

SMEs:

CHALLENGES AND NEW OPPORTUNITIES

ALLIANCE FORMATION FOR EXPORTING SERVICES

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ALLIANCE FORMATION FROM A PRACTICAL VIEWPOINT



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UNITED WE STAND

- In USA's darkest days in WWII its slogan became "United We Stand"
- Based on 1768 patriotic ballad from American Civil War
- Now applies to SMEs wanting to export



SMALL IS THE WAY TO GROW

“We think SMEs are the main engine for the global economy - at least SMEs are the main engine for economic growth in China.

“We should care for them; we should equip them with the internet and eCommerce.”

Jack Ma,
founder and president of Alibaba,
Australian Financial Review
30 August 07

AGENDA

- Defining Services Export
- Global Markets
- Benefits and Risks
- Initial Approach
- Defining a Formal Alliance
- Worldcom Public Relations Group
- Processes
- Measuring Success

DEFINING SERVICES EXPORT

Exporting your services by selling:

- Direct to buyer in another country
- To an overseas buyer visiting you
- Through a branch office established by you
- By your personnel working overseas
- Through a formal alliance

SERVICES EXPORT

- Australia's export of services grew 10.5% in the Financial Year 2006/07
(Austrade)
- In Australia's largest state, NSW services account for 81% of the economy
(NSW Small Business)

AUSTRALIA'S TRADE 2006/07

- Opportunities for Australian companies to export services
- Opportunities for overseas companies to export services to Australia

QuickTime™ and a
TIFF (LZW) decompressor
are needed to see this picture.

GLOBAL MARKETS

- The world opens up to SMEs who attack global markets
- Even if your local markets are static there is growth for your services somewhere in the world
- Skilled labour shortages are global - so the search for services is global
- There is no such thing as a local job - just a job

GLOBAL MARKETS

COUNTRY	GDP (US\$ BN)	GROWTH (%)
USA	13,201	1.9
Japan	4,340	1.6
China	2,688	11.9
India	906	9.3

Source: Bloomberg News IHT 22 Oct 07

BENEFITS OF EXPORTING SERVICES

- Delivery - no freight
- Regulations - usually less with no quarantine or quotas
- Distance - often delivered electronically
- Skills - develop understanding of other markets for re-use

RISKS OF EXPORTING SERVICES

- Not understanding the culture of buyers
- Supporting staff overseas
- Ongoing commitment to the export culture
- Getting paid
- Meeting local standards
- Protecting your Intellectual Property

TAKING THE RIGHT APPROACH

- Write a business plan based on research
- Gain the support of your own government (including grants in some cases)
- Ensure quality standards
- Build strong relationships
- Develop trust with your buyers

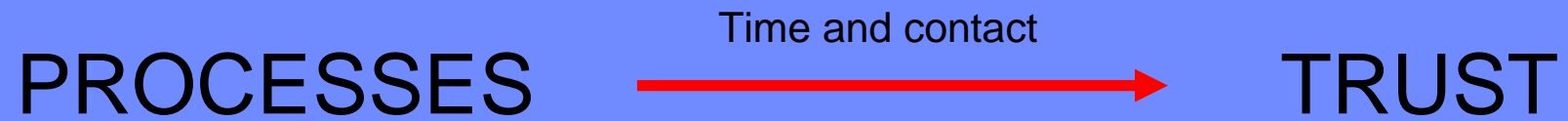
THE BENEFITS OF A FORMAL ALLIANCE

A multi-party formal alliance is the best way to build the relationships and subsequently the trust you require to export services to multiple markets with confidence

WHAT IS A FORMAL ALLIANCE

- A formal alliance is a documented coalition between like-minded service providers working with agreed processes for mutually beneficial outcomes.
- Look for partners who have:
 - Well respected services
 - Time-tested internal processes
 - Significant financial assets

A SUCCESSFUL ALLIANCE



WORLD.COM - A SUCCESS STORY



- Worldcom is the world's largest network of independent public relations consultancies
- Formed 1988
- Now has 104 partners in 39 countries
- 1,750 professional staff on six continents
- US\$190 million turnover

THE START

- Worldcom followed the first model for an alliance of public relations firms, IPR, formed by Taji Kohara in the 1970s in Tokyo as an extension of his local firm
- In 1988 the Worldcom Group became a formal alliance between 30 firms in North America, Europe and Asia

THE PREMISE

- At the first meeting the planning group decided:
 - equal partners
 - equal dues
 - minimum standards
 - regular attendance at meetings
- Also the three regions must maintain autonomy and there must be a global management committee with a professional secretariat

MEASURING SUCCESS

A successful formal alliance must be accountable to its members and members must meet agreed performance indicators.

WORLDCOM SCORES

- Worldcom partners must:
 - Pay dues on time
 - 5 years/5 professionals/US\$500k turnover
 - Meet minimum standards which are peer reviewed every two years
 - Attend three meetings every two years (choice of one regional and one global meeting annually)
 - Undertake roles on local boards
 - Report performance annually
 - Seek and submit client feedback

SIGNS OF SUCCESS

- Longevity
- Referrals
- Partner numbers
- Increased \$ turnover
- Staff exchanges
- Increasing standards
- Individual firm growth
- Improved business practices (peer reviews and education)

THE WORLDCOM GROUP

The Worldcom Public Relations Group is one of the oldest and most successful formal alliances, established primarily to facilitate the global export of services.



WORLDCOM STATISTICS

	1988	2006
Partners	30	104
Successful Referrals	4	61
Partner Income	US\$33m	US\$189m
Shared Clients	5	75

WRIGHTS AND WORLDCOM

- Joined 2001
- Secured three international clients (UK, USA and Singapore)
- Undertaken two staff exchanges
- Introduced business to four other partners
- Recruited high level staff on referral
- Implemented Worldcom University staff training

FINE-TUNING

- All alliances need to be reviewed constantly
- People and conditions change regularly
- Issues change
- Socio-political environments change
- Each partner's internal business focus changes
- Practice groups evolve

SUMMARY

- SMEs can meet the challenges imposed by globalization and multi-national competitors through formal alliances
- Structured formal alliances can deliver service providers with reliable export markets