


AGENDA ITEM NO. 16

To: ECONOMIC DEVELOPMENT COMMITTEE		Subject: SCOTTISH TRADE INTERNATIONAL - BUSINESS DEVELOPMENT STRATEGY FOR SCOTLAND - LANARKSHIRE EXPORT PARTNERSHIP RESPONSE
From: DIRECTOR OF PLANNING & ENVIRONMENT		
Date: 23 November 2000	Ref: IL/REP/738	

1 Purpose of Report

- 1.1 To inform the Committee of the Lanarkshire Export Partnership's (LEP's) response to the Scottish Trade International (STI) strategy document: *International Business Development Strategy for Scotland*.

2 Sustainability

- 2.1 The Council's International Trade Programme meets the sustainable development policy adopted by the Council through Local Agenda 21 by addressing elements of Section 3 "Economy and Work" and Section 11 "Partnership and Funding". In particular the scheme addresses the following areas:

- increasing employment opportunities for local people
- helping local and community businesses to set up and grow
- working in partnership with other departments and agencies.

3. Background

- 3.1 As Committee is aware, North Lanarkshire Council is an active participant of both the West of Scotland Trade Partnership (WSTP) and the Lanarkshire Export Partnership (LEP). On behalf of the WSTP, the Council manages a range of overseas exhibitions and trade missions. A number of international events identified are also jointly funded and led by the LEP (North and South Lanarkshire Councils and Scottish Enterprise Lanarkshire). The LEP also offers a range of services to assist companies to enter international markets, including : export development programmes, export training and advice, in-market assistance, and advice and assistance from the Export Counsellor and the Councils' international trade officers.

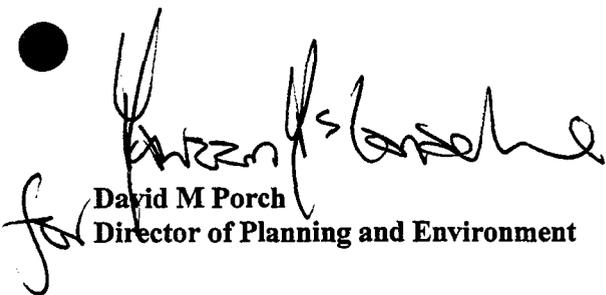
4. Scottish Trade International (STI) – International Business Development Strategy for Scotland

- 4.1 STI have now circulated their draft of the strategy for comment (see attached at Appendix 1). The document sets out objectives and targets for the Local Export Partnerships and other organisations involved in international trade in the business support network. This strategy document has been developed after consultation with the Local Export Partnerships and other relevant organisations.

- 4.2 All three partners of the Lanarkshire Export Partnership have met and discussed the document and have now returned a Partnership response (see attached at Appendix 2).
- 4.3 A core theme of the strategy is that international trade support *must* be linked to the Scottish Economic Framework. The Lanarkshire Export Partnership has emphasised this in its response, stressing the need for an overall holistic approach to business development and support, so that international trade support is not seen as an add-on to other business support activity, but, rather, as an integral element of the business support being offered to companies.

5. Recommendation

- 5.1 It is recommended that the Committee note the contents of this report.



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Director of Planning and Environment

Date of Report:

16 October 2000

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**INTERNATIONAL BUSINESS DEVELOPMENT
STRATEGY
FOR SCOTLAND**

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1. SUMMARY

1. INTRODUCTION

1.1 The International Challenge, the existing 5 year Export Development Strategy for Scotland will have run its course by March 2001. One of the Strategy's greatest strengths was that from the outset it had the support of all of the key export support organisations who committed themselves to working in partnership to provide Scottish companies with a competitive advantage in international markets through strengthened export support. There is no doubt that this approach has brought a focus and coherence that did not exist previously. Key achievements include:-

- Over 550 new exporters created.
- Existing exporters introduced to over 1,300 new markets.
- Provision of co-ordinated support through 13 Export Partnerships across Scotland.
- Scottish Trade International in-market representation in 15 key countries.

1.2 While good progress has been made it is clear that there is considerable opportunity, through this partnership approach, to further strengthen the support available to companies, and this Strategy is applicable to all of the main trade development support organisations in Scotland. The intention is that this Strategy should build on the progress made over the last 5 years. It should also reflect the dramatic changes over that period in the global economy and in the ways in which companies are doing and will do business in the future. Outward expansion and the development of the internet and e-commerce are obvious examples. It is now about helping companies find the most appropriate ways of doing business internationally rather than purely about exporting. This change is reflected in the title of the document – an International Business Development Strategy for Scotland.

1.3 An extensive consultation process was undertaken prior to the development of the new Strategy. Input was received in various formats, including through the Strategy website, from approximately 100 different organisations and 400 companies across Scotland and the Strategy is designed to address the issues raised during the consultation. The principal finding was that, despite the progress of recent years, companies remain unaware and confused over the available support and how to access it.

1.4 The new Strategy will run for 5 years to provide continuity which is particularly important in building up relationships in key markets. However given the rapid changes in the methods of international business a major annual review will be undertaken to ensure the Strategy remains current. This will be undertaken by the Scottish Exports Forum, which is chaired by the Minister for Enterprise and Lifelong Learning and comprises senior representatives from industry and the trade development organisations. The Forum is responsible for overseeing the development and implementation of the Strategy.

1.5 This Strategy takes forward the key themes related to international business from the Framework for Economic Development in Scotland¹ (and from the Strategy for Enterprise). It is also consistent with other strategies and policy statements which may not be specifically about international trade but are nonetheless extremely important to its development.

1.6 Alongside this Strategy document a second, much shorter document will be produced which will be aimed specifically at companies. It will explain the practical benefits which they will receive.

2. THEMES, OBJECTIVES AND TARGETS

2.1 A number of critically important, cross-cutting themes emerged during the consultation process and each part of the Strategy has been developed on the basis of these core themes:

- **Links to Scottish Economic Framework**
- **Customer Focus**
- **Added Value**
- **E-Business**
- **Clarity and Coherence of Support**

2.2 The overall strategic objective is to enable an expansion of Scotland's international business, which will create and sustain jobs, prosperity and a high quality of life for the Scottish people.

2.3 This will be achieved through 4 tactical objectives:-

- Develop company capability to take advantage of international opportunities.
- Increase Scotland's penetration of key global economies.
- Broaden and deepen Scotland's internationally trading industries.
- Continue to strengthen co-ordination between trade development support organisations.

2.4 A target has been set in terms of increasing the value of Scottish exports by £10 billion to £32 billion over the next 5 years. The focus of the Strategy is primarily, but not exclusively, on small and medium-size companies (SMEs) and this is reflected in an ambitious target to increase SME exports from just over £3 billion to £4.5 billion. Targets were established following analysis of information on likely export trends.

2.5 Targets have also been set in relation to new exporters, active exporters, and customer satisfaction. To enable an assessment of Scotland's comparative performance, annual measurement will be undertaken in key areas such as share of

¹ Scottish Executive – June 2000

UK manufactured exports and share of world trade. Measurement will also be undertaken in relation to e-business and outward expansion/globalisation, given their importance to the way international business is now done.

3. E-BUSINESS

3.1 As one of the core themes of the Strategy, e-business is woven into each of the different chapters. It was felt, though, that there was in addition merit in having a specific chapter, given its importance.

3.2 E-business is providing a huge stimulus to international trade and offers tremendous potential to Scottish companies. At the same time, companies which do not respond to the opportunity will find themselves competing in an ever-decreasing "off-line" market. There is a high level of uncertainty among companies as to what e-business actually means for them. To succeed, the approach must be based on the specific benefits to the company which e-business can bring, rather than on the promotion of e-business as an end in itself.

3.3 This Strategy is aligned with broader national initiatives, particularly the Digital Scotland and Knowledge Economy Task Forces, and "Connecting Scotland", which is a national strategy being taken forward by the Enterprise Networks and other economic development bodies. A range of valuable initiatives are underway and there is an important influencing role for Scottish Trade International (STI), and the trade development network as a whole, to ensure that the international dimension is built into all work designed to help companies enhance their e-capability.

3.4 In addition, the trade development network can add value by:

- Assisting companies and industries to use e-business to:
 - develop their international capability;
 - target new overseas markets and develop existing markets.
- Providing companies with a more effective service through an e-based business management system which will enable service delivery and two-way transactions to be carried out on-line.

4. COMPANY DEVELOPMENT

Tactical Objective: Develop company capability to take advantage of international opportunities.

4.1 A recurring theme from the Strategy consultation was the need to create an international mindset and overcome the fear of exporting. However, at least in the short term, a greater economic impact will be achieved by existing exporters developing new markets or expanding existing markets. The focus has previously been very strongly on creating new exporters, and this will continue, but overall a more balanced approach will be adopted with increased concentration on working with existing exporters, particularly SMEs.

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4.2 Primary responsibility for helping companies become internationally competitive rests with Export Partnerships. The focus will be very much on tailoring support to the needs of individual companies and on ensuring strong links between international trade support and broader business development assistance, including with the Small Business Gateway.

4.3 Other Key Action Points include:-

- Assistance for new exporters to become sustainable exporters;
- Development of international trade skills, including the establishment of a network of on-line Learning Centres in Export Partnership areas;
- Establish a pool of specialists in key areas such as distribution, which can be drawn on by Export Partnerships as required;
- Development of the Global Companies Development Process, run by Scottish Enterprise;
- Initiative with Banks to make specialist financial advice more accessible to companies.

5. INTERNATIONAL MARKETS

Tactical Objective: Increase Scotland's penetration of Key Global Economies.

5.1 To grow their international business and, at the same time, strengthen their competitiveness, companies must enter new international markets and deepen their penetration of existing markets. To do this, many companies, particularly SMEs, require intensive forms of support.

5.2 Based on analysis of overseas market opportunities and Scotland's sectoral strengths, an approach to market prioritisation has been adopted which focuses on a mix of geographic regions and individual countries. This is broadly in line with the approach taken by Trade Partners UK in the national Export Strategy and will, within the overall UK effort, ensure that Scotland's resources are focused on providing companies with enhanced support in the key global economies.

KEY GLOBAL ECONOMIES

EUROPE	AMERICAS	MIDDLE EAST /AFRICA	ASIA/PACIFIC
Western Europe Russia Poland Hungary Czech Rep.	North America Brazil	Middle East South Africa	Japan China Taiwan South Korea Singapore Malaysia Australia India

5.3 This prioritisation does not imply that Scotland will have representation in all of these markets. As at present, full use will be made of the support available from Trade Partners UK through the network of British Commercial Posts around the world. Enhanced in-market support for Scottish companies will only be considered where it is felt that value can clearly be added. In all cases, it will be based on demand from companies and on the market opportunities. As the first option in each case STI will, with the British Commercial Post in the particular market, investigate the scope for a joint approach.

5.4 Support will still be available to individual companies to target any overseas market where there is opportunity. Pro-active initiatives will, however, normally only be undertaken in the defined priority areas above.

5.5 Other Key Points for action include:-

- Development of international networks, including key ex-patriot Scots;
- E-delivery of Trade Partners UK services;
- Simplification of STI assistance;
- Extended geographic coverage of Scottish Technology and Research (STAR) Centres and enhanced e-capability;
- Establishment of Mission Unit to help raise overall quality of outward missions.

6. SECTORAL DIMENSION

Tactical Objective: Broaden and deepen Scotland's internationally trading industries.

6.1 There is no value in targeting overseas markets which offer limited opportunities for Scottish industry. Target markets must be of clear relevance to Scottish industrial and commercial capability. An approach is therefore required which balances a pro-active market focus with sectoral prioritisation. The following priority sectors were identified, based on growth potential, existing industry export performance, overall contribution to the economy, and the ability to influence overall sector performance.

PRIORITY SECTORS

Food and Drink Textiles
Value-added Engineering Energy
Micro- and Optoelectronics Biotechnology Software and Creative Industries
Education, Training and Research Services Financial Services

6.2 Helping these key sectors to realise their full international potential is vital to Scotland's economic prosperity. This applies both to more traditional export

industries such as food and drink and textiles, and to new technology sectors such as optoelectronics and biotechnology. The same is also true of the service sector. In the context of industry-led strategies, specific initiatives for groups of companies will pro-actively be developed in these sectors.

7. PROVISION OF SERVICES

Tactical Objective: Continue to strengthen co-ordination between trade development support organisations.

7.1 There is no doubt that substantial progress has been made over the last 5 years in terms of improving the effectiveness and coherence of export support. The key feature of this improvement has been the establishment of a network of 13 Export Partnerships which typically comprise LEC, Local Authorities, and Chambers of Commerce. Highlands and Islands Enterprise are also actively involved, as are Export Clubs in various areas. The contribution and commitment of all these organisations is very much valued and is indeed essential to effective local delivery.

7.2 It is recognised, though, that there is scope for further improvement and this was reinforced during the consultation. The principal message from companies was that they remain confused over who to go to for export support, how to access that support, and over the services that are available. The Strategy is all about provision of service to companies and, if support is to be customer-driven, then issues of clarity, consistency and awareness must be effectively addressed. Otherwise, companies will not receive the quality of support needed to gain a competitive advantage in international markets.

7.3 A major cause of confusion among companies is the lack of common branding of export support. In particular, there is no consistency of Export Partnership name. Most impact can be achieved by branding the Partnerships as "Scottish Trade International", so there would, for example, be STI – Ayrshire. The great advantage of this approach is that it would create a single clear brand for export support in Scotland and eliminate confusion. STI also delivers the Government's Trade Partners UK services in Scotland and this further strengthens the argument.

7.4 To fully address companies' concerns it has, however, to be about more than a name change. It also has to mean more effective, coherent delivery, both locally and nationally. The Scottish Exports Forum and the Enterprise and Lifelong Learning Committee report on the Delivery of Local Economic Development Services (May 2000) both concluded that the integrated model of export support of the type which operates in Forth Valley and Fife would result in higher quality support. While there is scope for flexibility over the detail, the integrated model, linked closely to broader business development, is recommended as best practice. The key features of this model are described at Annex A.

7.5 Alongside the issues related to branding and structure, there is a recognition that one of the key issues during the consultation was that many Export Partnerships did not have adequate resource, in terms of experienced export staff, to cope with demand. To address the resource question and enable the introduction of common branding and the integrated model, additional Scottish Executive funding (to be

confirmed) will be made available for the appointment of Partnership Managers for those areas which do not currently have such a post. These posts will be employed and managed by the Partnership.

7.6 To take these issues forward, Export Partnerships will undertake a review of their existing structure and operation by June 2001. It should be stressed that the proposed changes will not dilute local responsibility for management and operation of the Partnership. The Partnership Board/Steering Group, comprising the different Partnership members will, as now, manage the Partnership and report to the Local Economic Forum, once established in its area.

7.7 Under devolution, the Scottish Executive and the UK Government have concurrent powers to promote exports and the Concordat on International Relations outlines their respective roles in order to ensure effective co-ordination. There is a very strong relationship between STI and Trade Partners UK, which is the export arm of British Trade International. There are, though, ways to further strengthen co-ordination and the Strategy sets out a number of practical measures to achieve this.

8. IMPLEMENTATION

8.1 A consolidated programme of action resulting from this Strategy is at Annex C.



INTERNATIONAL BUSINESS DEVELOPMENT STRATEGY FOR SCOTLAND

Lanarkshire Export Partnership has considered the proposed International Business Strategy for Scotland and now presents its view as follows.

The Partnership recognises many positive objectives outlined in the document such as proposals to *strengthen co-ordination between trade development support organisations and those offering broader business development assistance; address issues of clarity and consistency of services*. These and others, will serve not only to emphasise the need for an overall holistic approach to business development and support to be undertaken, but will also confirm the strongly held belief that services such as international trade support should not be seen as an “add-on” and tackled in isolation.

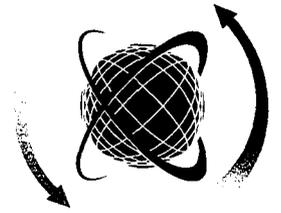
However, the Partnership would like to express its concern on a range of issues as outlined below.

COMMON BRANDING

We would agree in principle, that common branding of local export partnerships could be useful in alleviating any confusion amongst companies as to the provision of international trade services – probably more so if this had been occasioned when the export partnerships were originally created. However, we would point out that since their introduction, the export partnerships have been working very successfully to promote themselves within their own areas as the local contact(s) for international trade matters – witness the key achievements made in, for example, the number of new exporters created and the number of existing exporters introduced to new markets. Companies and various colleagues in partner organisations, now recognise these partnerships and associate them strongly with the provision of export support and assistance in the local areas.

Further, to bring all export partnerships under the STI brand would not be acceptable to members of the Partnership. It should be stressed that the Local Authorities are key members of the Partnership, contributing substantial resources to companies via the Partnership. This position may have to be reviewed if the “partnership” is seen to be under the “control” of STI. In addition, common branding as for example, “STI – Lanarkshire”, would undoubtedly deflect from the broader business support, advice and guidance available and given within the existing provision. Would the STI branding not serve to negate the agreed holistic approach and potentially re-introduce the situation whereby international trade was seen as an “add-on opportunity” to business development and growth?

Lanarkshire Export Partnership is:
Lanarkshire Development Agency
North Lanarkshire Council
South Lanarkshire Council



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PARTNERSHIP MANAGER

It is not clear what added value the appointment of Partnership Managers would bring. Whilst clarification as to the envisaged role of a Partnership Manager would perhaps help our understanding, it is this Export Partnership's view that additional resource *is* required, but in the form of administrative support, not management. Funding targeted at this level would be welcomed.

The Export Counsellor currently spends a good deal of time reporting to STI and also acting as a link between STI and other members of the Partnership, which ensures that information is available to all partners. An additional link at this level would be seen simply as adding to the bureaucracy, whilst adding no value to the service provided to companies.

MISSIONS UNIT

We would question the logic of establishing a separate Missions Unit based within STI – seeing it as superfluous and an unnecessary duplication. This would appear particularly so when “the responsibility for deciding which missions to run, recruitment of participants and the management of the mission would rest where it does at present, at a local level with the mission organiser”. In conjunction with STI, missions are already arranged and carried out by a number of organisations which are well placed to provide a quality service to companies. It is our view that secondment of staff from these organisations to staff the STI Missions Unit would be detrimental to the effectiveness of the current provision.

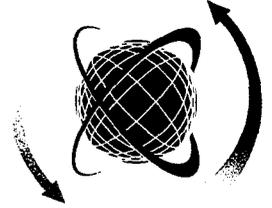
SINGLE LOCATION

Lanarkshire Export Partnership works extremely effectively, co-ordinated from a central point within SEL. The EPC and the officers within the two council areas liaise daily in respect of LEP services to companies. This works well, as the relevant officers, who are also responsible for delivering other business development services, are best placed to offer international trade support as an integral part of the overall business development services available to companies, and not as a separate and isolated service. In addition, the political and budgetary issues surrounding the establishment of a single centre would be difficult to overcome in the local area.

The examples of fully integrated export partnerships referred to within the document, cannot, in our view, be recommended as models of best practice - Forth Valley no longer operates from a single location, having reverted to the original export partnership format, and the Fife Partnership remains a relatively untested model.

Lanarkshire Export Partnership is:

Lanarkshire Development Agency
North Lanarkshire Council
South Lanarkshire Council



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TARGETS

Further clarification is required as to the rationale behind these figures. The targets stated would seem to be far too ambitious within the timescale, particularly if emphasis is to be placed on supporting existing exporters to become established in the international arena, and not on creating new exporters. Resources cannot be stretched to provide a quality service whilst striving to reach such targets.

ON-LINE LEARNING CENTRE

At a strategic level the concept of a network of Learning Centres seems sound and the document appears to recognise that centres need to offer all-round training assistance to companies. The specific focus on international trade skills and the establishment of "centres" purely for them, seems, however, to go against this recognition. Additionally, whilst acknowledging that more and more companies are becoming "e-enabled", if international trade training is provided purely on-line, many, particularly small, companies will potentially miss out on training opportunities.

It should be acknowledged therefore, that on-line learning represents only one aspect of training and development available to companies. In-house company access points may suit some individuals and companies, but they will not suit all. The continuing need for provision of group or individual learning, on-line or not, in a "community" learning centre such as a college or similar environment should not be lost in this electronic age.

E-BUSINESS

E-business is seen as a crucial element of overall business activity, including international trade. However, E-business and the implications of its introduction to and use by companies is currently the responsibility of LECs and the economic development departments of councils. It is integral to and very much part of the overall holistic approach to company development delivered by these organisations. It will be crucial therefore that any "specialist" input, such as that relating to international trade, is provided within the context of this wider support and not as an entity in its own right.

Lanarkshire Export Partnership is:
Lanarkshire Development Agency
North Lanarkshire Council
South Lanarkshire Council



CUSTOMER RELATIONS UNIT

It is unclear how this Unit would operate, as the Export Partnership is still intended to be the first point of contact for companies. Clarification on the role of a Customer Relations Unit, particularly with regard to the enquiries it receives, is needed.

Allied to this is the need to introduce a common contact management system across STI, the partnership offices and the Lecs. Information on new enquiries and subsequent action(s) is held at a local level and with the introduction of a "central" Unit within STI, current concerns over the availability and/or the duplication of data will be exacerbated.

In conclusion, we hope that the above concerns expressed by Lanarkshire Export Partnership will be taken into account within the final version of the International Business Development Strategy. Whilst welcoming the positive aims expressed within the document, we would emphasise that these aims must be substantiated in the implementation of the strategy. We would also stress the importance of ensuring that international trade support is seen within the broader context of the overall business development support provided by the various partners in the network, and not seen as an add-on to other business support activity.

October 2000

Lanarkshire Export Partnership is:
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