

# Engaging Asia: Challenges for Australian Businesses

Asialink Business Survey – Research Summary



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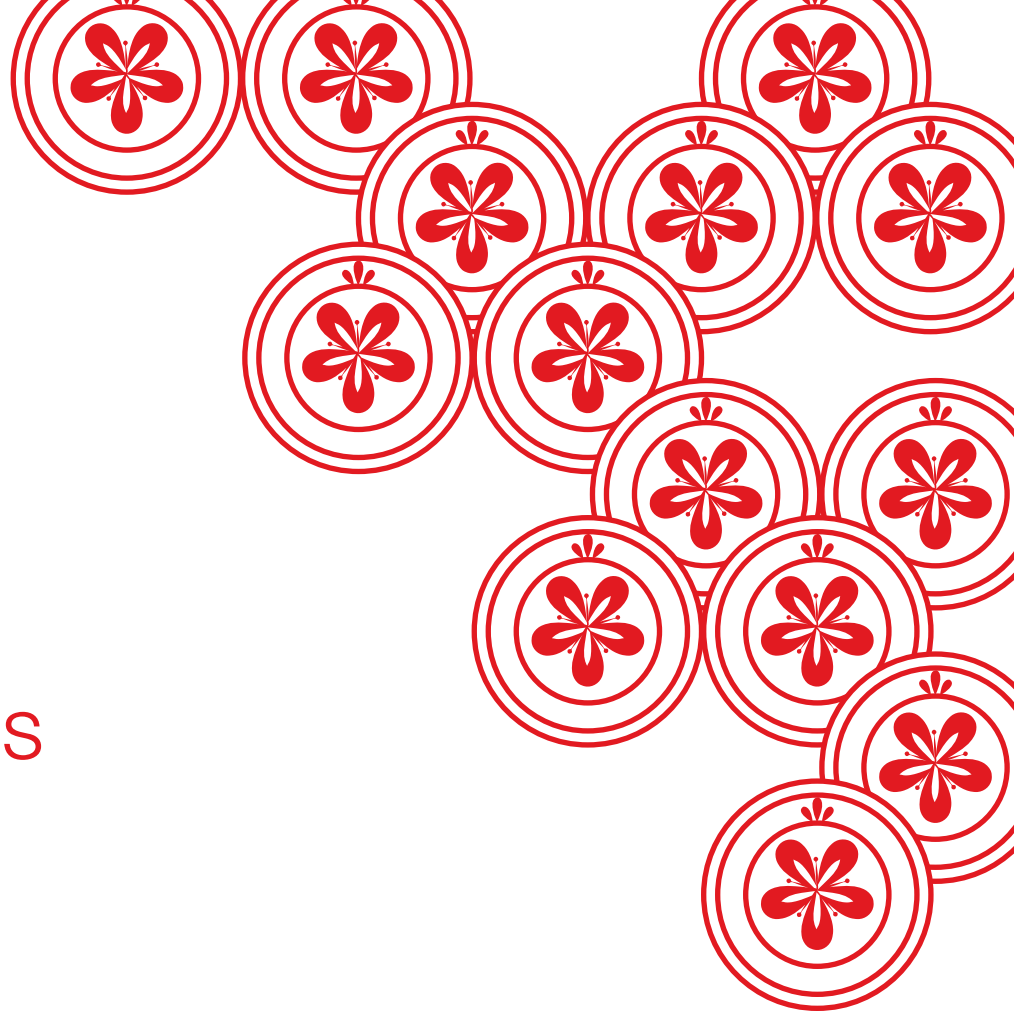
*This research was made possible through the assistance of our survey partners - Forethought Research, the Business Council of Australia, and the Australian Industry Group*



**Australian Government**  
**Department of Industry**

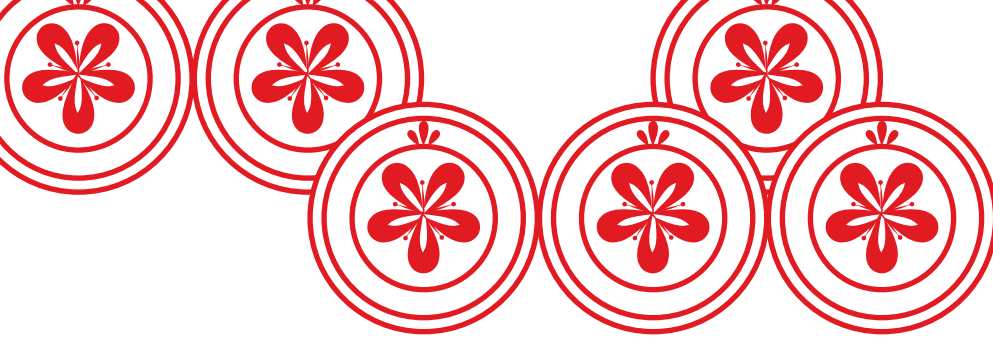


*Asialink Business is supported by the Commonwealth Government Department of Industry, The University of Melbourne and The Myer Foundation*



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# Study Overview

In early 2014 Asialink Business undertook a market research study with Forethought Research, supported by the Business Council of Australia and Australian Industry Group, to better understand the challenges and capability requirements of Australian businesses operating in Asia.

Survey respondents were drawn from across Australia and fit two main criteria:

- They were representatives of Australian businesses already operating in Asia, or planning to enter Asia in the next 12 months.
- They were responsible for, or had influence over, their organisation's operations in Asia and/or learning and development activities.

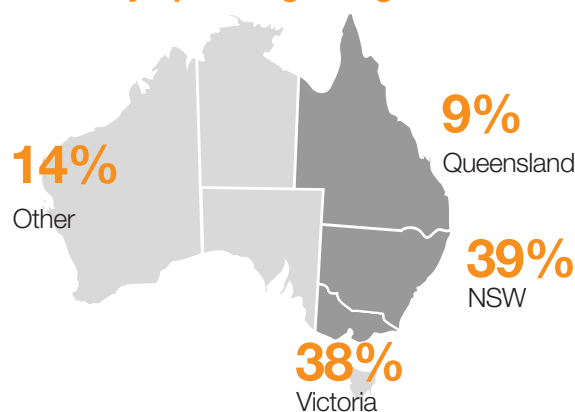
A total of 419 surveys were completed. Figure 1 provides a snapshot of respondents based on organisation size, location, industry, and stage of entry.

Figure 1 – Respondent profile

## Company/business profile



## Primarily operating along the East Coast:



With the **majority** well established in the region:

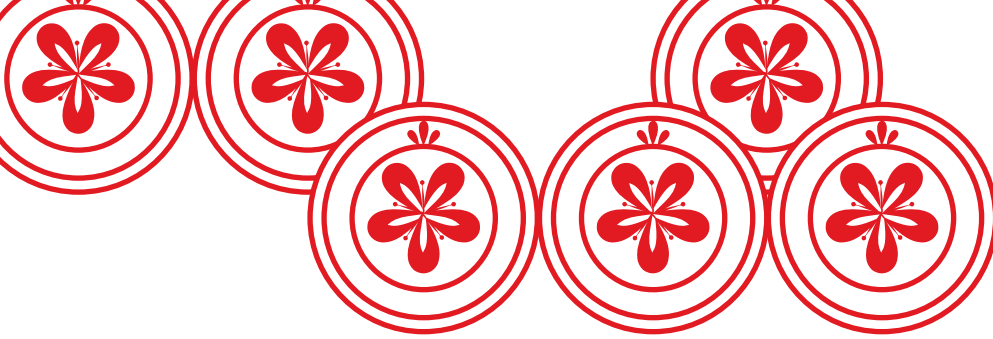


With the top five **industries** including:



Asialink Business supports Australian businesses and organisations to build 'Asia capabilities' and improve Australia's engagement with Asia.

Asialink Business provides a 'one-stop shop' for developing Asia capabilities in the Australian workforce through business training programs, business information products, and business advocacy.



# Key Findings

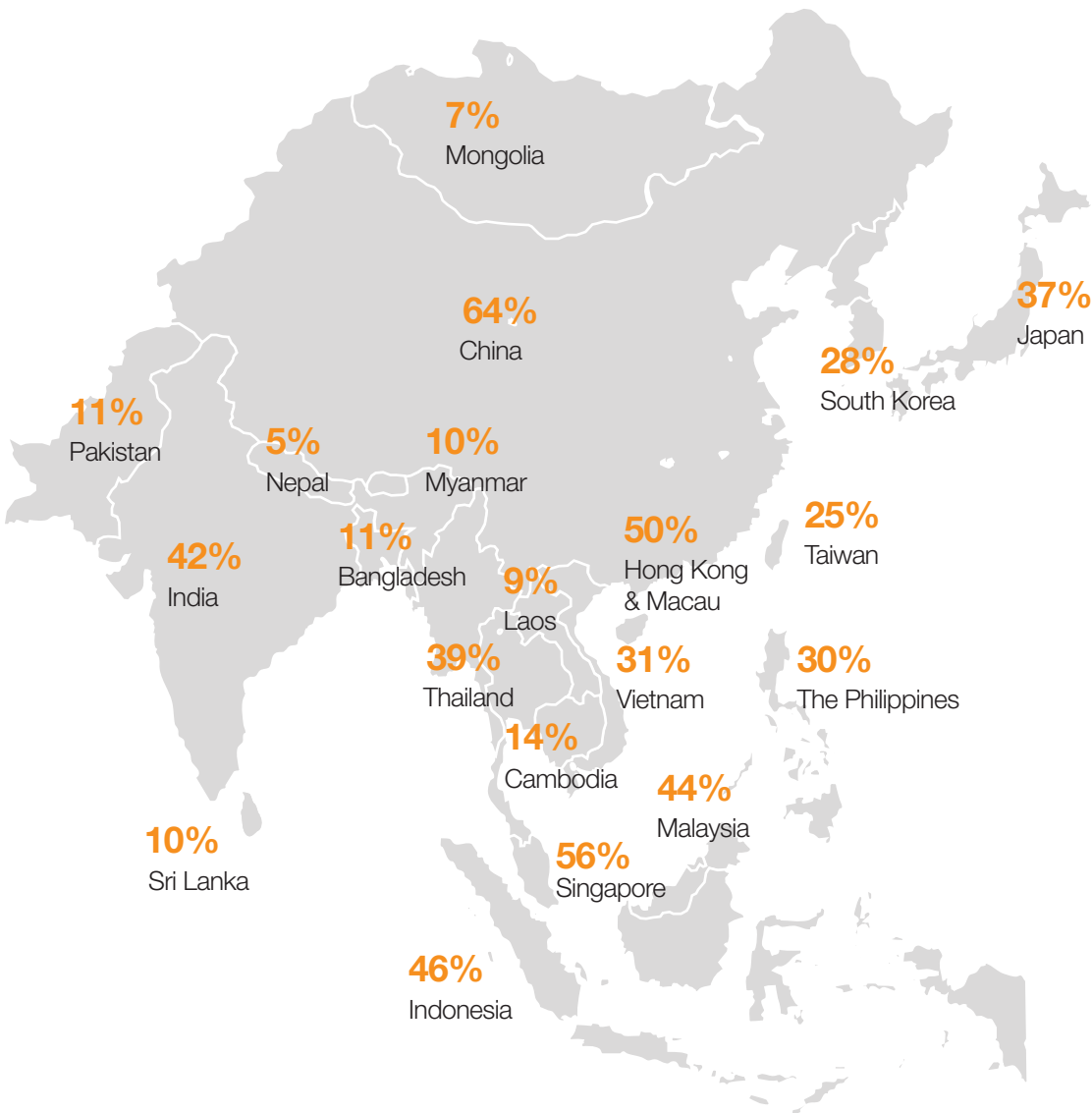
## 1 Australian businesses have healthy and diverse engagement across the region, with strong presences in large and small economies.

China, with its immense economic opportunities, and Hong Kong and Singapore, with their long history as English-speaking trading hubs, unsurprisingly are the top three locations for Australian businesses.

Australian businesses are also well represented in emerging markets such as India and Indonesia.

Notably, relatively few Australian businesses have operations in Japan, despite its status as one of Australia's largest trading partners.

Figure 2 – Location of Operations (Multiple responses allowed)

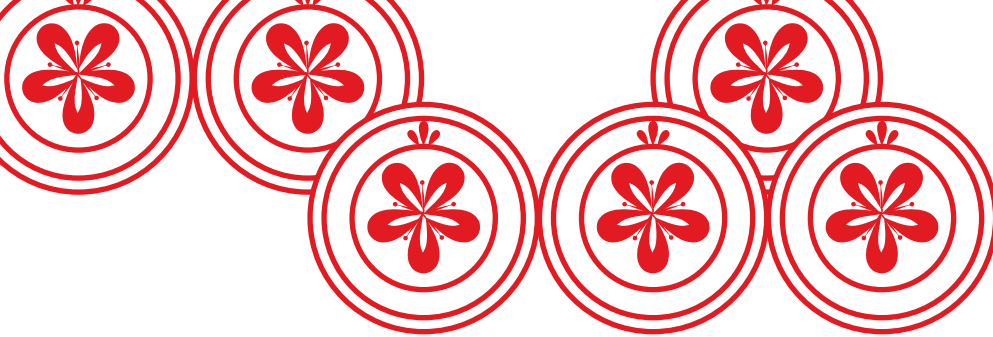


“Singapore is a great place for Western businesses to start and earn their stripes – it’s like ‘Asia for beginners’.”

*Owner, Digital Marketing Business, Singapore*

“China is obviously front and centre for most export-oriented Australian businesses today, but this focus should not discount the potential of other established markets, for example Malaysia and Japan.”

*Board Member, Bilateral Chamber of Commerce*



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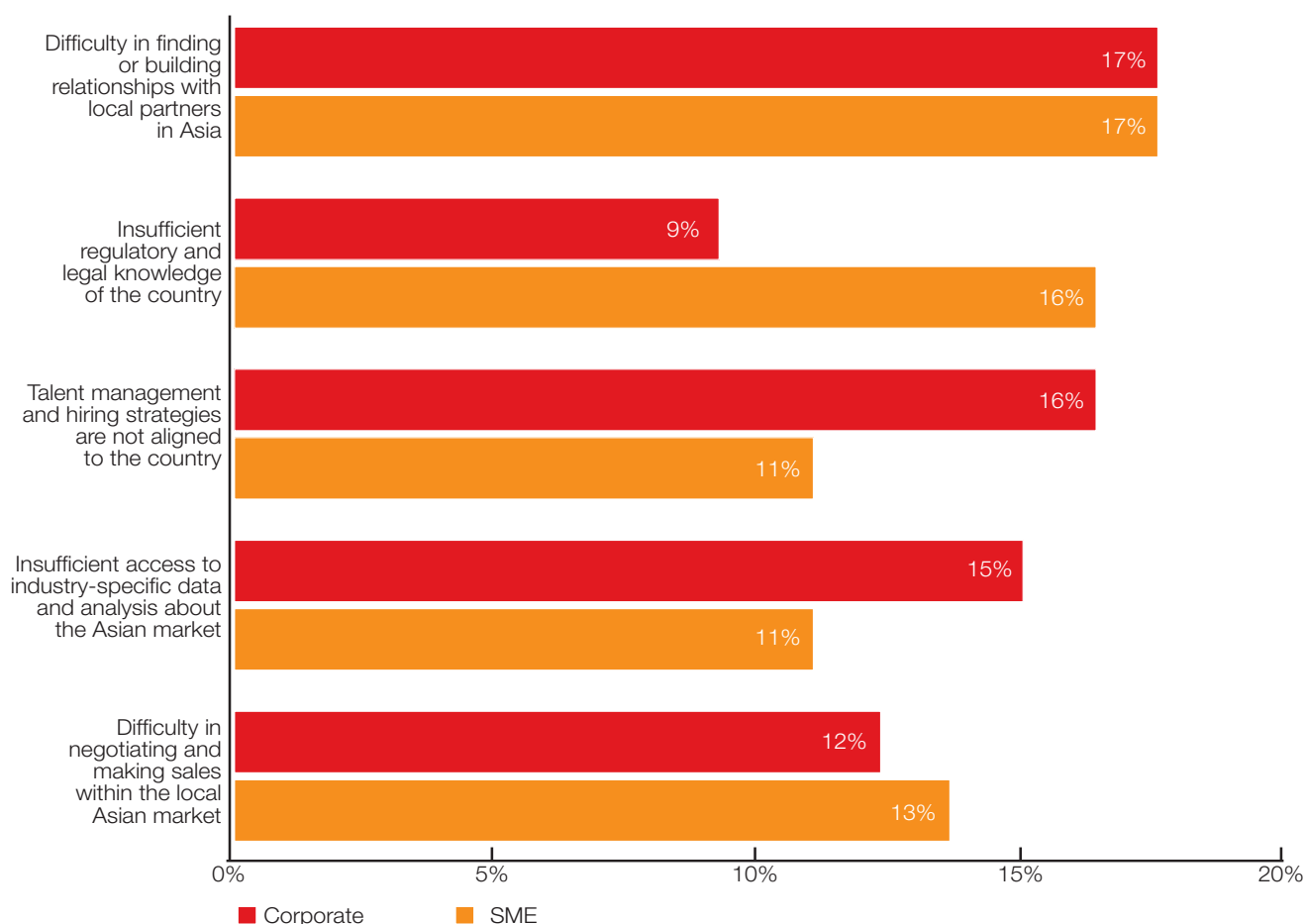
## Australian businesses operating in Asia are dealing with a wide range of challenges – the most pressing relate to cultural capability and insufficient market and industry information.

Regardless of organisation size, the difficulty finding or building relationships with local partners in Asia is the primary challenge for Australian businesses when doing business in the region.

For Australian corporates, many of the top challenges relate to cultural capability, including: human resources strategies, negotiating and making sales, and finding local partners.

Australian SMEs share many of the same challenges regarding cultural capability, however a big challenge is also insufficient regulatory and legal knowledge of their target markets – a hurdle that large corporates may be better placed to overcome.

Figure 3 – Main challenge when planning and conducting business in Asia



**Other primary challenges listed by respondents included:** insufficient cultural understanding of the country (SME 5%; Corporate 11%); limitations of Australian Government assistance for businesses in Asia (SME 5%; Corporate 1%); and other (SME 8%; Corporate 4%)

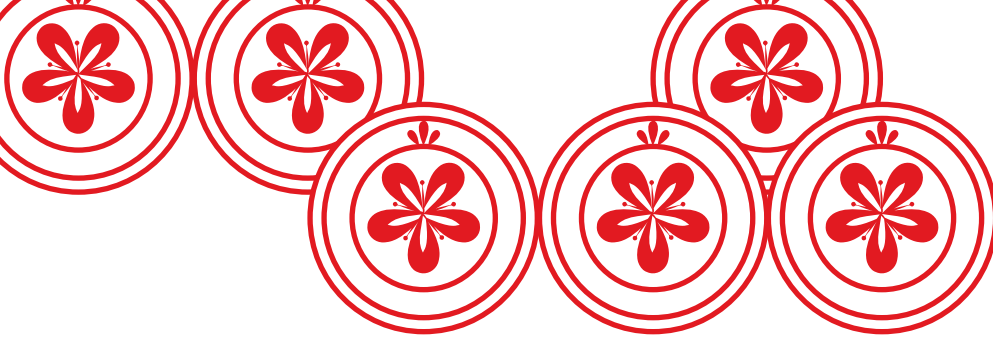


“My experience in Asia suggests the key to business success is not just price and quality, but also networks and relationships – this emphasis is far stronger than it is in the West.”

*Owner, Manufacturing Business, Victoria*

“Many Australian businesses, particularly SMEs, face challenges in Asia through a lack of soft skills, for example strategies to navigate cultural differences, and hard skills, such as expertise in the local legal and regulatory system.”

*Director, Professional Services Firm, Queensland*



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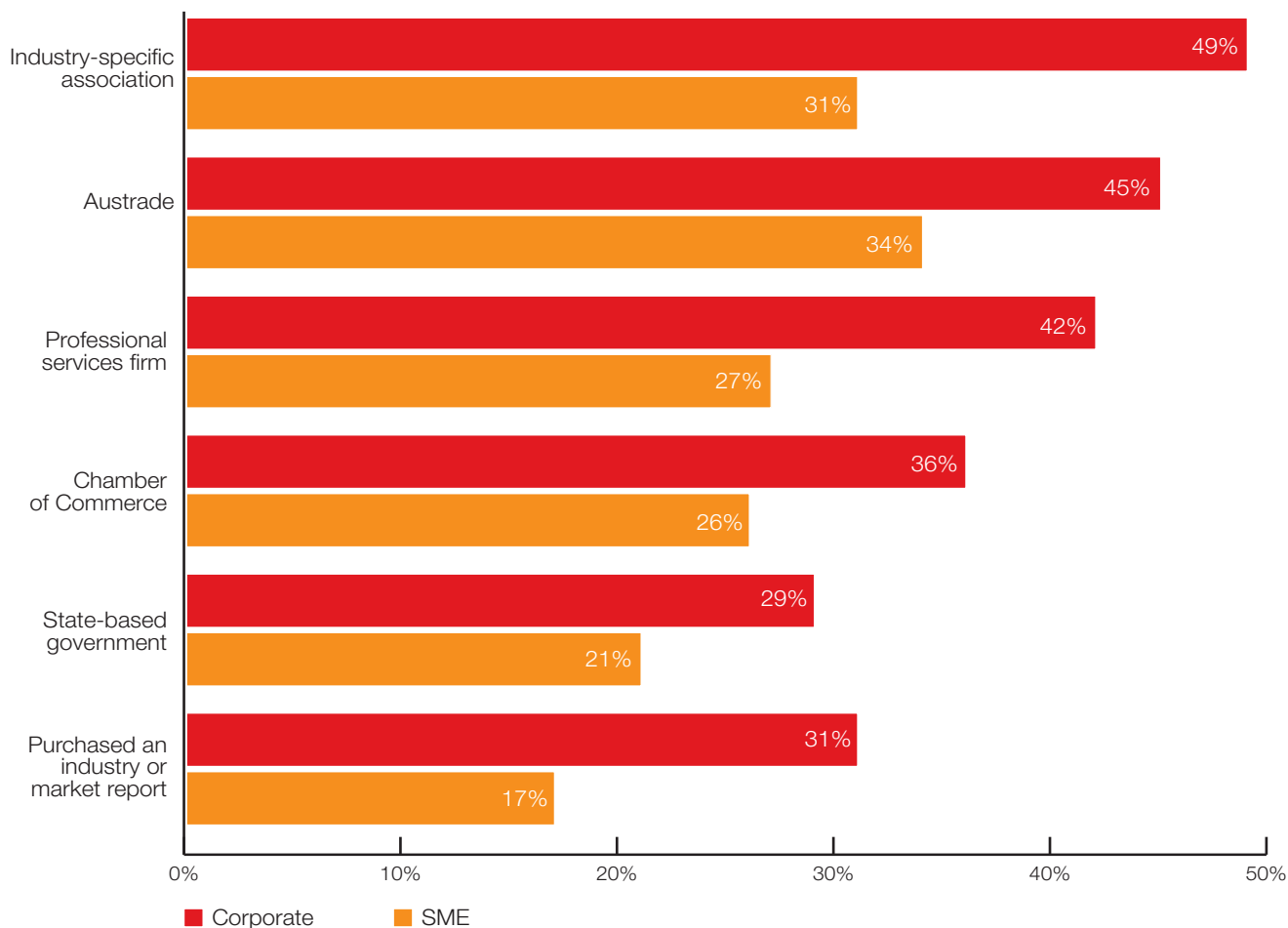
**Many Australian businesses are actively seeking support to help overcome the challenges of doing business in Asia, with industry associations and Austrade the most popular sources of assistance.**

On average, nearly two out of five surveyed Australian businesses have sought assistance and advice from industry-specific associations, as well as Austrade, the Australian Government's trade and investment promotion agency, to support their Asian operations.

Professional services firms, including accounting, legal and management consulting firms, are the next most popular source of assistance. The use of these firms reflects their strong expertise in many of the practical aspects of conducting business in Asia, including taxation, labour law, and market regulations.

Demonstrating the unique challenges of scale and resourcing faced in their efforts to engage with the region, SME uptake of assistance is significantly lower than large corporate firms across all sources.

Figure 4 – Sources of assistance used to help business operations in Asia (Multiple responses allowed)



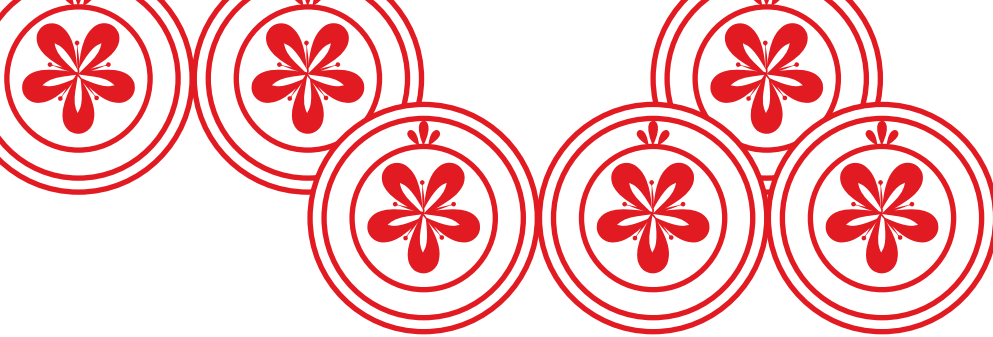
**Additional responses included:** did not use any of these sources (SME 27%; Corporate 15%); and, other sources (SME 7%; Corporate 9%)

“If you are starting operations in a new market, Austrade and the local chamber of commerce always do their best to help you out.”

*Owner, Logistics Business, Indonesia*

“In contrast to the big Australian companies in the region, SMEs generally lack the bandwidth to go looking for assistance, let alone the money to pay for the more expensive offerings – it really needs to be pushed out to them.”

*Advisor, Government Department*



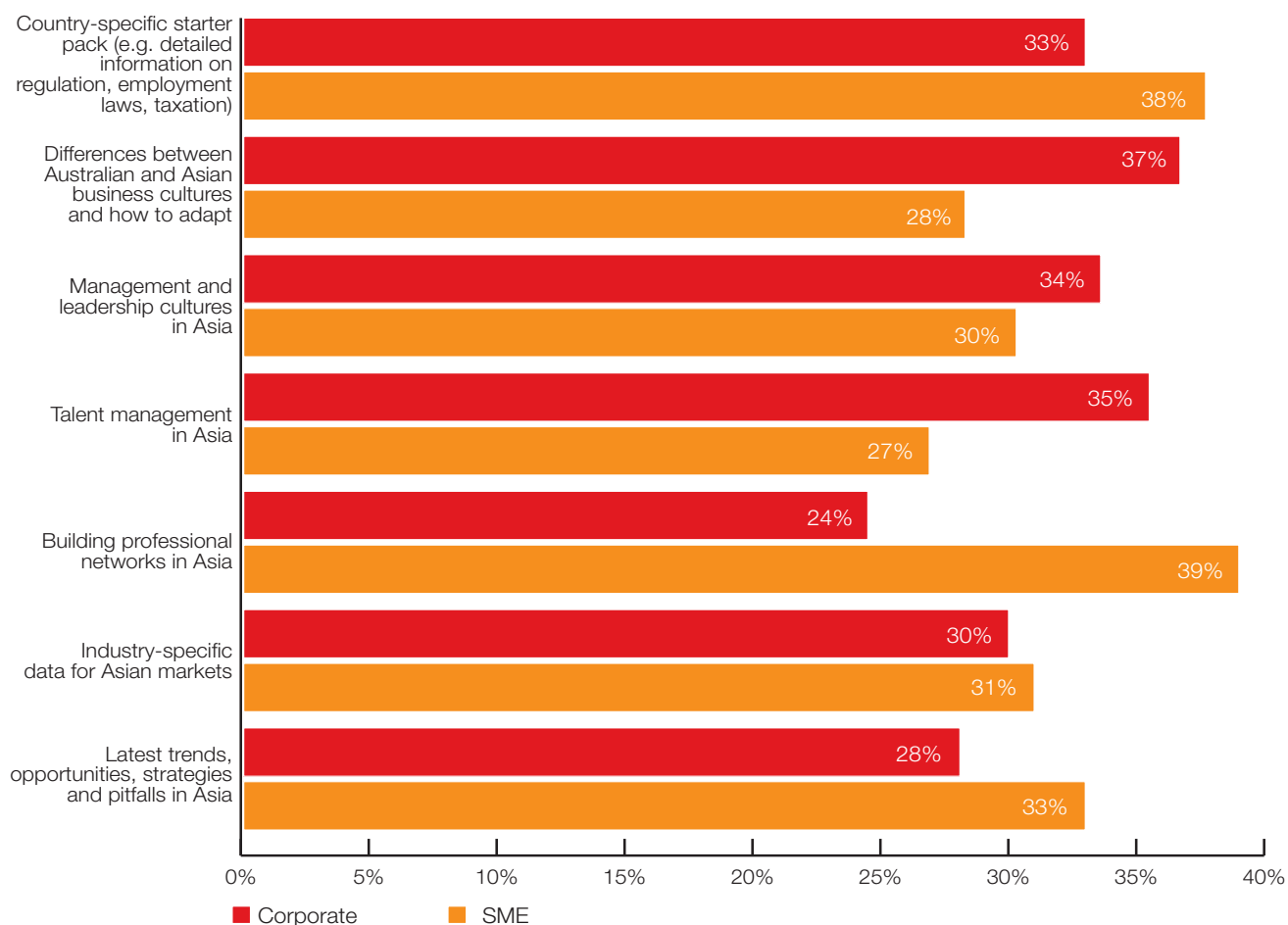
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## There are still many gaps in the resources available to assist Australian businesses in Asia, including in the areas of cultural capability and country-specific information and advice.

On average, surveyed Australian business thought the biggest area where there was insufficient resources was in the provision of country-specific starter packs providing practical information, for example on taxation, regulation, and employment laws. The importance of practical, action-orientated information is reinforced by respondents' identification of the need for more industry-specific data on Asian markets, as well as information on the latest trends, opportunities, strategies and pitfalls for doing business in the region.

The need for more assistance with developing cultural capability is also clear. Corporates saw the biggest market gap as the provision of resources and advice on navigating the differences between Australian and Asian business cultures. SMEs identified a more specific cultural capability niche – support for building professional networks in the region – as the main area in which there was insufficient resources.

Figure 5 – Areas in which insufficient resources are available to support businesses operations in Asia (Multiple responses allowed)



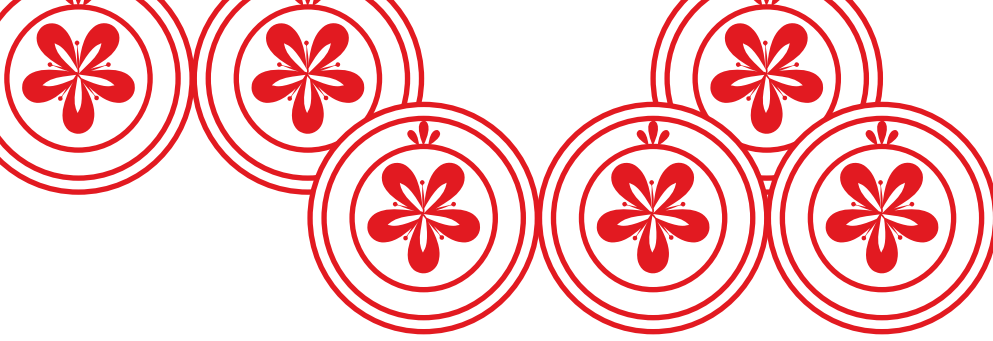
**Others areas where there were insufficient resources included:** finding services and support in Asian markets (SME 30%; Corporate 27%); diagnostic tools to understand readiness to enter Asia (SME 24%; Corporate 27%); case studies on experiences of Australian businesses in Asia (SME 26%; Corporate 23%); identifying sources of assistance for entering Asia (SME 32%; Corporate 16%); overview of market conditions in Asia (SME 17%; Corporate 17%); lists of local service providers in Asia (SME 15%; Corporate 14%); and, other areas (SME 4%; Corporate 4%)

“Case studies can be extremely valuable. The importance of giving people an understanding of what other businesses have done, both in terms of failures and successes, and how they got to those points, is often underestimated.”

*Owner, Agricultural Business, NSW*

“Up-to-date, country-specific information combining information on business cultures, as well as more concrete issues such as regulation, taxation, and market dynamics, can often be hard to come by.”

*Strategy Manager, Financial Services Business, Victoria*



# Conclusions and Next Steps

Despite wider attention being paid to Australia's business engagement in Asia, more information is needed about the hurdles being faced and the capabilities and resources needed for Australian businesses to succeed in the region.

Asialink Business' research provides insights into the range of challenges faced by large corporates and SMEs alike as they seek commercial success across the Asian region.

These challenges are particularly acute in the areas of developing cultural capability and sourcing practical, market-specific information and analysis.

Although Australian businesses are taking advantage of available training, information products, and advice from a variety of high-quality providers, there are clear market gaps that need to be addressed in order to provide better support to Australian businesses in the region.

Asialink Business is working to bridge these gaps.

In 2014, Asialink Business will focus on three pillars of activity to empower Australian businesses to successfully engage with our region's diverse markets and business cultures.

- i. **Business Training Programs** – Asialink Business is offering a series of short business training programs which provide the skills and knowledge necessary for doing business in Asia. These range from programs on understanding Asian business cultures to more advanced topics such as country-specific negotiation strategies and human resources management.
- ii. **Business Information Products** – Asialink Business is offering a suite of easy-to-understand, practical information resources on doing business in Asia, including case studies, country-specific information packs, and an interactive web portal.
- iii. **Business Advocacy** – Asialink Business is offering a series of Asia-focused business networking and information events, providing participants with perspectives from leading business figures in the region, as well as access to invaluable networks of like-minded business people.

For more information about Asialink Business and its activities, please contact Asialink Business' Marketing and Business Development team by emailing [asialink-business@unimelb.edu.au](mailto:asialink-business@unimelb.edu.au)



