study*, is the benefits that can be derived from firms collaborating with other actors in the innovation ecosystem, from financial service providers to universities to others within the business' value chain. In that research around half of businesses who had innovated within the past three years had leveraged external support at some stage within this process.[12] In this survey businesses were asked about their willingness to collaborate – this time with other organisations on new export opportunities. More than half (55%) regarded themselves as excellent in this regard suggesting that the ability to network is regarded as crucial to their exporting prospects.

Interestingly this proportion increases for inexperienced exporters (60%) and firms with less than 10 employees (64%) which may indicate groups willing to collaborate to make up for missing internal capabilities.

[11] For the Business Monitor, interviews are conducted with 1,000 business owner/managers across the island of Ireland each quarter. The sample is stratified by number of employees, sector, region (Ireland/Northern Ireland) and the data weighted at the overall reporting level to reflect the profile of businesses.

[12] For more see InterTradeIreland (2012).

2.3 Strategy

Figure 2.3 shows that exporters are, on average, twice as likely as non-exporters to have a written strategy or business plan.

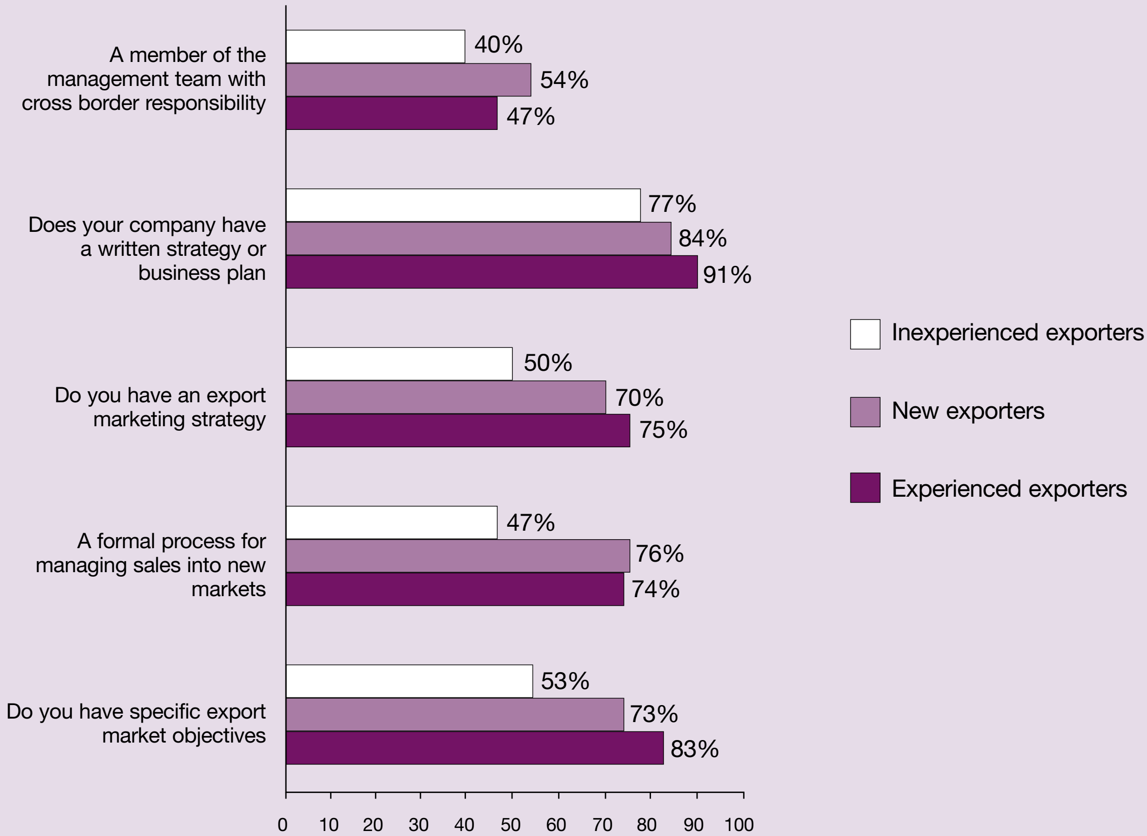
However, another significant finding from the survey is that while the majority of the export-oriented businesses have a structured and strategic approach to both their business and their exporting activity, this proportion grows significantly with experience in exporting. The businesses were asked about the presence of a number of specific strategic abilities, behaviours or characteristics.

The differences across the three levels of export experience are pronounced and offer an insight into some of the criteria needed to become a successful and consistent exporter.

Three elements (see figure 2.4), reveal a significant difference between experienced and inexperienced exporters. Inexperienced exporters are less likely to have an export marketing strategy (25% difference), a formal process for new market entry (29%) or specific export marketing objectives (30%).

Results from the survey reflect an opportunity-driven approach to export development, rather than a strategic one, particularly for inexperienced exporters. For example, an export development strategy or plan should feature specific export market objectives, address the costs of export market development, allocate resources for the implementation of the plan and outline the process by which the new market will be entered and developed. Therefore the lack of a planned, strategic approach to exporting is a major disadvantage and a significant barrier to the development of an export business, particularly the development of ongoing and recurring sales.

Figure 2.4: Strategic attributes by level of exporting experience



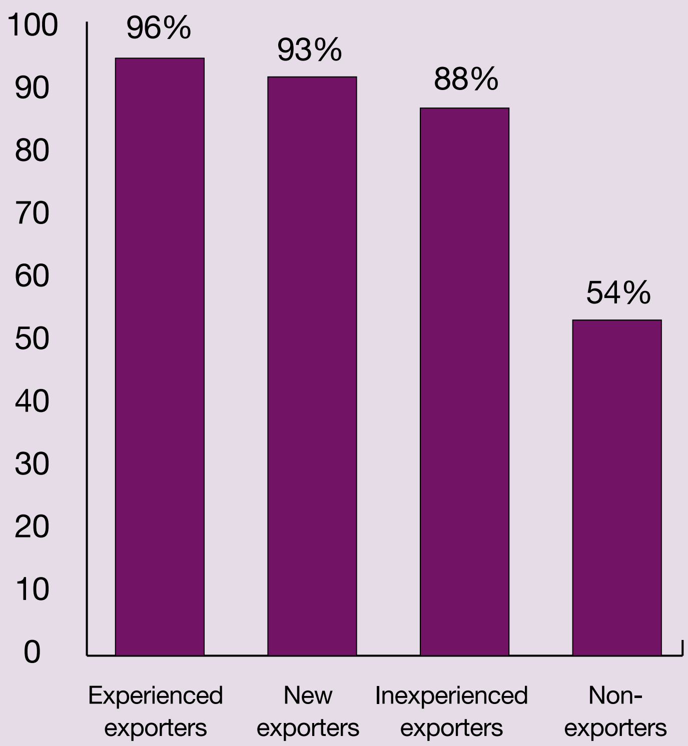
(Base: All respondents (277))

2.4 Ambition and capabilities

The attributes of the Key Decision Maker are, as outlined earlier, a critical differentiator of exporting companies. All types of exporters possess an ambition to grow, something which marks them out from many businesses which are focused on the domestic markets only. Figure 2.5 shows that the presence of an ambition to grow is quite similar across the three categories of exporters although inexperienced exporters still had the lowest rating.

The businesses surveyed were asked to rate themselves (from 'poor' to 'excellent') across a range of attributes such as language skills, managing currency risk, appetite of management teams to develop new markets. Figure 2.6 gives the percentage of those who described themselves as 'excellent' and the results show that exporters regarded themselves best in terms of their appetite for export development and their ability to sell. They rated themselves poorly in language abilities and international marketing skills, something which Forfás (2012) also found in research about the key skills needed for internationalisation.

Figure 2.5: Exporters and non-exporters and ambition to grow



(Base: All respondents (277) and q2 2011 Business Monitor (645))

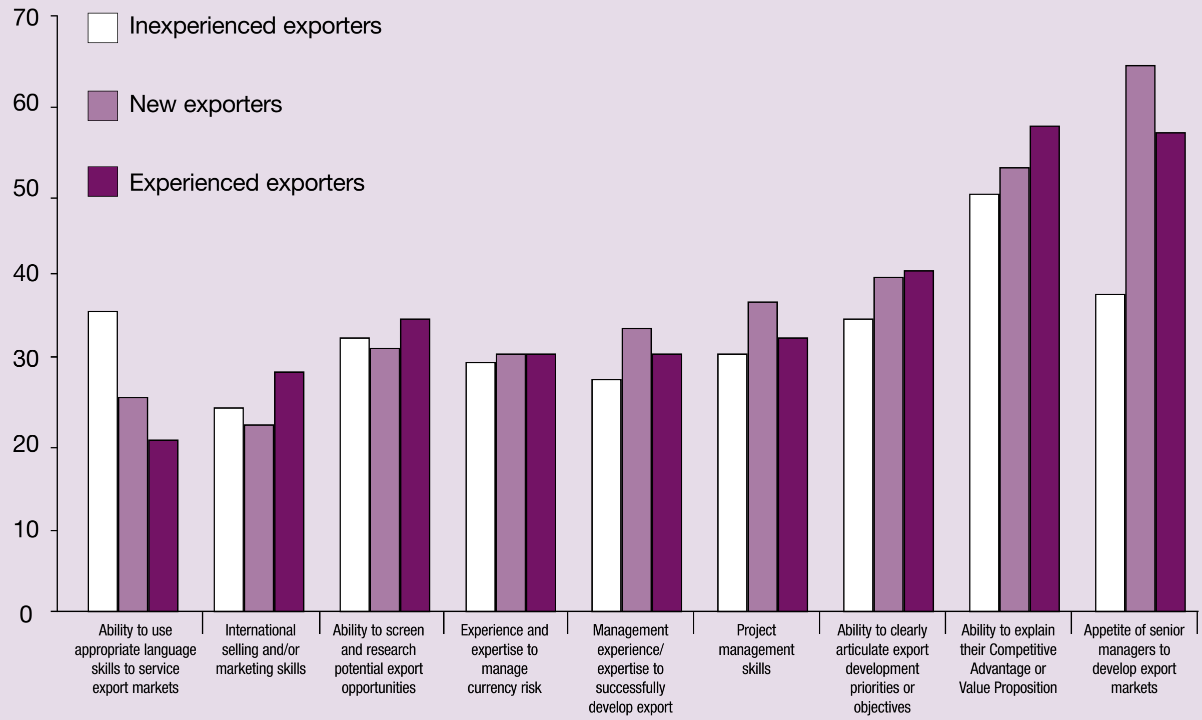
For most of the parameters examined, the differences are relatively small across the three groups, with inexperienced exporters rating themselves only marginally less capable than new or experienced exporters. The most pronounced difference is on the appetite of senior managers to develop export markets, where 37% of inexperienced exporters considered themselves as 'excellent' against 57% for experienced exporters and 64% for new exporters.

Two other attributes which inexperienced exporters consider their firm to have less capability in are:

- Ability to clearly articulate export development priorities or objectives; and
- Ability to explain their competitive advantage or value proposition.

The existing literature, survey findings and company interviews all agree that the commitment of the senior management to develop export markets, regardless of the challenges, difficulties or barriers experienced, is a fundamental requirement for successful exporting. Previous studies such as Maslach and McNaughton (2007) and InterTradeIreland (2006) highlight how the education and international experience of the senior management (frequently an individual, rather than a team) are key elements of export success.

Figure 2.6: Self-rated attributes of exporters (using 'excellent' ranking)



(Base: All respondents (277))

2.5 Resources

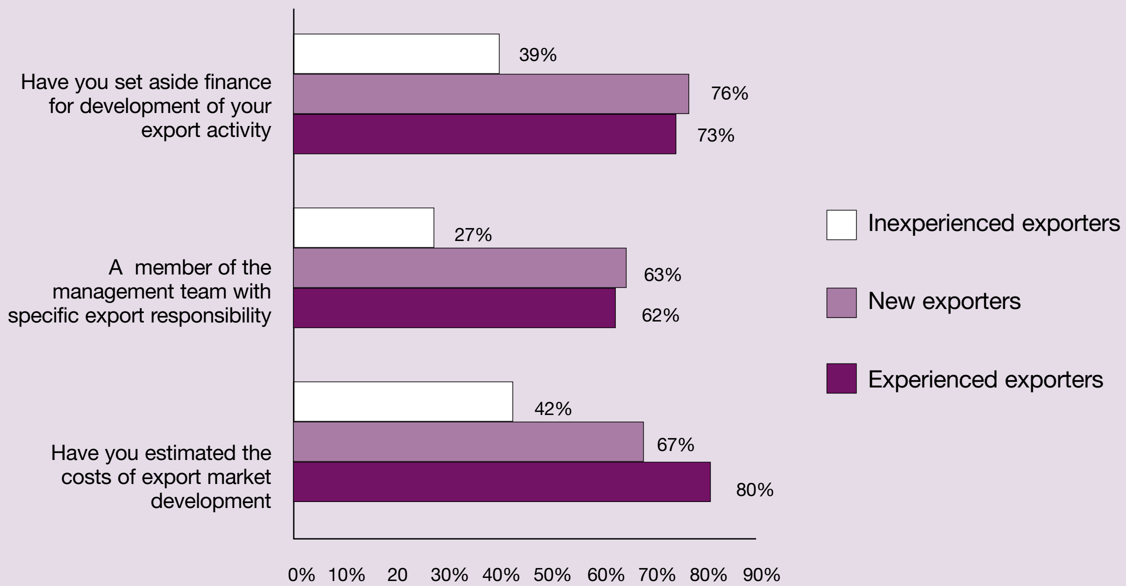
A final significant finding from the survey on the distinctive characteristics of exporting firms is the gap in internal resources between inexperienced exporters and those exporters with three or more years of exporting experience. As Figure 2.7 shows inexperienced exporters are much less likely to have a senior management resource allocated to export development (35% difference) or finance set aside for export development (34%), and are also least likely to have estimated the costs required for export market development (38%). This may be due to either not having the resources required, or having underestimated the resources. Not surprisingly there is the same gap between small and large firms, particularly on the issue of dedicated personnel for either cross-border or export development.

2.6 Concluding points

Exporting SMEs tend to be more innovative, more strategic and crucially are led by Key Decision Makers that have a greater drive to grow. Moreover, they are more likely -with experience- to devote more resources to the export effort of the business.

Businesses saw the most important characteristics that they need to excel in as willingness to adapt, innovate (particularly in new products, routes to market and branding/packaging) and change (84% ranking themselves as very good or excellent), willingness to collaborate with others in developing exports (80%), ability to explain their key value proposition (79%), appetite and ambition of senior management to develop export markets (75%).

Figure 2.7: Resource attributes by level of exporting experiencee



(Base: All respondents (277))

3. Insights from exporters on challenges and supports

This chapter draws together insights from those businesses engaged in cross-border trade and off-island exporting on the challenges they face and the supports that are and might be offered.

3.1 Previous research on barriers to cross-border trade and exporting

Previous work by InterTradeIreland (2002 and 2012) identified the following key barriers to cross-border trading:

- different currencies;
- the local nature of many businesses;
- lack of time or resources;
- disinterest in expansion or entry to new markets; and
- distance/transport.

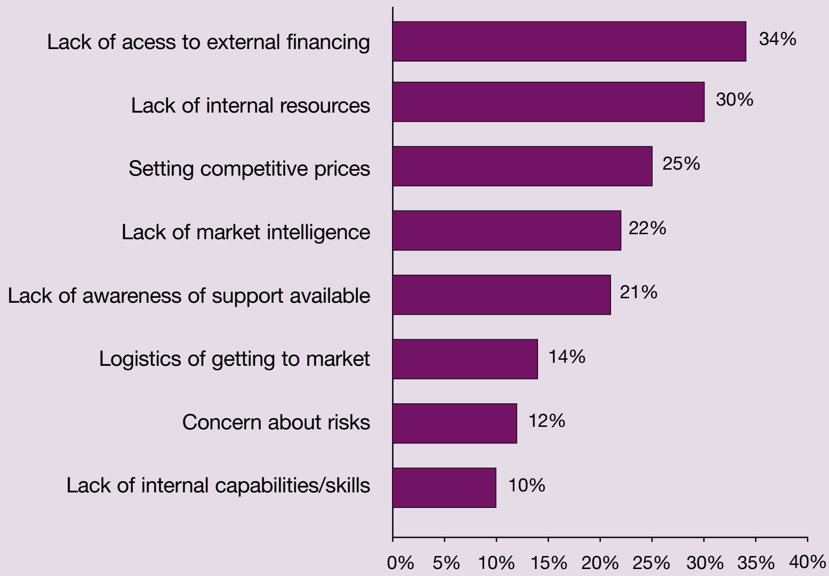
The 2006-7 supplement to the Northern Ireland Manufacturing Sales & Exports Survey identified a lack of resources or managerial time as a significant barrier for small businesses (i.e. those with less than 50 employees), but much less so for either medium or large businesses. Similar to the InterTradeIreland research findings in 2002, fluctuating exchange rates were identified as significant barriers as were transport costs and the ability to set competitive prices.

The 2012 *Export Ireland Survey & International Trade Finance Review*, published by the Irish Exporters Association[13], included the question 'What do you consider to be the most significant barriers to doing business overseas?' for a range of international markets, including the UK. Exchange rate fluctuations were considered to be the greatest barrier to doing business in the UK, with 'marketing / brand building costs', 'staffing issues' and 'capital investment required' all considered to be significant barriers. Other studies addressing this topic include the 2009 report by the OECD *Top Barriers and Drivers to SME Internationalisation* which also identified lack of resources as one of the key barriers to export for SMEs. This report also highlighted factors within the external environment of SMEs such as networks and supply chains as possible barriers but also as drivers for exporting companies.

3.2 Export challenges emerging from the current survey

Figure 3.1 outlines challenges to the successful growth of cross-border and export sales stated by respondents in the current survey. A lack of access to external finance (34%) and of internal financial resources (30%) are the two major challenges stated by around one third of firms. The ability to set competitive prices (25%), a lack of market intelligence (22%) and a lack of awareness of the support available (21%) are the next tier of challenges cited by businesses.

Figure 3.1: Major challenges to successful development of cross-border and export sales



(Base: All respondents (277))

CASE STUDIES

Exports and logistics

Logistics are a critically important part of the exporting strategy, particularly for the inexperienced and new exporters. According to the OECD, logistics and time play an important role in the firm's decision to enter international markets. For 23% of SMEs surveyed for this study, logistics are the second biggest barrier for the future development and growth of their exports. However there are examples of companies undertaking innovative solutions to deal with issues such transport and shipping costs of exports.

Fragrances of Ireland

Fragrances of Ireland is an independent perfume house based in county Wicklow that exports their perfumes since 1998. They decided to set up a warehouse in the US in order to stock merchandise in bulk, hold it securely and then pick, pack and dispatch orders promptly as they came in, ensuring a good customer service. For consumer goods this approach is more cost-effective as shipping in bulk by sea across the Atlantic is less expensive and faster than shipping every order individually. In addition, buyers benefit in paying local delivery charges. Fragrances of Ireland have also an on-line sales point which accounts for approximately 10% of their exports and has plans to establish a wholesale website. To improve timings and logistics, the company also uses pieces of proprietary order transmitting software to obtain wholesale orders and transfer their data back into the company's accounts and logistics system in Ireland. This makes trading in different countries and time zones much easier and makes the company much more competitive in an overseas market.

http://www.perfume.ie

The Irish Exports Co-op

This initiative was created as a response to high shipping costs of small volumes (less than 25kg), which for many micro and small companies acts as barrier to exporting. Members of this co-operative combine their volumes to negotiate better terms and fees with couriers. The Co-Operative achieves this by utilising the group purchasing model to create economies of scale thereby reducing cost of export for the individual members. There are around 100 trading enterprises participating in this initiative that is helping to significantly reduce exporting costs.

www.exportcoop.ie

When asked 'what was the biggest barrier to the development of future export development or growth', 37% of respondents stated finance or cash flow, again reinforcing the issue with resources.

Logistics was the second biggest barrier for 23% and knowledge about the market was – perhaps surprisingly – third, cited by 15% (see 'the Exports and logistics' box).

Face-to-face interviews reinforced the findings that the greatest barrier to the development of export sales, whether cross-border or off-island, was a lack of resources – particularly resources for an on-the-ground role in the target market. As noted above, companies reported that effective development of export markets required the attention and dedication of senior managers or other senior resources. Moreover, other cost pressures reduce the capacity to fund this resource which is needed to grow the business.

[13] Over 200 IEA members completed the survey for the 2012 Review.

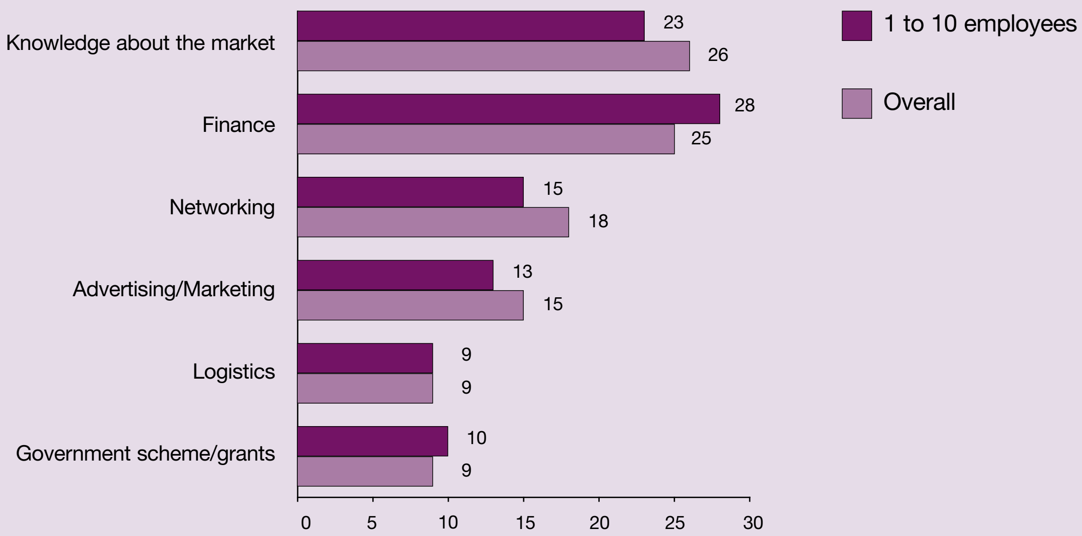
The length of time required to see a commercial return from new markets was also frequently cited as a barrier, particularly in light of the human resources and working capital that need to be invested. Companies recognise that any new market development or expansion requires an investment in time and finance, but pressures on cash flow are currently so severe that many companies reported that they simply did not have the working capital to invest in developing a new market by funding a resource which would not demonstrate a return for possibly 12-18 months. This is a more pronounced challenge for off-island market development, including GB, than for cross-border trading where the sunk costs are lower. [14]

Interviewees also pointed to the importance of having the right resource in the market.

Cultural expectations were an important factor when considering the appropriate recruitment or appointment of sales representatives or other in-market resources. Investment in an in-market resource was also considered to demonstrate commitment to the market, which in turn provided customers with more confidence that the supplier was in the market on a long-term basis. Another way of demonstrating this commitment to the market is a visible presence at trade shows and other trade events.

Despite the significant recovery in Ireland's competitiveness in recent years, the cost base is still considered by companies to be high and this can make it more difficult for Irish firms to compete in export markets. Northern Ireland firms cited costs as an issue when looking to put an in-market resource in place in Ireland due to the salary required for a senior sales resource there being out of balance with their existing wage structure.

Figure 3.2: Forms of assistance that would encourage and assist with increasing export activity



(Base: All respondents (277))

[14] For examples of best practice in programmes addressing financial barriers to exporting, including export trade credits, see: OECD, 2009 table 5.

A lack of knowledge around market opportunities was considered to be a barrier, but this tended to be focused on the needs of individual firms. Identifying specific clients, rather than a general knowledge of the market, is the issue most often cited, which is a reflection of not having sufficient resources in the market and therefore not being close enough to customers.

Interestingly the practical implications of working in a different currency were not considered to be a barrier as many companies maintain sterling, euro and even dollar accounts, in order to receive payments and pay suppliers in the same currency. However, and reflecting other survey results, the implications of a significant movement in the rate of exchange and the impact on competitiveness or profitability was considered to be a significant challenge, particularly for high volume / low margin businesses.

3.3 Forms of assistance required[15]

The 'barriers to trade' supplement to the 2006-07 *Manufacturing Sales & Exports Survey* explored the forms of assistance which would encourage Northern Ireland companies to develop (or further develop) export performance. The top five forms of assistance required were all tactical measures, focused on the acquisition of new customers / business, or entry to new / additional markets. Assistance with operational aspects of exporting – such as translation, export documentation or language training, was generally considered less of a priority than assistance with sales and marketing related aspects of exporting. Size of business was not a major determinant of the type of assistance required as the top five forms of assistance required were the same irrespective of size of business.

The survey for this study also found that market information or knowledge about the market was considered to be the most important form of assistance (26% of respondents); marginally ahead of financial support at 25%. Networking (18%) and assistance with marketing / advertising (15%) are also seen as significant while government grants come lower down the scale of importance (10% considering this to be preeminent).

Figure 3.2 shows the six main forms of assistance considered by respondents and by micro-enterprises. For the smaller firms, finance is the most important form of assistance, ahead of knowledge about the market.

Face to face interviews and focus group discussions again highlighted the need for market intelligence or 'knowledge about the market', but were specific in calling for an experienced resource that already possesses this market intelligence, rather than a resource that will enable the collection of market research information. This is driven by the need to see an immediate return from the market, limiting the risks to cash flow or working capital associated with sunk market entry costs.

There appears to be a move away from employing a relatively junior resource who may provide the additional resource necessary to undertake the market research or business development activities, but frequently have no existing or specialist information regarding the market. The preference for more experienced staff with local knowledge and networks is tied to the need to provide a greater likelihood of short-term return.

Essentially, companies are stating that they want to acquire the capability to generate immediate results, rather than just the capacity to build their own understanding of the market over a longer period of time. There would appear to be a trade-off between the need for immediate sales opportunities generated by experienced on-the-ground resource compared with the longer term market assessment and development, which can be developed by graduate level resource.

[15] Annex 3 summarises the current support available from InterTradeIreland, Invest NI and Enterprise Ireland.

In summary, businesses made the following key points about support packages:

- A focus on identifying real opportunities or live sales leads – not market reports or general guidance;
- Access to experienced, senior resources with existing specific or niche market knowledge for shorter-term sales/channel impact with the funding available corresponding to the costs of accessing such resources;
- The involvement of graduate level support – recognised as having value in the initial assessment of market opportunities and market entry options development – requires clear direction and ongoing support from senior marketing and sales resource and an acceptance that the return on marketing and sales activity may not be immediate;
- Efficient application processes and requirements for on-going administration.

In line with the above comments short-term prospector / sales funding projects were generally considered to be more successful than projects involving graduates – mainly down to recognition that a graduate will require more support and guidance and an acknowledgement that these projects did not have an immediate outcome.

Two other points made in the interviews on assistance are important to note:

- A desire expressed for assistance in the identification and matching of suitable partners in the cross-border or export market. This is not necessarily in the traditional mould of an in-market partner (such as an agent or distributor), but a partner with whom the company could work collaboratively in order to develop and exploit opportunities, including the provision of a complementary product or capability that would enable the companies to jointly deliver the requirement.
- A requirement for specialist financial and legal advice on doing cross-border and GB business, especially for aspects such as the development of a 'Heads of Agreement' for entering into a formal arrangement with an in-market partner.

In general, respondents believed that information on the support available from InterTradeIreland and other agencies for cross-border and export trade development was well publicised. However, there was also widespread acknowledgement that these supports were promoted as individual programmes and branded accordingly, which can lead to confusion and does not provide an integrated solution specific to their particular needs. Another point made about assistance was that companies are constantly dealing with a range of different individuals and options, again leading to potential confusion.[16]
The businesses interviewed also point to the importance of managing participant company expectations and desired outputs, particularly those of first time exporters.

[16] In the survey businesses expressed a lack of awareness of the available supports and the need for a repository or brokerage service like the new www.euraxess.ie website currently available for supports in Ireland.

4. Key findings and conclusions

Ireland and Northern Ireland are very open, small economies to which a positive **export performance is vitally important**.

The cross-border market is particularly vital for small firms. Nearly two thirds of the exports of small firms in Northern Ireland go to Ireland while almost a sixth of the exports of small firms in Ireland go to Northern Ireland.

The cross-border market is also critical for the first-time exporter in both jurisdictions. Cross-border sales represent the first export market for almost three-quarters of businesses (73%), nine out of ten (90%) of Northern Ireland firms and two thirds (63%) of Irish ones.

The **experience gained in cross-border trade acts as an export stepping stone for a majority of firms**. It has had a significant influence on the development of additional export markets in 71% of businesses. Many of the businesses interviewed stated that cross-border trade was a natural extension of their domestic markets which then led on to export activity off the island. In most cases the next step is into the GB market which interviews reveal is a much more competitive market requiring innovative products, processes and marketing.

The single biggest factor influencing the development of export or cross-border business was stated to be 'the desire to expand or grow' (40% of respondents) followed by an 'identified gap in the market' (30%). Only 5% cited the provision of government funding or grants as the single biggest factor influencing their export development. **The key characteristics associated with exporting SMEs are tied to innovation, firm strategy and management ambition and capabilities**. This last supports the existing research which shows that for many SMEs, the key factor determining if a company will export is the drive and aspiration of the Key Decision Makers in the business.

Fewer inexperienced than experienced or new exporters rated themselves very good or excellent in having specific export objectives, having a process for managing market entry or having estimated the costs of export development which supports the idea that **exporting begins as ad-hoc and opportunity-driven rather than a strategic decision.**

More than half of respondents identified **a lack of internal financial resources, access to external finance and awareness of available supports and market knowledge** as the main challenges to exporting. Businesses repeatedly cite a lack of resources as a barrier to export growth, particularly a dedicated, on-the-ground resource in the target market.
The resource issue is heightened by current pressures on cash flow and the need to see a commercial return from new markets within a short timeframe.
Consequently, businesses state that the main form of support they require is the provision of resources, such as market knowledge, additional finance or networking assistance. The firms interviewed identified a particular type of resource: senior individuals, typically based in the target market, who had existing experience of the sector, along with a clear understanding of how the market worked and how business was done, with extensive networks and access to clients.

The report shows clearly that exporting firms are much more likely to be growing than non-exporters. It has identified the key characteristics that distinguish exporters from non-exporters. In conclusion the report sets out six key lessons that should be considered in terms of policy and programme development in order to encourage non-exporters to become exporters and develop the capabilities of inexperienced exporters:

1. The importance of Key Decision Makers (KDMs) to businesses becoming successful exporters. **Agencies should assess the characteristics of the KDMs, particularly their ambition and aspiration to grow, as a criteria** in selecting companies to support.

   In addition, management and leadership programmes are a significant element in the agencies' offerings and provide an opportunity for opening up supports on a cross-border basis to businesses.

2. There is a pathway to exporting with cross-border trade being the first step for a significant majority (73%) of firms, many of whom subsequently go on to expand into markets off the island, particularly GB but also the Eurozone and North America. **This suggests that the border might be used as a stepping-stone to exporting further afield and that these businesses are encouraged to progress along the pathway from cross-border trade to off-island exporting**.

3. The report identifies the need to develop capabilities, particularly in the areas of innovation and strategy, so that inexperienced and new exporters can move on to greater success off the island. Agencies should consider how to better integrate innovation programmes with export development and **consider the extent to which a company has adopted innovative practices as selection criteria for export support**. In terms of strategy, there is recognition that companies will base exporting decisions on the immediate opportunities. However, in the longer run **supports need to embed a more strategic approach into company capability** as this will be key to further success.

4. Far and away the most important resource required by businesses is **the availability of experienced in-market resources** offering identification of opportunities and immediate access to potential clients or customers. Agencies should explore the means by which experienced sales resources can be accessed by the first-time and inexperienced exporters. These supports need to be linked to the **direct involvement of a senior management resource with responsibility for planned export activity**.

5. Businesses expressed an interest in collaborative working with other partners in order to develop and exploit market opportunities, including the provision of a complementary product, capability or service that would enable all partners to export more effectively and efficiently. **The development of such partnerships could be explored on a North/South basis.**

6. The survey results reveal that experience is an important factor in how businesses develop or acquire the strategic attributes necessary to become a successful exporter. Support programmes should be **tailored to the level of export experience of businesses and cover their needs in the transition from an non-exporter to an inexperienced or experienced one**. For example, participation on a trade mission would be too daunting and less beneficial for most first-time or inexperienced exporter. However, participation in a tailored 'market study trip' in which the business gains both international exposure and a taste of the market will allow them to take an informed next step (i.e.: develop a export strategy for that market or keep looking for alternatives).

5. Annexes

Annex 1: Methodology

Three main research methods were used in this study.

Desk research: This included a high-level review of previous relevant studies and policy documents; key informant interviews with the organisations represented on the Steering Group; and a review of information on business performance, cross-border trade and innovation capabilities previously collected through the InterTradeIreland Business Monitor survey.

Quantitative survey: Telephone survey of 277 companies that had either previously participated in InterTradeIreland trade programmes or were client companies of Invest Northern Ireland or Enterprise Ireland. Quotas by location (Ireland / NI), company size (using employee numbers), sector (manufacturing / services) and export experience were applied. To facilitate analysis of the survey results, the levels of export experience are defined as follows:

- **Inexperienced exporters** are those who do not export, have cross-border sales only or have been exporting off-island for less than one year;
- **New exporters** are those who have been exporting off-island more than one year but less than five years; and
- **Experienced exporters** are those who have been exporting off-island for more than five years but less than ten years.

The profile of respondents is outlined in Table A1.1 below.

Table A1.1: Engagement in cross-border and off-island exports

	Respondents	
	Base	Percentage
50+ employees	53	19%
11-49 employees	108	39%
1-10 employees	116	42%
Manufacturing / construction	160	58%
Service	117	42%
Experienced exporters	110	40%
New exporters	67	24%
Inexperienced exporters	99	36%
NI	109	40%
Ireland	165	60%

Quantitative survey: Face-to-face interviews with 29 businesses that participated in the telephone survey and agreed to be contacted further for a deeper discussion on their export experiences, barriers to trade and assistance required to further develop their export activity.

The profile of respondents is shown in Table A2.2 below.

Table A1.2: Breakdown of face-to-face interviews

	Respondents	
	Base	Percentage
50+ employees	4	14%
11-49 employees	17	58%
1-10 employees	8	28%
Manufacturing / construction	17	59%
Service	12	41%
Experienced exporters	9	31%
New exporters	12	41%
Inexperienced exporters	8	28%
NI	10	34%
Ireland	19	66%

Annex 2: Export Performance

Ireland

Statistics for Ireland's export performance are taken from a combination of the CSO (official publications on goods exports and the international trade in services), Enterprise Ireland (dealing with its client companies) and the Irish Exporters' Association.

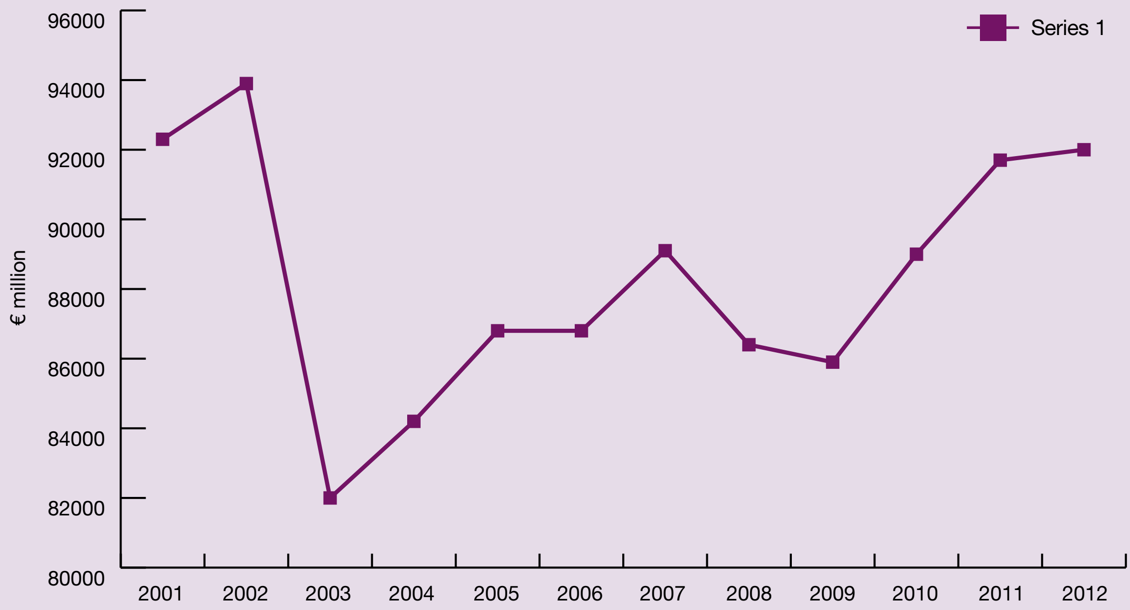
A2.1 Export of goods

The value of the export of goods in 2011 and 2012 has recovered to pre-recession levels, as shown in Table A2.1 and Figure A2.1 below.

Table A2.1: Goods Exports 2001 – 2012 (€m)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
92,690	93,675	82,076	84,410	86,732	86,772	89,226	86,394	85,804	89,703	91,228	91,966

Figure A2 .1: Goods Exports 2001 – 2012 (€m)



In terms of destinations for goods from Ireland, Northern Ireland accounts for a very small proportion of goods exports from Ireland, despite a slight upturn in cross-border sales from 2011 to 2012, as shown in Tables A2.2 and A23. Britain remains an important export market for goods from Ireland, although the proportion and value of total exports going to that market has diminished significantly over the last 10 years. Markets outside of the British Isles accounted for 83.4% of goods exports from Ireland in 2012, a rise of 7.4% over the past decade.

Table A2.2: Goods Exports by Broad Destination with 10-year, 5-year and 1-year comparisons

€ million	2002	2007	2011	2012
NI	€1,611	€1,741	€1,422	€1,447
GB	€20,853	€13,894	€12,844	€13,828
Rest of EU	€37,466	€39,929	€38,300	€39,017
Rest of World	€35,114	€31,882	€38,670	€37,674
Total Exports	**€93,675**	**€89,226**	**€91,228**	**€91,966**

Table A2.3: Goods Exports by Broad Destination with 10-year, 5-year and 1-year comparisons

% of exports	2002	2007	2011	2012
NI	1.7%	2.0%	1.6%	1.6%
GB	22.3%	16.8%	14.1%	15.0%
Rest of EU	40.0%	44.8%	42.0%	42.4%
Rest of World	36.0%	36.4%	42.3%	41.0%
Total Exports	**100%**	**100%**	**100%**	**100%**

A2.2 Service exports

Service exports from Ireland, unlike Northern Ireland, represent a significant proportion of total exports. Table A2.4 shows the value of service exports by market in 2010 and 2011, the % of total service exports by destination and the % change in value from 2010 to 2011.

Separate figures for Northern Ireland and Britain are not available. However, the UK represents a decreasing proportion of overall service exports, despite an increase in the value of service exports to the UK between 2010 and 2011.

Table A2.4: Value of Service Exports 2010 – 2011 by Broad Destination

€ million	2010		2011		% change in value
UK	€14,632	19.7%	€15,052	18.5%	+2.9%
Rest of EU	€30,441	41.0%	€33,064	40.6%	+8.6%
Rest of World	€29,238	39.3%	€33,332	40.9%	+14.0%
Total Service Exports	**€74,311**	**100%**	**€81,448**	**100%**	**+9.6%**

A2.3 Total export sales from Ireland

The total value of Ireland's exports from Ireland in 2011 was €172,716 million, a significant proportion of this being represented by foreign-owned multinational companies, particularly in the ICT and Life Sciences sectors. Using the figures from the Irish Exporters Association's *Top 250 Exporters* we can estimate that the Top 5 exporters (Google Ireland, Microsoft, Johnson & Johnson, Dell Products and Pfizer Global Supply) account for more than a quarter of total exports and the Top 20 more than half.[1]

[1] The Irish Exporters Association's *Top 250 Exporters* publication is compiled by James Treacy of StubbsGazette and cannot be fully compared with the CSO data as it uses filed reports from companies, some of which cover different years.

A2.4 Exports by Enterprise Ireland clients

Total export growth for Enterprise Ireland clients in 2011 was €1,580m or 12%. This means that the client base outperformed total exports from Ireland, as goods exports grew at 1.7% and services at 9.6%. In 2011, exports from Enterprise Ireland clients reached record levels of €15,200 million, exceeding the pre-recession performance. This marked an increase of 9.1% on 2010, as illustrated in Table A2.5 and Figure A2.2 below.

Table A2.5: Value of Exports by Enterprise Ireland Clients 2003 – 2011 (€m)

2003	2004	2005	2006	2007	2008	2009	2010	2011	2010	2011	2012
€10,160	€10,170	€10,730	€11,780	€13,180	€14,280	€12,900	€13,930	€15,200	89,703	91,228	91,966

Figure A2.2: Value of Exports by Enterprise Ireland Clients 2003 – 2011 (€m)

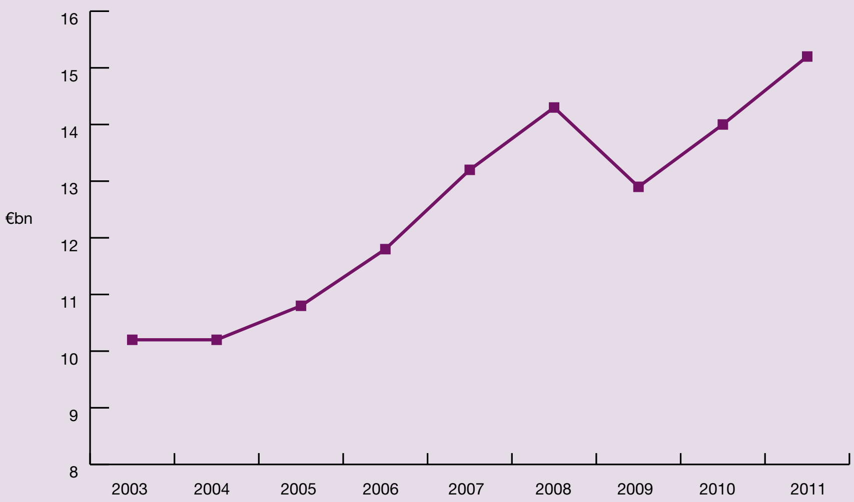
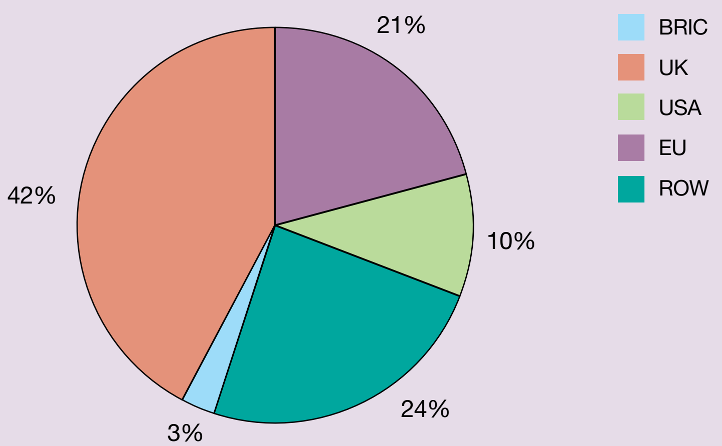


Figure A2.3 shows that the UK is the most important export market for Enterprise Ireland clients, representing over 40% of export sales – double that of the rest of the EU. The BRIC markets (Brazil, Russia, India and China) represent a minority of exports at just 3%.

Figure A2.3: Destination of Exports by Enterprise Ireland Clients 2011



As shown in Table A2.6 food remains Ireland's most important and still-growing indigenous sector, followed by 'Construction, Engineering P&P & Consumer Retail', which grew fastest in 2010-11 at 19.0%.

Table A2.6: Exports by Enterprise Ireland Clients 2011, by Sector

	Food	Life Science, Electronics & Cleantech	Construction, Engineering P&P & Consumer Retail	Internationally Traded Services	Software
% of exports	55%	9%	19%	11%	6%
€m growth 2010-2011	€752m	€90m	€513m	€123m	€102m
% growth 2010-2011	+10%	+9%	+19%	+8%	+12%

Northern Ireland

There are two main sources of data on Northern Ireland's export performance:

1. The Manufacturing Sales and Exports Survey (MSES)[2], which provides information on the value of sales and exports generated by businesses classified within the manufacturing industry.
2. The Exporting Northern Ireland Services Study (ENIS), which estimates the value to the Northern Ireland economy of exporting services.

A2.5 Manufacturing sales and exports

Total sales by manufacturing companies in Northern Ireland were estimated to be £16.6 billion in 2011/12, an increase of 6.5% over 2010/11, compared to an increase of 1.3% in 2009/10.

The MSES breaks down sales by destination into total sales, external sales[3] and exports[4].

As shown in Table A2.7, in 2011/12, 77.5% or (£12.9 billion) of manufacturing sales were external sales. This is the highest level of such activity recorded, exceeding the peak external sales recorded in 2008/09 of £12.5 billion. Exports increased by 8.9% over the year, compared to a decrease of 5.4% between 2009/10 and 2010/11. At £5.2 billion, the value of exports in 2011/12 is now between the levels reported in 2006/07 and 2007/08.

Table A2.7: Sales by Broad Destination with 10-year, 5-year and 1-year comparisons (£ million)

£ million	2001/02	2006/07	2010/11	2011/12
Total Sales	**£13,184**	**£14,789**	**£15,607**	**£16.628**
Northern Ireland	£2,772	£3,570	£3,469	£3,749
External Sales	**£10,412**	**£11,219**	**£12,137**	**£12,879**
GB	£6,299	£6,187	£7,326	£7,641
Exports	**£4,112**	**£5,032**	**£4,811**	**£5,238**
Ireland	£910	£1,508	£1,217	£1,269
Rest of EU	£1,236	£1,230	£1,199	£1,388
Rest of World	£1,965	£2,294	£2,395	£2,581

[2] It is important to note that the change from SIC03 to SIC07 in 2008/09 has resulted in discontinuity of trends.
[3] Sum of sales to Great Britain, Ireland, Rest of the EU and Rest of the World.
[4] Sum of sales to Ireland, Rest of the EU and Rest of the World.

Great Britain remains the most significant market for Northern Ireland's manufacturing businesses, accounting for 46% of total sales in 2011/12. Table A2.8 outlines the percentage of total sales generated by market.

Table A2.8: Sales by Broad Destination with 10-year, 5-year and 1-year comparisons (% of sales)

% of total sales	2001/02	2006/07	2010/11	2011/12
Total Sales	**100%**	**100%**	**100%**	**100%**
Northern Ireland	21.0%	24.1%	22.2%	22.5%
External Sales	**79.0%**	**75.9%**	**77.8%**	**77.5%**
GB	47.8%	41.8%	46.9%	46.0%
Export Sales	**31.2%**	**34.1%**	**30.9%**	**31.5%**
Ireland	6.9%	10.2%	7.8%	7.6%
Rest of EU	9.4%	8.3%	7.7%	8.3%
Rest of World	14.9%	15.5%	15.3%	15.5%

In terms of cross-border trade the tables show that there was a 4.3% increase in the value of North-to-South sales from 2010/11 to 2011/12 although the proportion declined very slightly. Between 2001/02 and 2008/09, North-to-South sales increased by 85.4% (from £910m to £1,687m). Even taking the significant drop in sales of more than 20% between 2008/09 and 2011/12 into account (reflecting the impact of recession on cross-border trading activity), over the 10-year period from 2001/02 to 2011/12, sales to Ireland have grown by almost 40%. Despite the decline in value of cross-border trade in the recession, Ireland is still Northern Ireland's most important export market, accounting for almost a quarter (24.2%) of exports, nearly the same as sales to the rest of the EU combined (26.5%).

A2.6 Sales by industrial sector

Table A2.9 details total sales, external sales and exports by industrial sector. The Food, Beverages and Tobacco sector accounted for more than half of both total sales (51.6%) and external sales (52.3%), in addition to a fifth of exports (20.0%). This made it the largest proportion of exports, with Other Transport Equipment in second place at 13.7%.

Table A2.9: Total, External and Export Sales by Industrial Sector for 2011/12

SIC (07)	Sector	Total Sales £m	Total Sales %	External Sales £m	External Sales %	Exports £m	Exports
10-12	Food, Beverages & Tobacco	£8,579	51.6%	£6,737	52.3%	£1,047	20.0%
28	Machinery & equipment n.e.c.	£1,093	6.6%	£906	7.0%	£681	13.0%
27	Electrical equipment	£933	5.6%	£881	6.8%	d	d
30	Other Transport Equipment	£880	5.3%	£821	6.4%	£715	13.7%
22	Rubber & plastics	£824	5.0%	£626	4.9%	£406	7.7%
25	Fabricated metal products	£817	4.9%	£366	2.8%	£143	2.7%
26	Computer, electronic & optical	£557	3.4%	£528	4.1%	£508	9.7%
	Other	**£2,945**	**17.7%**	**£2,014**	**15.6%**	**n/a**	**n/a**
	Total	**£16,628**	**100%**	**£12,879**	**100%**	**£5,238**	**100%**

NOTE: d = disclosive

These seven sectors account for 82.3% of total sales, 84.4% of external sales and (even allowing for the export figures for Electrical Equipment being withheld) more than 66% of exports. Some sectors have high export intensity (ie: export the vast majority of their total sales) including:

- Computer, Electronic and Optical: 91.2%
- Other Transport Equipment: 81.8%
- Chemicals & Chemical Products: 76.4%
- Machinery n.e.c: 62.3%

Only 12% of the Food, Beverages and Tobacco sector's total sales were exports, although 78.5% were external.

A2.7 Sales by size of business

Tables A2.10 and A2.11 show the breakdown of total sales by destination and size of business. As expected large firms are more likely to have a greater share of exports while small and medium size firms rely more heavily on the domestic and cross-border markets, together accounting for 80.8% and 71.8% of these respective markets. Perhaps, more surprisingly large firms dominate sales to GB, accounting for 78.5% of these.

Turning to the analysis of the markets Table A2.11 shows the importance of the Irish market to small businesses in Northern Ireland, representing 15.6% of their total sales, a third (33.2% of their external sales) and almost three fifths (58.0%) of their exports. On this basis, the Irish market is of greater importance to small businesses than it is to either medium or large businesses (where it represents 12.8% and 3.5% of total sales respectively). GB is the most significant single market for large businesses, representing 59.1% of total sales.

Table A2.10: Total Sales, External Sales and Exports by Size of Business, 2011/12

£ million	Small (<50 emps)	Medium (50-249)	Large (250+)	Total
NI	£1,499	£1,530	£719	£3,749
External Sales	**£1,341**	**£2,114**	**£9,424**	**£12,879**
GB	£576	£1,068	£5,998	£7,641
Export Sales	**£765**	**£1,046**	**£3,426**	**£5,238**
ROI	£444	£467	£358	£1,269
Rest of EU	£139	£342	£906	£1,388
Rest of World	£182	£237	£2,162	£2,581
Total Sales	**£2,841**	**£3,644**	**£10,143**	**£16,628**
%	**17.1%**	**21.9%**	**61.0%**	**100.0%**

Table A2.11: Total Sales, External Sales and Exports by Size of Business, 2010/11 (% of total sales)

£ million	Small Business	Medium Business	Large Business	Total
NI	52.8%	42.0%	7.1%	22.5%
External Sales	**47.2%**	**58.0%**	**92.9%**	**77.5%**
GB	20.3%	29.3%	59.1%	46.0%
Export Sales	**26.9%**	**28.7%**	**33.8%**	**31.5%**
ROI	15.6%	12.8%	3.5%	7.6%
Rest of EU	4.9%	9.4%	8.9%	8.4%
Rest of World	6.4%	6.5%	21.3%	15.5%
Total Sales	**100%**	**100%**	**100%**	**100%**

Analysis of the top exporters, using either the MSES or the Irish Exporters Association *Top 250 Exporters* publication, supports the evidence that the top businesses account for a great proportion of Northern Ireland's exports. Additional data provided by DETI and shown in Table A2.12 indicates that both exports and sales to GB are dominated by a small number of companies. Although the IEA publications covers both manufacturing and services firms it supports the general analysis with the top five exporters on its 'Top 50 in Northern Ireland' list accounting for 44.8% of exports and the top ten for 71.1%.

Table A2.12: Percentage of sales attributable to Top 10 companies in each criterion

	2008/09	2009/10	2010/11	2011/12
% of total exports	45%	47%	48%	49%
% of total sales to GB	70%	74%	73%	71%

A2.8 Exporting Northern Ireland Services

The Exporting Northern Ireland Services (ENIS) Study was first introduced by DETI in 2003 to further understand and provide a best estimate of the value to the Northern Ireland economy of exporting services. The most recent report, released in July 2012, covers the four years from 2007 to 2010 and details exports from the High Potential Export Group (HEPG)[5] as well as services exports from the construction and manufacturing sectors.

The total value of service exports (in the sectors currently covered by the survey) was estimated to be £409.6 million in 2010, a drop of 17.4% compared with the 2009 figure of £496.0 million. When compared to the 2010/11 figure for manufacturing exports of £4,811 million, service exports covered by the study represent just 7.9% of total exports, much lower than the 47% share of total exports taken by services in Ireland.

The decline in service exports from 2009 to 2010 was largely driven by a reduction in the export of services in the construction industry, which fell significantly by 41.8% from £225.4m in 2009 to £131.2m in 2010, perhaps explained by a declining number of firms with more than 10 employees in this sector. The export of services from the manufacturing sector also fell by 15.3% over the same period, although the value was low in both years (£45.1 million in 2009 to £38.2 million in 2010). In contrast the HEPG exported £240.2 million of services in 2010, an increase of 6.5% on 2009 and within this group the Computer & Related Activities sector contributes the bulk (64.9%) of exports.

Ireland represents an important export market for the HEPG, accounting for over 29% of all export sales in 2010 and an increase in value of 11.3% since 2007. However, the Rest of the World is the key export market for the HEPG and its share has been growing since 2007.

Table A2.13: Export Sales by Broad Destination for 2007 to 2010 (£ million) – note: HEPG only

£ million	2007	2007 share	2010	2010 share
Export Sales	£172.1	100.0%	£240.3	100.0%
Ireland	£62.7	36.4%	£69.8	29.1%
Rest of EU	£8.2	4.8%	£18.6	7.7%
Rest of World	**£101.2**	**58.8%**	**£151.9**	**63.2%**

[5] These are Invest NI client companies which employ more than 10 people and are in sectors with a high potential to export services. The sectors include Computer & Related Activities (SIC 58.2, 62, 63.1 and 95.1); Research & Development (SIC 72); Market Research (SIC 73.2); Business & Management Consultancy (SIC 70.2); Architectural & Engineering (SIC 71); Technical Testing & Analysis (SIC 74.9); Advertising (SIC 73.1); and Creative Entertainment (SIC 59-60, 90).

Annex 3: Overview of current export support

A. Ireland

Enterprise Ireland partners with entrepreneurs, Irish businesses, and the research and investment communities to develop Ireland's international trade, innovation, leadership and competitiveness. The ultimate objective is increased exports, employment and prosperity in Ireland. Enterprise Ireland works with the groups outlined in Figure A3.1 below.

Figure A3.1: Enterprise Ireland categorisation

High Potential Start-Up (HPSU)	Established SMEs	Multinationals
Entrepreneurs starting companies with an ability to compete in world markets	Manufacturing & Internationally Traded services companies employing ten or more	Irish-based food and natural resource companies that are overseas owned or controlled
Scaling	**Potential Exporters**	
Ambitious companies with the ability to scale & achieve significant success	Established SMEs currently focused on the domestic market who have the ambition to export	

High Potential Start Up Companies are start-up businesses with the potential to develop an innovative product or service for sale in international markets and the potential to create 10 jobs and €1 million in sales within 3 to 4 years of starting up. Enterprise Ireland invests in High Potential Start Up companies through both the Competitive Start Fund and with standard equity packages, which support the overall business plan.

An established SME is a company that is not an HPSU client, has an established trading record, employs between 10 and 250 employees, has either an annual turnover of less than €50 million or an annual balance sheet of less than €43 million and is in the manufacturing or internationally tradable service sector. Enterprise Ireland supports established firms with a range of grant supports, expertise, leadership and management development programmes as well as access to their overseas offices. The overseas offices activities include trade missions, market research, customer introductions and are a key element of the EI offer.

The Potential Exporters Division represents a move away from the traditional 'account management' model operated by Enterprise Ireland, adopting a 'one to many' approach. Assistance provided through the 'Get Export Ready' initiative includes:

- The provision of information, tools, tips, templates and case studies online, open to any company or individual;
- A series of export awareness events, featuring a case study from a guest speaker, to 'whet the appetite' of potential exporters, followed by;
- A one-day Exploring Exporting workshop, with subsequent mentoring support, access to the EI information centre and a 'gap analysis' template to complete.

The purpose is to encourage participants to understand what exporting could mean for their business and to understand the value and need for market research and get them started on their export journey. This initial assistance is open to a wide audience – essentially any company considering exporting, although Enterprise Ireland have been targeting companies with existing business in the domestic market (to reduce the risk of going overseas). However to receive grant assistance, a company will need to meet the usual criteria for becoming an Enterprise Ireland client.

While new Enterprise Ireland clients need to have 10 or more employees, the County Enterprise Boards (CEBs) are responsible for supporting micro-enterprises with less than 10 employees (and now that the successor to the CEBs will be reporting into Enterprise Ireland, through Local Enterprise Offices), the support will be more integrated, with the intention being to ensure that there are no gaps.

After going through the initial 'Get Export Ready' programme, a business has three options:

- If eligible, become an Enterprise Ireland client and access grant aid;
- If less than 10 employees, remain with the County Enterprise Board support; or
- If a distribution-type company, or not on the list of internationally tradable services, no further support is available from either Enterprise Ireland or the County Enterprise Boards.

While Enterprise Ireland's start up funding supports all aspects of a company's growth, both Enterprise Ireland and the CEBs direct existing businesses to InterTradeIreland for support when considering cross border exports. The range of Enterprise Ireland supports is extensive and details can be found at www.enterprise-ireland.com

B. Northern Ireland

Traditionally, the criteria for becoming an Invest NI client were that businesses needed to demonstrate that the business had (or would have, over the next three years):

- Total sales of over £100,000 per year; and
- Sales outside Northern Ireland greater than 25% of turnover, or greater than £250,000 per annum.

Companies in the tradable services sector, i.e. those that can sell their services internationally, must also have the potential to sustain salaries above the Northern Ireland private sector median, or show that they can achieve a minimum gross margin of 20 per cent.

These criteria have been relaxed somewhat by Invest NI especially in relation to trade support and that their focus is on supporting those businesses with scalable growth and those that have the potential to grow and develop in export markets. The majority of trade support and programmes are open to companies who can demonstrate a plan targeting growth in export markets – including ROI and GB. Overall, the support provided by Invest NI is being positioned as more 'solution focused' to meet the individual needs of exporters.

Invest NI is also focusing on the promotion and development of trade activities with geographic regions where there appears to the potential for on-going and sustained trade development opportunities. Specific trade development and support programmes include Go Dutch; Go South Africa; and Go Canada as well as trade visits programmes to emerging export markets.

Invest NI have advised that the services provided by their Trade division include those outlined in Figure A3.2 below.

Figure A3.2: Invest NI Trade division services

Category	Trade Service Offering
Capability Development (Knowledge and Skills)	Business Information Centre
	Export Skills Workshops
	Export Development Service (Up to 10 days of consultancy support to research an export market opportunity)
Exploring Market Opportunities	In-Market Support by designated Invest NI Support Staff
	Trade Advisory Service (TAS) in-market consultancy support)
	Overseas Market Information Service (delivered by UKTI)
	Enterprise Ireland – access to EI in-market trade support, if Invest NI has no representation in the target market
In-Market Trade Support	Solex – support with exhibitions
	Trade Missions – sectoral and multi-sectoral
	Support for return in-market visits (3 visits in a 12 month period following a trade mission)
	Export Focus Support – support with export travel and accommodation to an export market when swift action is required.
One-off Trade Support	Agent Support – accommodation support to bring a potential agent to NI
	Legal Agreement Support – support with the development of legal document supporting export development – 50% support up to £10,000
	Translation Support – 50% support up to £10,000

Invest NI is also actively working with local councils in NI to encourage them to work together to promote export development to near export markets in a structured and effective manner. The Department of Enterprise, Trade and Investment has asked Invest NI to work with the councils to ensure there is no duplication with the services offered by Invest NI; projects which have been supported through this initiative include:

- Lisburn City Council – Competitive Edge Programme (targeting ROI and GB markets);
- Belfast City Council – Exploring Exporting Programme;
- South Eastern Economic Development (SEED) – Export Development Programme (partnership between Ards, Armagh, Banbridge, Craigavon, Down and Newry & Mourne Councils)
- South West – Export Programme (partnership between Cookstown, Dungannon, Omagh, Magherafelt and Fermanagh Councils).

Invest NI provides trade development guidance and advice to local councils in their submission to DETI for funding under the EU LED initiative. The focus of these specific Council-driven export development initiatives is to build the knowledge, skills and expertise of NI exporters to develop experience in doing business in export markets.

Invest NI also works with various trade bodies such as the NI Chamber of Commerce to promote export development – such as the Chamber's 'Export First' initiative. The Department of Employment and Learning (DEL) also provides assistance with export development through its 'Directors' Export Leadership Skills Programme', providing a combination of workshops and mentoring. The programme is targeted at Small to Medium-sized Enterprises and Social Economy Enterprises with 10 to 250 employees.

C. Cross-Border

As covered previoiusly, Enterprise Ireland and the CEB's driect clients to InterTradeIreland for support when considering exporting across the border..

In Northern Ireland, the position is less clear; the Republic of Ireland is classed as an export market, therefore Invest NI maintains a responsibility for developing export sales into the ROI. However the close working relationship between InterTradeIreland and Invest NI minimises the potential for duplication, with more Invest NI clients interested in targeting the ROI being directed towards InterTradeIrelands' range of cross-border trade support services.

InterTradeIreland has three main programmes or offerings focusing on cross-border trade development, as outlined in Figure A3.3 below.

Figure A3.3: InterTradeIreland trade programmes

1. Acumen	The Acumen sales and marketing programme aims to help SMEs to grow their business on the island of Ireland by targeting new cross-border markets. The programme offers four business support options: • Market Research • Full Time Sales Person • Part Time Sales Person • Sales Graduate programme To qualify for financial support through the Acumen programme, ideally a business should be: • A manufacturing or a tradable service company with an annual turnover below £40 million (or euro equivalent) • A company that employs less than 250 people • An indigenous company (not multinational or foreign owned) • Committed to the development of new product markets with the potential of job creation • A company with an established relationship with a mainstream development agency (Invest Northern Ireland, Enterprise Ireland, Údarás na Gaeltachta, City or County Enterprise Board, a Local Enterprise Agency) In addition, the business should also have: • A satisfactory track record in your home market • Less than 30% of total business in the target cross-border market already • A sufficiently unique product that does not displace existing products in the marketplace • A project that can demonstrate that it may not happen without support • The capacity (human, financial & production) to deliver the project

2. Elevate	The Elevate Sales Development Programme for Small Business will provide financial assistance to help identify cross-border markets/customers across the island and win new business. Support is available for: • Identification of Sales leads • Sales Negotiations • Market Research • Advice on the Development of Marketing Materials – (excluding printing costs). To be eligible to take part in the Elevate programme companies must: • Be registered in Northern Ireland or Ireland; • Be a manufacturing or tradable service company with an annual turnover below €1.2m/£1m; • Have a satisfactory track record and a trading history in their home market (minimum of 18 months); • Be focused on winning new cross-border sales; • Have not generated more than 30% of their total turnover in the target cross-border market; • Have the capacity (human, financial and production) to deliver the project; • Have a sufficiently unique product that does not displace existing products in the market place. • Have not previously participated on InterTradeIreland FUSION or Acumen programmes Additionally, preference will be given to companies of 10 employees or less.
3. Trade Accelerator Vouchers	Trade Accelerator Vouchers offer financial support worth £1000 / €1200 towards professional advice in areas such as taxation, employment law, currency, sales, marketing or regulation if you are considering doing cross-border business. The Voucher can help your business to access the expertise from participating Providers (legal firms, accountancy firms, etc.) in Northern Ireland and the Republic of Ireland and can be redeemed against the cost of practical advice and expertise on specific issues. To be eligible for the support available through Trade Accelerator Vouchers, a company must be a registered Small Business (25 employees or less) with an annual turnover not exceeding €5m/£4.5m. The assistance requested must relate to cross border trade and business and the company must be a manufacturing or internationally tradable service company. Small Businesses in the transportation and agricultural sectors are excluded in line with specific State Aid guidelines. Companies aspiring to do business within the other jurisdiction for the first time are particularly welcome.

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Notes

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