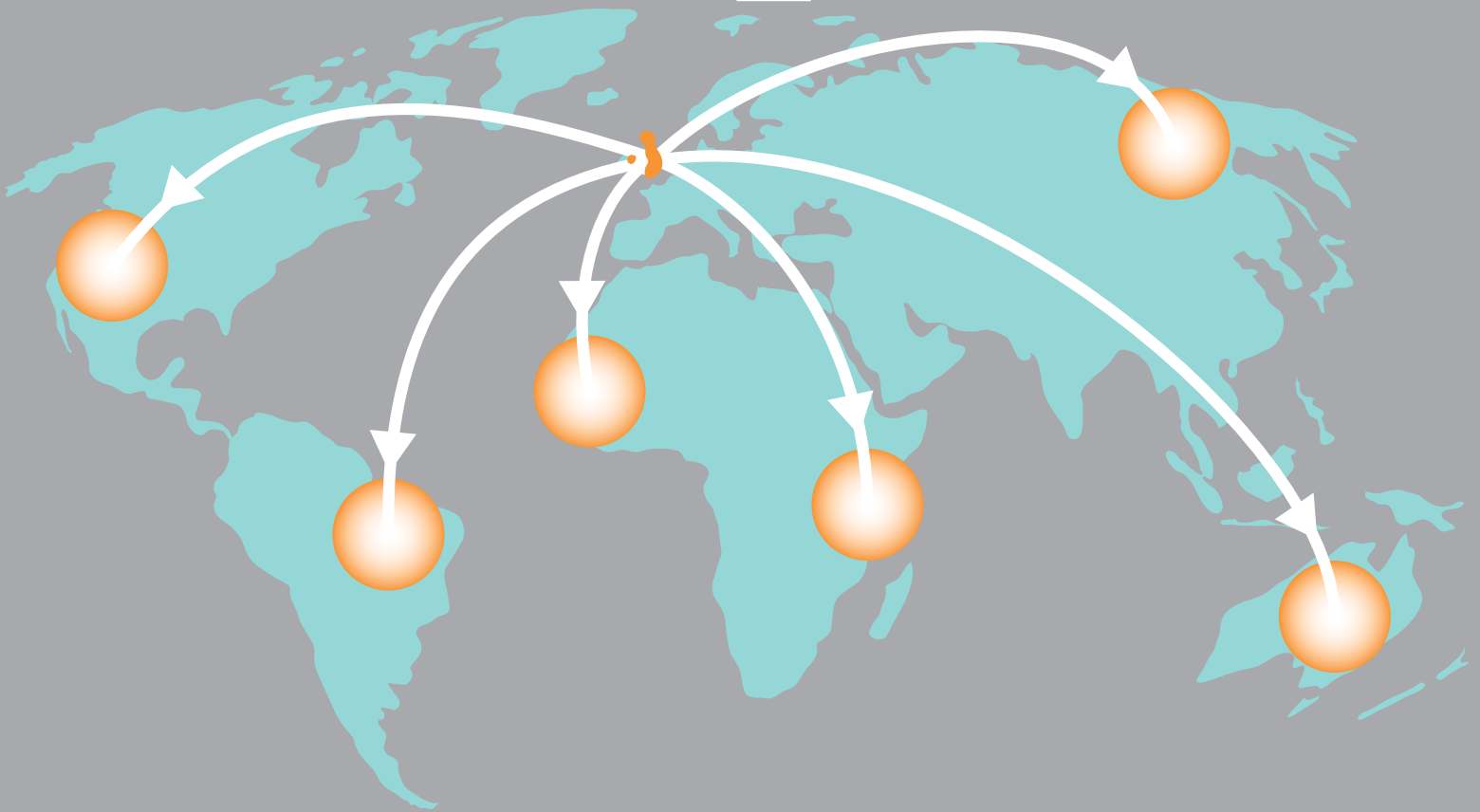


NewStatesman

Export to Expand



**How business and government
can encourage SMEs to export**

Vince Cable Michael Heseltine **Laura Kuenssberg** Tony Dolphin
Rebecca Harding Susan Kramer **Chuka Umunna** Alex Brummer

in partnership with



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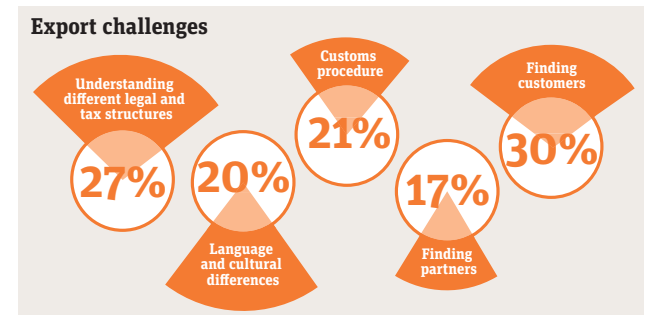
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It's time to trade up

Encouraging more small and medium-sized businesses (SMEs) to export is a practical rather than an abstract challenge for this country. It is a necessary outcome if the UK is going to build a new economic settlement where old assumptions about Western dominance are challenged by the reality presented by emerging economic powers from China to Brazil, from India to West Africa.

Today there are 4.8m SMEs in the UK yet 80 per cent currently do not trade overseas. In some cases there are specific reasons why exporting fails to make sense but for most a series of inhibitors are preventing these firms from benefiting from the advantages of exporting they understand only too well.

This *New Statesman* supplement, in association with Barclays, explores these issues. At its heart is a round table discussion featuring the Business Secretary Vince Cable and a supporting cast of journalists, business leaders, economists and entrepreneurs.

Elsewhere one of Cable's predecessors Michael Heseltine, an entrepreneur in his own right, offers his own prescription for growth (page 10). Chuka Umunna, Labour's shadow business secretary, reports back from a recent trip to West Africa and implores the UK to unlock the potential of diaspora communities back here (page 14).

The British "brand" is strong, he writes. Now is the time to put it to work. ●

This supplement, and other policy reports, can be downloaded from the NS website at newstatesman.com/page/supplements

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COVER BY LAURA WILLIAMS

Opportunity without the hard knocks

What role should business, banks and government play in encouraging small firms to export? *New Statesman* and Barclays brought together a panel of experts to find out

The figures tell a compelling story. Small and medium-sized enterprises (SMEs) experience a 34 per cent increase in productivity within a year of entering an overseas market. Moreover, those firms are 11 per cent more likely to survive in the long term, according to research by Kingston University.

Yet despite the apparent incentives, four in every five SMEs in the UK – which combined represent 99 per cent of nation's business and turn over around £1.5trn a year – are not exporting. Some have made an active choice not to do so but for others the reluctance is far from absolute and is driven by a number of external factors.

According to the same research the most common inhibitors are difficulty in finding customers and partners; understanding different legal, tax structures and customs procedures; and overcoming language and cultural difference. Add to that a pronounced problem in acquiring capital and many small and medium-sized businesses have concluded that the risks continue to outweigh the potential rewards.

So how do we encourage more SMEs to export, knowing that it is likely to

benefit their business and, as a consequence, the UK economy?

Last month the *New Statesman*, in association with Barclays, brought together entrepreneurs, politicians, economists, journalists and other assorted experts to discuss the opportunities of, and barriers to, of overseas trade. The roundtable discussion – “Export to Expand: How can business and government encourage SMEs to export?” – centred on a handful of key themes: access to finance, the role of government and banks, skills and the labour market, the impact of the economic downturn, the uncertainty in Europe and where best to do business as a first-time exporter.

Antony Jenkins, chief executive of Barclays echoed the view from the small business community when he observed: “It can be quite daunting to navigate local regulations and customs and figure out how you’re going to get paid. It’s just not the same as doing business with someone down the road.”

Vince Cable, Secretary of State for Business, Innovation and Skills, began by setting out the role of the government and the initiatives the coalition had introduced since taking office three years ago. He split those initiatives into those that were acting as a “catalyst for busi-

ness lending” and those “specific to exports”. In the former category he pointed to the Enterprise Finance Guarantee Scheme which “is being liberalised a bit”, and the Business Bank, “there to support challenger banking, specialised products and long-term capital”.

In the latter category he highlighted Export Finance, the UK’s export credit agency formerly known as the Exports Credits Guarantee Department (ECGD); and the “radically reformed” UKTI (UK Trade & Investment) which offers advice and services to British companies looking to the export overseas, as well as to international companies looking to invest in the UK.

Despite all this activity Cable remains dissatisfied. “Given we have booming markets in many parts of the world and given that we’ve had competitive devaluation [in Europe] it’s extraordinarily frustrating to see the slow growth in British exports as we recover.”

A repeated complaint of the government’s efforts to provide incentives and share knowledge is the unnecessary complexity involved. Laura Kuenssberg, ITV’s business editor, said that from her conversations with small businesses they were overwhelmed by the array of “different names” and “different ▶



MARIO TAMAM/GETTY IMAGES

The New World Trade Center: Sunil Sharda was surprised how easy it was to do business in the United States

► schemes” on offer from government. “That goes right across whether it’s export schemes or employment schemes,” she said. “There are 47 different schemes for youth unemployment so show me one employer who’s going to know off the top of their head where to go.”

Cable agreed that removing complexity was important but said, sometimes, efforts to do so brought unintended, not to say unwelcome, consequences. “The government built a unified website called Gov.uk which was designed to provide a single point of entry for information and it got all kind of prizes for being brilliant. [But] then it was noticed that in the process of simplification we had ditched 95 per cent of the information that businesses actually found useful. Now we’re trying to retrieve that information. So simplification isn’t necessarily the mantra for everything.” He offered this anecdote, he said, not to rationalise but to try and explain the dilemmas involved.

Government efforts elsewhere produced a qualified thumbs up. Panellists gave the UKTI, if not a full-throated three cheers, then two and a half cheers. For intention, at least.

Cable insisted that UKTI is “much more professional and SME-focused” than it once was and most of the panel appeared to share that view. The former Liberal Democrat shadow Trade and Industry Secretary, Baroness Susan Kramer said: “Everybody we talked to who worked with the UKTI praised it to the hilt.”

Graeme Fisher, head of policy at the Federation of Small Businesses agreed that UKTI did a good job for those who knew about it but lack of visibility remained a problem. “We surveyed our members – existing exporters – and only half of them were aware of UKTI and only 20 per cent used their services,” Fisher said. “Now once they were through the door, the feedback is very, very positive. So there’s an issue there about brand recognition.”

Kuenssberg thought UKTI still had some way to go. She said, based on what business people were telling her, the overall verdict was that the organisation “has got much better”. She added, how-

ever, that it was still “not nearly aggressive enough, still not nearly quick moving enough, still not really going after or choosing targets”.

“A FTSE 100 executive told me a couple of weeks ago that when he gets out of the plane in Singapore and ... gets into his car, the person who gets into the car with him is not someone from his business: it’s someone from their equivalent of UKTI.”

Sunil Sharda, one of the entrepreneurs around the table had his own view of the role of government. Sharda owns and runs Sharda Glass, which specialises in the production of structural and architectural glass. The business was set up in 2006 and turnover in the first year was



“Our role is clearly more than just information and catalysis”
Vince Cable

£300,000. It now turns over more than £10m a year. He told the round table panellists: “We do need help but what help that is, it’s quite difficult to [say] ... Sometimes it’s just, ‘Let us just get on with our business’.”

Nonetheless, easier access to information and government incentives, like motherhood and apple pie, was universally welcomed. According to departmental figures, 90 per cent of the firms the UKTI advises are SMEs and last year it helped businesses generate over £30bn in additional sales.

This, however, is only part of the picture. For Rebecca Harding, chief execu-

tive of Delta Economics (on the panel as an economist and an owner of a small business), policy makers should not underestimate the financial risk entrepreneurs take when they set up their own businesses.

She pointed to her own firm’s survey which found that the average amount an entrepreneur needed to start up a business is £180,000. Tellingly, 70 per cent of that start-up finance is self-funded through borrowing against the mortgage or other private sources. “If you put into the mix internationalisation, you are actually putting at risk a huge amount more because I know from bitter experience that it’s actually very difficult to get contracts nailed down.”

Kuenssberg pointed out that it would be a mistake to assume that all SMEs wanted to export. More than 60 per cent of these businesses are sole proprietors, she said, who simply “want to run their business, pay their bills”. She added: “It’s easy to make the assumption that everyone want to be a high growth entrepreneur. It’s not the real world.”

Helen Brand, chief executive of the ACCA (the Association of Chartered Certified Accountants) agreed. She suggested that companies

with over ten employees tend to export. “That seems to be the tipping point.”

For those who are exporting and those who want to, access to finance – the lack of it or the sometimes punitive terms on which it is lent – remains high on the list of frustrations. Helen Loveless, enterprise editor of the Mail on Sunday told the roundtable: “Every day I speak to firms who say, ‘We’ve been turned down, we don’t know why, we get no direction from banks’. So you get back to that lack of trust and lack of confidence in banks that go hand in hand.”

She urged banks to make it much clearer to people why they have been turned down for finance and explain what alternatives are on offer. “Banks still do 90 per cent of small business lending and it would be a shame if that continued to erode.”

Vince Cable said that his department has a lot of evidence of “lending decline in about eight major sectors”. He talked

too about “quite high rejection rates” and “discouraged decline”, all of which appeared to underscore Loveless’s point. On the broader issue of bank lending, Jenkins said: “There’s no doubt that in the run up to the [2008 financial] crisis there were many more foreign banks lending in the UK economy and banks had to carry a lot less capital against the loans they provided. So all other things being equal that means capacity has gone out of the system.”

Despite this, he said that his bank still approves 85 per cent of loans. According to his colleague Simon Nicholson, head of international and trade, of those loans that are rejected lack of security is the reason in just 12 per cent of cases.

Tony Dolphin, senior economist and associate director for economic policy at the think tank IPPR, said it would be a mistake simply to focus on finance. He suggested the problem for UK plc runs much deeper. “We’re not gaining market share in emerging markets which are growing strongly or even in Europe despite the fact that we’ve had this 25 per cent devaluation,” he said.

“We’re also not competing better at home against imports. Import growth has not slowed down several years after devaluation, which suggests to me that there is something much bigger and more structurally wrong with the UK economy.” He said this may in part be down to a lack of skills, infrastructure and finance but, above all else, he argued that it was a systemic problem. Namely, the UK’s over reliance on the financial sector to drive the economy. “The bits of service sector economy that have grown to replace manufacturing aren’t naturally exporting sectors.”

He urged the UK to emulate the world’s best exporters such as Singapore and Germany both of whom have an export policy which is “unashamedly an industrial policy”.

In response Cable insisted that the government *was* adopting an industrial strategy. “On the role of the government, it’s clearly more than just information and catalysis, it has to be more than that,” he said.

“There have been some very big market failures which is why we are setting up the Business Bank and why we’ve already set up the Green Investment Bank. These are things which do not operate through the market mechanism and I

think there’s an acceptance within the financial community that they wouldn’t do these things if we didn’t do them.”

Another issue that threaded through the debate was concern about the talent and calibre of the workforce; the lack of skills among the domestic labour force and the impact that globalisation was having on the access to a pool of highly-talented foreign workers.

In his 2009 book, *The Storm: The World Economic Crisis and What it Means*, Cable wrote about the potential effects of the banking crisis on liberal capitalism; how it might impact free trade, migration and the free flow of labour. Cable says now that he was “wrong to exaggerate the risks of protectionism of the traditional kind” but insists the one areas where protectionism has manifested itself is in the movement of labour. “It is often totally irrational because we do need scarce skills. We do benefit from overseas students,” Cable told the panel.

Asked if anyone around the table had experienced what the Secretary of State had described, Rebecca Harding said

“The Americans have
welcomed us
with open arms”
Sunil Sharda

“absolutely”. She classified Delta Economics as a service sector exporter and said: “We’re exposed internationally in terms of our labour force.” She noted that the IT and mathematics skills she was looking for in potential employees were in “fairly limited supply” in the UK. “I’ve put out adverts to all sorts of very, very top universities and the applicants that have come back are German or Italian or Indian. We’ve found it very difficult to recruit from the UK talent pool.” So much so that her company now has an office in India – “and it’s not back office functions. It’s core Delta Economics functions.”

Susan Kramer said the lack of young adults, especially young women, with information technology skills was likely to hold the UK back. She cited a figure that had been put to her recently; namely that just 255 girls from all schools took A-level Computer Studies

last year. “If that number is true then we have serious problems.” On a lack of relevant language skills, Kramer pleaded: “If we can do anything, can we please not tell children that they need to go out and learn classical Greek and Latin.”

“But if they can master a modern European or Asian language and match that up with some fairly basic levels of maths, they can write their own ticket.”

If the decision, ultimately, is to export the obvious next question is where – to the emerging economies, the United States or, closer to home, Europe?

For Kramer the answer was not in doubt. “It’s absolutely evident that for most small businesses the place to go is Europe, particularly the easier countries like Belgium. That is how you learn how to export, that’s how you get your feet wet and it’s from there that you build.”

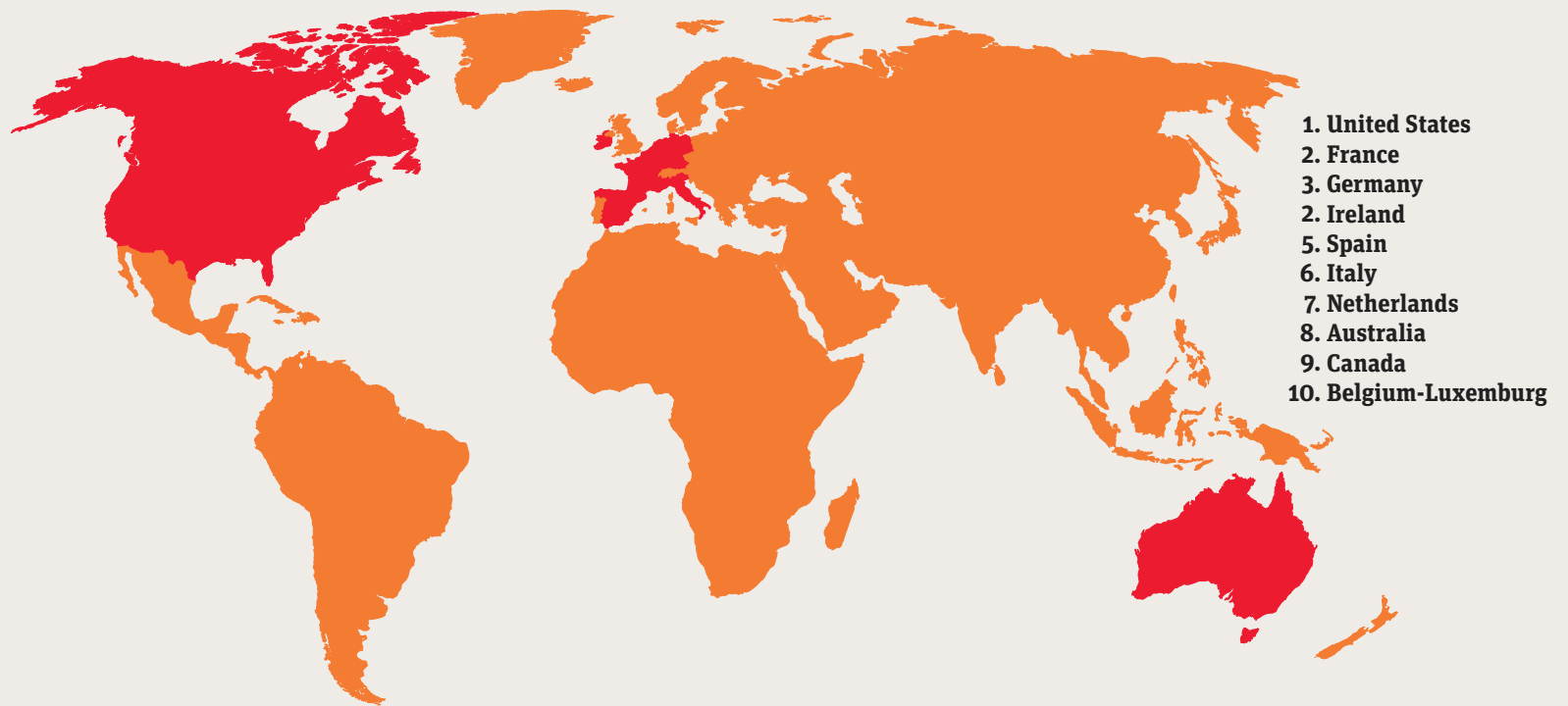
Kramer said that from her experience of talking to small businesses, the emerging markets were best avoided in the first instance. So too the United States. “Most of the businesses we talk to have terrible experiences of going to the States and eventually find that the only way they can do it is to form a joint venture, essentially giving up most of the potential upside of US sales and exports; instead settling for royalties.”

Her view on Europe is shared by Simon Nicholson. “Our message is start with Europe, learn, get the processes right and then go further afield.”

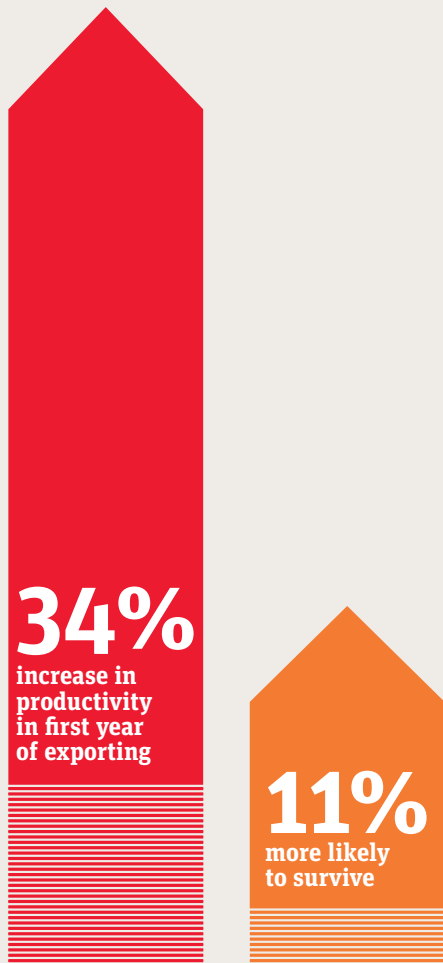
Cable agreed that for many companies starting in the European Union was “the sensible thing to do” but pointed to the growth of exports in emerging markets “in volume and value terms”. He offered the notional example of an architect’s firm that wins a contract in India, “it goes viral” and the firm gets established and learns the way to operate in that new territory. “There are some small companies who are learning how to do that are expanding very rapidly, much more rapidly than they would through the ‘Belgium route’, if you like.”

Sunil Sharda is one such business owner and his biggest success story came neither in Europe nor the emerging economies. Today, thanks to some lucrative and high profile contracts around the world including projects in the United Arab Emirates, Qatar, and the United States as well as those closer to home (the Olympic Stadium, Heathrow terminals 1 and 5, Harrods ▶

Top 10 countries where SMEs are exporting (Based on active customer base)



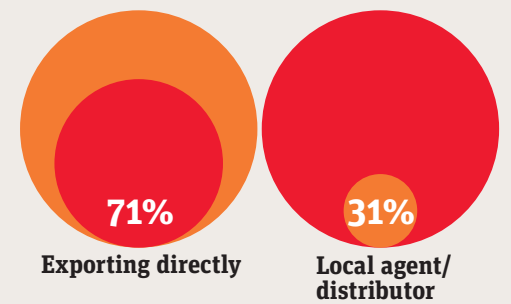
Opportunities abroad



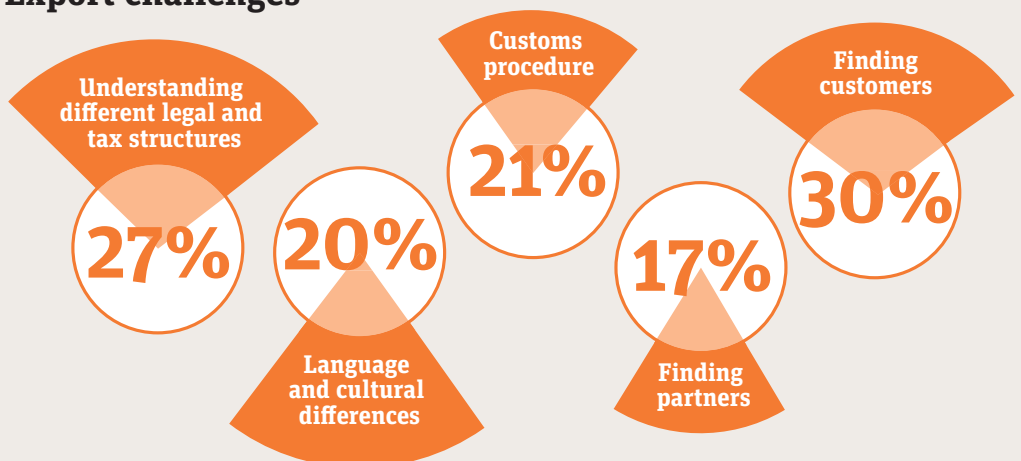
Staying at home



Operating abroad



Export challenges



SOURCES: UKTI, VANSON BOURNE/KINGSTON UNIVERSITY, LONDON, CBI/ERNST & YOUNG, GRAPHICS BY LAURA WILLIAMS

► and London's newest landmark, The Shard) his company now employs 60 people. Sharda said exporting was crucial to his company's success and, in contrast to Kramer's misgivings about the United States as an overseas market, he said it had proved immensely profitable. He pointed to two "very nice projects" – the New World Trade Center in New York and another in Philadelphia. As a result of the latter, he said, "we're shipping our equipment out and setting up a workshop in Philadelphia to serve the US market."

He added: "I've travelled over America over the last six months and we've now found that the US government has huge grants available for foreign nationals to set up, employ US citizens and train them . . . it's quite a surprise how easy it's actually been. They accepted us and they've welcomed us with open arms."

Sharda's experience is shared by others. According to the Kingston University research, the US is the number one country for SME exporting, as measured by active customer base. Australia and Canada also feature in the top 10. The remaining places are taken by countries in Europe.

So what of Europe with its parallel political and economic crises? The downturn in Eurozone economies is coupled with political unease at Westminster – a referendum on whether the United Kingdom remains in or pulls out of the European Union is on the horizon (most likely in 2017) while disquiet among Conservative MPs is ongoing, fuelled by the recent electoral success of UKIP.

How does such talk play among the small business community? Does the uncertainty put would-be exporters off? Barclay's Nicholson suggested it might. He said that if you were to put yourself in "the shoes of an SME" then a big inhibitor to exporting was the fear and complexity of the unknown. "The winds of change in Europe probably don't help," he said.

Sharda said of the political noise about Europe: "As a hardcore manufacturing person, I do see some sense in the discussion but some of it still seems very foggy." Kramer argued that the larger economic woes the world is experienc-

ing do not always impact on small business. "The fact that there are problems in the macro economy is seldom terribly relevant for the small business looking at export markets. They are highly specialist," she said. "There's so much potential for them to grab business so that whether the economy is going well or badly is not the key indicator of whether or not they've actually got an export opportunity."

Helen Brand of the ACCA said that despite the animosity towards Europe, a true single market would be a good thing for the UK's SMEs. "If you could complete the single market you could increase trade between the UK and the European Union by 45 per cent for SMEs.



"It's easy to assume
that everyone wants to be
high-growth"

Laura Kuenssberg

So there still seems to be an economic prize for removing those barriers to trade. Whether that's compatible with political union and the wider economic union, that's open to question."

Harding echoed that view, arguing that if the UK came out of the EU, it "would increase the amount of bureaucracy that we had to go through in order to trade and that's actually anathema to everything the Common Market was established for."

One of the paradoxes of the export debate is that a majority of entrepreneurs (Harding puts the figure at 60 per cent) in the high-growth sector are, in any

case, international in some shape or form. "We need to learn from that broader spectrum of international entrepreneurship," she said. "It's not just the people who are exporting, it's actually the people who import as well because its exposing 'Brand UK' abroad."

Barclays' Anthony Jenkins suggested that all businesses, big and small, needed to adjust to a new economic reality. "The macroeconomic environment is going to be quite challenging for the foreseeable future and that will depress confidence. So what we need to do is adjust to the new normal of the economy and then seek opportunities within that."

There were, he said, some signs that this was happening, especially as the last three years have seen successively higher numbers of small business start-ups. "This is partly a reflection of people wanting to take their destiny in to their own hands in the employment market, but I think it's encouraging that there is more openness to entrepreneurialism in the economy."

Brand took up the theme. "In discussions with CFOs recently I've asked: 'What if there is no economic growth to generate your business?' and this [sense of] complete perplexedness comes back."

"Relying on general economic growth to generate your business and the sustainability of your business isn't really an option, particularly in the environment we're in within Europe. So the message for SMEs – they have to be innovative, create competitive advantage from within rather than relying on the market around them."

Summing up, Vince Cable said: "What's come out of the discussion is recognition of the importance of SMEs in the economy, something we've been very complacent about in the past; a recognition that compared to some of our competitor countries like Germany, the SME community isn't sufficiently engaged in international trade." ●

This New Statesman round table debate, in association with Barclays took place at Portcullis on 7 May 2013. It was chaired by Rafael Behr, political editor of the NS. For a full list of participants, see page 2. To download a digital version go to newstatesman.com/page/supplements

Lessons from over there

by Michael Heseltine

Government, so often a source of frustration for entrepreneurs, must follow the lead from abroad to become a catalyst for growth

Whenever I hear small business people complain of the frustrations that makes their life so stressful, I have nothing but sympathy. I have been there. My family has long been involved in small businesses, the fathers of all my friends were small business men and no one was more certain of where the main challenges lay than I was when, in 1955, I became a small business man myself. The forms were intolerable, the taxes robbery, civil servants the agents of everything that stood to frustrate. Wherever you turned somebody or something got in the way. Above all, one wanted to be left free to get on with the task of trying to earn a crust.

Fifteen years of my life were spent in such an environment with nothing but a growing certainty of conviction. Anyone who started a business knows of the roller-coaster that enterprise involves.

Up to the 1970 election – by which time I'd been in parliament for four years – I was signing petty cash vouchers in excess of 50 pence. Following three weeks articulating the ethos of the private sector in the election campaign and I was junior minister.

“Would you be good enough to sign this parliamentary secretary? It is the authorisation for a £6m project to electrify an east country railway line”, a senior civil servant would say. Even in my wildest moments I had never envisaged moving from 50p to £6m. “When can I meet the managers who wish to invest this amount of my and the taxpayers money”, was the obvious re-

sponse. “Parliamentary secretary, if you try to meet the managers every time we ask you to authorise a few million pounds you will never have time for your day job.” I had joined the public sector.

Over the next near forty years I served in the Ministry of Transport, in the Department of the Environment, the Ministry of Defence, the Board of Trade and in Whitehall as Deputy Prime Minister. During that time I was responsible for the recovery of Rolls Royce and the attempt to sell Concorde. I was responsible for the British initiative to create the European Space Agency. I had responsibility for the sale of Tornado aircraft to Saudi Arabia and nego-

Every other economy
pursues the self-interest
of its companies

tiated the largest single contract to develop the Eurofighter with German, Italian and Spanish partners.

I came across all the complexity of procurement in the defence industries when I moved to the Department of Defence. Previously, I had been deeply involved in urban renaissance creating development corporations and facilitating public / private partnerships through the mechanism of urban grants.

Later I was to develop City Challenge to bring competition to local authorities anxious to tackle their most under privileged

estates. The sale of council houses was probably the biggest act of privatisation this country has ever seen and certainly I have probably privatised more aspects of the public sector than any other minister including parts of the nuclear industry and the last of deep coal mining.

It did not take long to realise that the interrelationship of the public and private sectors are so manifest and so critical to the success of a dynamic economy that the needs of the private sector formed a major part of ministerial policy making. This had implications for small business too.

Every year billions of pounds of public money is spent in ways that have consequences for the private sector. The education system produces the raw material without which the wealth creators would be unable to pursue their enterprise. The determination of research and development programmes, whether they are through the direct programmes of government, its quangos or the research councils, are an essential feature of international competitive support for our companies.

The most cursory glance at the budgets of the spending departments will reveal funds, specialist in nature, designed to help one particular classification of enterprise or another. Indeed, the highly controversial regulatory framework which can stifle and hold back enterprise is often the catalyst that leads to the growth of new industry.

I remember the controversy that surrounded the introduction of skid lids as a compulsory condition of riding a motor-

bike. It was, of course, a form of regulation but it also meant that somebody had to make the huge numbers of skid lids that this regulation demanded. As this example illustrates, governments can play a huge role in creating the potential for our industrial base.

There are those that wish it were not so, even those who claim it is not so but that is a peculiar characteristic of the UK. The further one travels internationally, the more one realises that every other capitalist economy understands and actively pursues the self-interests of its companies. This may be through direct support from government procurement or by the existence of education, training or scientific programmes.

Just over a year ago the present government asked me to look at the inhibitors to growth. The timing was propitious because the current recession has been longer and deeper than anything through which I have lived; and it has opened people's minds to arguments which have been little heard in this country.

The monopoly enjoyed by Whitehall and its functional departments is not an effective way to organise a capitalist economy. Indeed every other economy with which we compete follows a quite different pattern. They work on a place-based strategy, pursuing strength and weakness analysis and build on it by exploiting the things in which those economies excel. Skills and training are related to the requirements of the employers in each locality. The investment programmes are tailored to where they are already strong or are used to identify markets they wish to enter. The strategies are designed by those in a position to know and understand and believe in the strengths of the local community.

We go exactly the opposite way. Whitehall works out what each area needs by way of roads, another department by way of housing, another department by way of training, another department by way of employment interests. There is no effective mechanism to join up these processes on a co-ordinated national level. We are unlike any of our competing economies and weakened by the process.

Sadly it is not just a deficiency of government. The private sector itself is badly organised to build on the strengths of our economy. There are 3,600 trade associations all providing advice to Whitehall. It is little wonder that Whitehall suspects that



Every year billions of pounds are spent by the public sector that have implications for the private sector

much of the advice is special pleading and designed to divert attention from the deep-seated problems that affect many sectors of our economy.

Every competing economy also has a streamlined process for representing the voice of the private sector. America has its Small Business Administration, Europe its Chambers of Commerce, the Japanese a MITI (ministry of international trade and industry) framework, even Hong Kong administers a support system through the Hong Kong and Shanghai Bank.

All have different patterns but there is one common theme: small and medium sized companies are served by effective, co-ordinated arrangements.

In this country we have a proliferation of organisations whose total membership adds up to only a fraction of the total cohort of companies. This needs to change. We need far fewer trade associations and in each of the local enterprise areas we a single signposting system informing, guiding and mentoring the private sector. The government has set ambitious targets to increase our export penetrations but it needs the private sector to respond.

The debate about industrial strategy is not new. Indeed it was Rab Butler, the architect of Conservative recovery after the Second World War, who produced a docu-

ment called *An Industrial Charter in the 1940s*. The present recessionary pressures have reactivated interest in just what an industrial strategy amounts to and the easy way to answer the question is to look at our competitors, all of whom pursue one.

It is about encouraging growth. It requires the spotlight shone in every corner, every government department, every local authority, every company, every supply chain, and every organisation claiming to speak for the private sector, in order to be sure that we are all aware that our national performance is only the total of what individually we all do. There are many ways in which better co-operation, better servicing, better co-ordination, enhanced gearing of public money to attract additional private money can all add to an improved national output.

The government's response to my report, *No Stone Unturned: in pursuit of growth*, offers encouraging signs that this country has begun to understand just how fierce the competition is that we face and is determined to do something about it. ●

Lord Michael Heseltine was Secretary of State for Trade and Industry between 1992 and 1995. You can find a copy of his report "No Stone Unturned: in pursuit of growth" at bit.ly/18UuUQq

How to make a mark in a foreign land

Exporting overseas for the first time can be a daunting prospect so the *New Statesman* brought together seven leading experts and asked them for their top tips

Be diligent and partner

Being open to opportunities in new markets is the first step. The second is investing the time and effort to thoroughly understand where your product or service fits within each different market and what you will need to do to succeed. This will help inform the extent of your export potential and highlight any challenges.

Finally, finding trusted partners to help navigate complexity and reduce the risk of entering new markets is essential. We set up OpentoExport.com to create a forum for, and a sense of community, among SMEs wanting to export. The vibrancy and support of this community, coupled with the increasing availability of information and government support for export initiatives, make it an ideal time for British SMEs to look abroad for new opportunities for their goods and services.

Richard Hanscott, CEO, hibu UK, publishers of OpentoExport.com

Know your market

The most important thing to know before you begin to export is just how the market you're about to enter does business. This includes how local consumers perceive your

product or offering, what changes you may need to make to it and whether or not the overseas market will stand the pricing that you are used to in the UK.

You should also be prepared for a different kind of negotiation: the silent consensus of the Japanese or the bartering of the Mediterranean countries. Finally, make sure you know how they will pay. Nothing matters if you're not sure you will be paid and that you'll make a profit.

Lesley Batchelor, director general, The Institute of Export

Max out on government help

For smaller firms, the idea of jumping on a plane to Latin America or Asia can be a leap of faith when they don't have a foothold in the market. Being armed with the know-how of operating in different countries, languages and cultures, a practical helping hand from government, and knowing a friendly face on the ground, can all help British businesses overcome the hurdles of trading in a new market.

To that end, smaller firms need to ensure they max out the government's current offering, such as its range of export finance schemes, to help make the exporting

process that little bit easier. For our part, we run an M-Club initiative throughout the UK, bringing together mid-sized CBI members with the determination to start selling their world-class goods and services outside the UK.

We have also called for a targeted tax incentive for smaller firms to explore new markets and for the government to bring all export finance schemes under the planned Business Bank.

Katja Hall, chief policy director, CBI

Look east (and west)

Britain's best hope of restoring output to 2008 pre-crisis levels is the small and medium sized-enterprise (SMEs) sector. It has an opportunity to exploit new exports markets in Asia and Latin America and refocus on Britain's traditional North Atlantic trade relations.

Making the transition to export-led growth is hindered by a number of factors. One of which is the sale of so many of Britain's larger enterprises – from Cadbury to ICI – to overseas buyers. Each time a major company is sold the supply chain, consisting of hundreds of small enterprises, is interrupted destroying the bedrock of man-



Market conditions: debutant exporters should thoroughly research overseas opportunities

ufacturing. Foreign takeovers need to be more closely scrutinised to ensure that valuable technologies and intellectual property are not lost.

Alex Brummer is City Editor of the Daily Mail and author of "Britain for Sale" (Random House Business, £12.99)

Bank on UKTI

The coalition government wants 100,000 companies to export for the first time by 2020 and if it is to hit this target small businesses will play a crucial role. A key challenge for government is that only half of existing small business exporters are aware of UKTI, the government body set up and run to promote trade and inward investment, and only 19 per cent have accessed its services. Moreover, the scale of the UK does compare favourably with our competitors, with the Germans offering around ten times more in trade finance than the UK.

While UKTI's services need to be better promoted and more resources put into the export effort, our advice to a small business thinking about exporting is to see what help there is on offer. UKTI can offer extensive market research and a network of contacts within British embassies who can help find

new trading partners, as well as a range of schemes to support exporters. In addition, new exporters should carefully explore which bank offers the best export support. Each of the major banks has its own strengths, with some aiming niche support to new exporters not only through financial support but also through a range of advice services. Together with schemes available from UKTI, using this support from their bank should mean new exporters will be in a good position to take advantage of any opportunities on offer.

Mike Cherry, national policy chairman, Federation of Small Businesses

Research, research, research

The critical work on exporting is done up front. Having decided to export, small business owners should invest in research to find out about issues such as trading standards, exchange rates, competition, pricing, direct and indirect taxes, documentation. This will require a time and cost commitment.

Selling through the internet can reduce some of the issues involved in exporting but businesses may need to modify their website to include the language of the target

market and will still have to deal with issues such as getting the product or service to the customers. There is a lot of help and advice out there: UKTI, UK Export Finance, British Exporters Association and the Institute of Export among others can help.

Clive Lewis, head of enterprise at ICAEW

One market at a time

There is a vast and growing market out there but as most businesses owners will know, it is hard enough to get a venture running profitably in your own country, let alone a foreign one.

Our advice would be to start with one market at a time, preferably an English-speaking European one. Don't bite off more than you can chew and only once you have got a feel for the way the export market works should you look further afield.

Anyone looking to export should also be in touch with UKTI as a starting point. Forum members who've exported have had lots of positive things to say about the services and help they offer. So for the savvy business owner with an eye on overseas trade, UKTI is a sound starting point.

Robert Downes, policy adviser, Forum of Private Business

Trading places: helping smaller firms to export

by Chuka Umunna

This *New Statesman* and Barclays special report on export-led growth for small firms could not be more timely. In difficult economic times, when we are experiencing the slowest economic recovery in over a hundred years, we all have a responsibility to do what we can to promote British business abroad.

Britain faces real worries about where demand will come from to kickstart our recovery. Households are facing the longest squeeze in living standards in a generation. Government is retrenching. Too many small firms cannot get access to the capital needed to expand. Too many cash-rich large firms lack the confidence to invest.

But when we lift our eyes beyond the problems of domestic and continental economies, there is a world of opportunity. We have seen the massive growth of the so-called Bric economies. As the volume of world trade doubled in the first decade of this century, countries like Germany maintained their share of this trade, whereas ours fell by half. Now we see a new wave of fast growing economies – the Next Eleven. We cannot afford to make the same mistake. Within the next two decades, the global middle class is set to triple in size to around five billion people. That's a whole lot of demand we should be preparing our economy now to meet – starting with support for small firms with export potential.

I saw the opportunities with my own eyes last month when I had the privilege of leading a trade mission to West Africa on behalf of UK Trade and Industry and the London Chambers of Commerce and Industry. Ghana, a stable democracy, is on course to be eighth fastest growing economy in the world between 2011 and 2015. The IMF expects the Nigerian economy to grow by 7 per cent this year alone. By the

end of this decade, it is projected to be the twentieth largest economy in the world. According to *The Economist*, Lagos has a larger economy than the whole of Kenya.

In Lagos I saw Eko Atlantic, a new district of the city the size of Manhattan being built on reclaimed land, and set to become the financial epicentre of the region. I saw Co-Creation Hub, Nigeria's Tech City, bringing together software and app developers, entrepreneurs and investors to solve social problems. More than anything it captures the sizzling dynamism of the new Nigeria.

I was accompanied by two dozen business people from across the UK who already understood the scale of opportunity in West Africa. The majority were from small businesses and they came from a range of sectors including healthcare, energy, training and higher education, infrastructure and agriculture. These UK firms came ready to build relationships, seek local partners, do deals. And do deals they did;

The British “brand”
remains strong in West
Africa. Let's use it

firms like Mount Laboratories, a company based in Loughborough who supply British Standard lab equipment to a range of industries. Director Nigel Mount used the visit to strengthen relationships with the Ghana Cocoa Board and Nigerian firm Emzor Pharmaceutical Industries which uses Mount's products in their quality control labs.

The British “brand” remains strong. Historical ties, our time zone, language and cultural links give UK firms real advantages. But these cannot be taken for granted. Former President Olusegun Obasanjo has

warned that Britain risks falling behind as China (whose trade with Nigeria increased by 800 per cent in the first decade of this century), India and Brazil pursue the opportunities more energetically.

In Britain we have firms producing some of the most exciting goods and services available. We must do all we can to help them connect to global markets. Trade missions are a good start, creating direct links and a well of trust between future trading partners. But we must do more.

The Small Business Taskforce has recently made a number of recommendations to Labour which we are examining. These include creating export hubs in major world cities to give UK firms a foothold; export “rainmakers” who can help small businesses identify and approach potential customers; and a suite of export finance products comparable to those offered by the US Small Business Administration.

I see in my own constituency the unused potential of diaspora communities, with language skills and the cultural understanding of many of the world's fastest growing economies. And while we focus on the goods and services we can export today we must also be investing in the ideas of tomorrow, building our national capabilities with an ambitious and consistent, modern industrial strategy.

In difficult times, when business confidence is low and domestic demand weak, the support we offer to small firms with the capacity to export matters more than ever. Markets around the world are expanding, but competition is also intensifying. As the examples in West Africa demonstrate, we cannot rest on our past, but we can build on our historic strengths to seize the opportunities of the future. ●

Chuka Umunna is shadow business secretary and Labour MP for Streatham

Reasons to be optimistic in a muted market

by Simon Nicholson

Exporting opens up new markets and opportunities for small businesses, enabling rapidly accelerated growth and job creation. Yet trading overseas is often perceived to be the preserve of big companies. Many small and medium-sized businesses (SMEs) do not believe there is a market out there for their products and services, and those who do export often fall into it by chance. There is considerable untapped potential among the UK's small business community. The key challenge – and it is deceptively simple – is to encourage more SMEs to see themselves as exporters.

There is reason to be optimistic. Against a backdrop of a muted domestic market, many small businesses are beginning to set their sights on foreign shores. Indeed, a quarter of them are considering exporting for the first time within the next five years, with most beginning with markets geographically and culturally close to home.

Those who have gone before them generally have good experiences to report; more than half of small businesses who have started to trade overseas say the process has been easier than they anticipated. In part, this may reflect the fact that it is not always necessary to have a physical presence, with online providing an alternative way of exploring new markets. The scale of the impact has surprised many small businesses, with 54 per cent saying the level of growth they have achieved through exporting has exceeded expectations.

The vast majority of those who export recognise this as being important to future growth and more than half believe it will contribute increasingly to their bottom line. They also point to other benefits such as increased innovation and a longer lifes-



Stacking up: the prospects overseas are good

pan for products and services. Success evidently stokes further ambition. Two thirds of small businesses currently exporting plan to enter new markets in the coming years. The more experienced exporters are

Bric countries present considerable opportunities for UK businesses

moving further afield – to China, Hong Kong, and India. The rapidly expanding middle classes in emerging markets like the Bric countries (Brazil, Russia, India and China) present considerable opportunities for UK businesses, building on the strong

British brand and providing goods and services not catered for domestically.

While much is made of these countries, emerging markets in Africa are often overlooked by comparison. The continent is still considered by many as one of the final frontiers, but it is experiencing an era of change. Long-term growth prospects are strong, with improved political and economic stability coupled with abundant reserves of natural resources. Despite attracting only 3 per cent of global investment in 2011, IMF forecasts predict that Africa will be a leader in economic growth over the next five years. Larger corporates have shown increased interest in the region in recent times, recognising the opportunities. Research among 250 UK business leaders that currently trade in Africa finds that over 90 per cent believe there are opportunities for UK business in Africa, with a third describing them as “huge”. While certain challenges remain, such as in regional integration and infrastructure, more than a third of those currently trading in the continent say conditions are improving.

Emerging markets may not present the most natural first port of call for novice exporters; and exporting, even close to home, is not for everyone. But the experiences of those small businesses currently blazing a trail across the globe illustrates that gaining experience in one market can generate confidence and success further afield in the longer term. More than anything, it shows that size need not be a barrier to expansion. Taking the first step overseas is always going to feel risky, but done in a sensible way, taking advantage of the support on offer, the potential rewards are considerable. ●

Simon Nicholson is head of international and trade, Barclays Business

PLACE: Kitale Village, Kenya

PEOPLE: Simon Bransfield-Garth, CEO, Azuri Technologies
Oliver Bailey, Relationship Director, Barclays

AMBITION: Expansion across Africa

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