



**State  
Comparison  
Results  
Report**

JUNE 2008

**EFIC  
GLOBAL  
READINESS  
INDEX ↗**



Australian Government  
Export Finance and Insurance Corporation

*Are you ready to take on the world?*

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Produced by Export Finance and Insurance Corporation ABN 96 874 024 697.

## 1. KEY FINDINGS

### **Finance key in all states to faster global integration**

*Significant differences have emerged in the way businesses in various states are globalising, according to EFIC's Global Readiness index (GRI). But in all states a clear majority of businesses said they would grow faster in current markets and enter new markets if additional funding was commercially available.*

EFIC's GRI survey asked 463 Australian businesses about three key aspects of overseas expansion – the drivers, the obstacles and the sources and availability of funding. Companies taking part in the survey were able to benchmark themselves against their peers on these three measures.

The survey included 127 respondents from New South Wales, 112 from Victoria, 100 from South Australia, 58 from Western Australia and 45 from Queensland. The number of respondents from Tasmania, the Northern Territory and the Australian Capital Territory was insufficient to achieve reliable results for those jurisdictions.

### **Business profiles by state**

The majority of respondents in Western Australia and Victoria were manufacturing/ wholesale trade companies, well above the national average. New South Wales was most strongly represented by businesses from the services sector, while South Australia and Queensland had fairly equal numbers of respondents in both manufacturing/wholesale trade and services.

New South Wales and Western Australian businesses were the most globalised of the GRI respondents. These two states had both the highest proportions of exporters, and the highest proportions of businesses exporting for five years or more. They also had the highest numbers of businesses with existing offshore facilities, or with plans for new or expanded offshore facilities. The survey results showed the importance of Southeast Asia and New Zealand and the Pacific as the most common locations for sourcing offshore revenue, but Europe, North America and China also rated highly.

When it comes to existing and planned offshore facilities, the most popular destinations are Europe, Southeast Asia, China and North America. We see continuity in trends between the location of current and planned offshore facilities among Victorian and Western Australian businesses, but more variation in the other states.

Overseas sales and marketing offices were the most frequently cited type of existing offshore facility for all states except Queensland, where the highest proportion of businesses had overseas operations offices. When it comes to planning for new facilities, sales and marketing offices are by far the most usual type of planned facility in all states.

### **Strategic market growth**

In all states, the desire to increase revenue was overwhelmingly the most important factor contributing to decisions to establish or expand offshore facilities. These results suggest that businesses in all mainland states primarily regard offshore expansion as a strategic path to market and revenue growth rather than a defensive ploy to protect their existing market share.

Interestingly, the proportions of Western Australian businesses rating cost reduction and supply chain control as drivers for expansion were well above the national average.

## **Can the barriers to international expansion be lowered?**

At the national level, GRi survey respondents were most likely to say that lack of market knowledge and lack of finance were barriers to their international expansion. However, we see some variation at the state level when it comes to rating the barriers to offshore expansion.

Exchange rates stand out as a significant barrier for surveyed businesses from South Australia, and to a lesser extent for Victorian businesses as well. Formal trade barriers emerged as the second-most significant barrier for survey respondents in Western Australia, after a lack of market knowledge.

The way Australian businesses source finance for their export business and offshore facilities did not vary greatly between the states – a striking majority in all states use retained earnings. Debt facilities from Australian financial institutions were the second-most common way of financing international business activities in all states (though in Queensland terms of trade rated equally with Australian debt facilities).

In all states, a clear majority of GRi survey respondents felt that their working capital needs were met, none more so than in Western Australia. A quarter of New South Wales respondents did not believe their working capital needs were met – the highest of any state.

However, in all states far lower proportions believed that their financing needs for long-term infrastructure projects were met (though these needs were still more often met than not). As with working capital, New South Wales had the highest proportion of businesses experiencing a shortfall in financing for long-term infrastructure. Arguably, if a greater amount of debt funding had been available in all states, offshore expansion would have been greater, swifter and more profitable.

## **Accelerated offshore expansion**

GRi respondents were asked how access to additional funds at market rates would affect their international business strategies. A clear majority of respondents in all states said it would enable them to grow faster in current markets and enter new markets.

Western Australia had the highest proportion of businesses that would enter different types of markets if additional funds were available.

The GRi survey suggests that Australian business in all mainland states is increasingly going global – and doing so in a positive, growth-oriented way. Yet with improved access to finance for worthwhile transactions, their global expansion plans could accelerate even further.

To access the EFIC Global Readiness index National Report, visit [www.efic.gov.au/gri/report](http://www.efic.gov.au/gri/report).

## 2. THANK YOU TO OUR PARTNERS

EFIC would like to acknowledge the support of the following organisations that have contributed to the success of the EFIC Global Readiness index.



### 3. ORGANISATIONS SURVEYED

#### Industry sectors represented

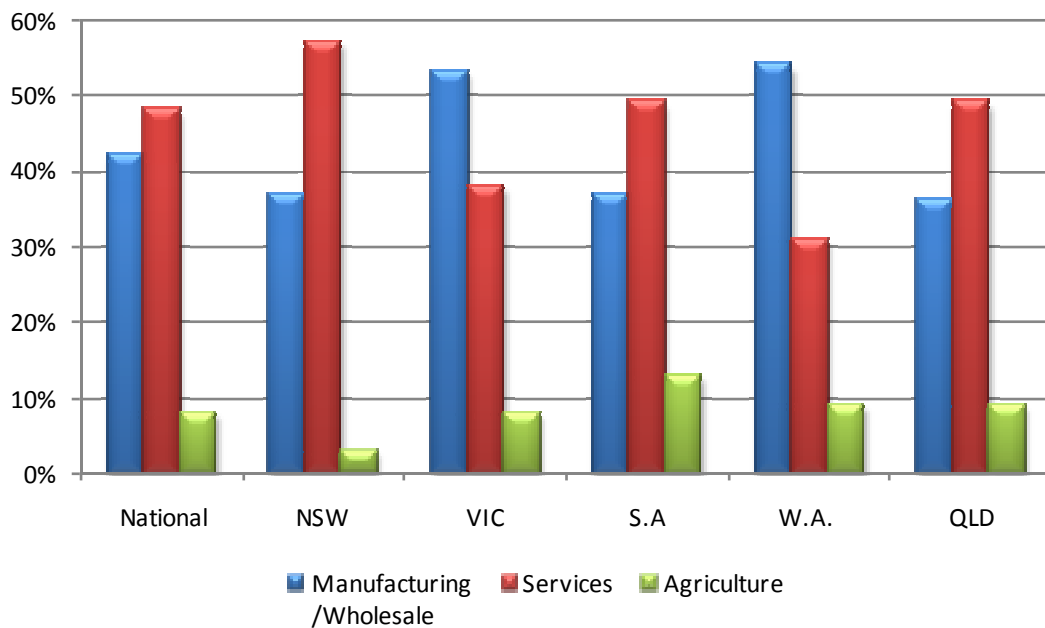
The states with the highest proportions of surveyed businesses from the manufacturing and wholesale trade sectors were Western Australia (54%) and Victoria (53%).

The services sector was more strongly represented among respondents from South Australia (49%), Queensland (49%) and New South Wales (57%).

At the industry level, New South Wales had the highest proportions of surveyed businesses operating in the areas of construction (11%) and property and business services (17%).

South Australia was the leading state for businesses from the agriculture, forestry and fishing industries (13%), while Western Australia and Queensland had the highest proportions of respondents from the mining industry (each with 7%).

#### Industry by State



### Industry by annual revenue band

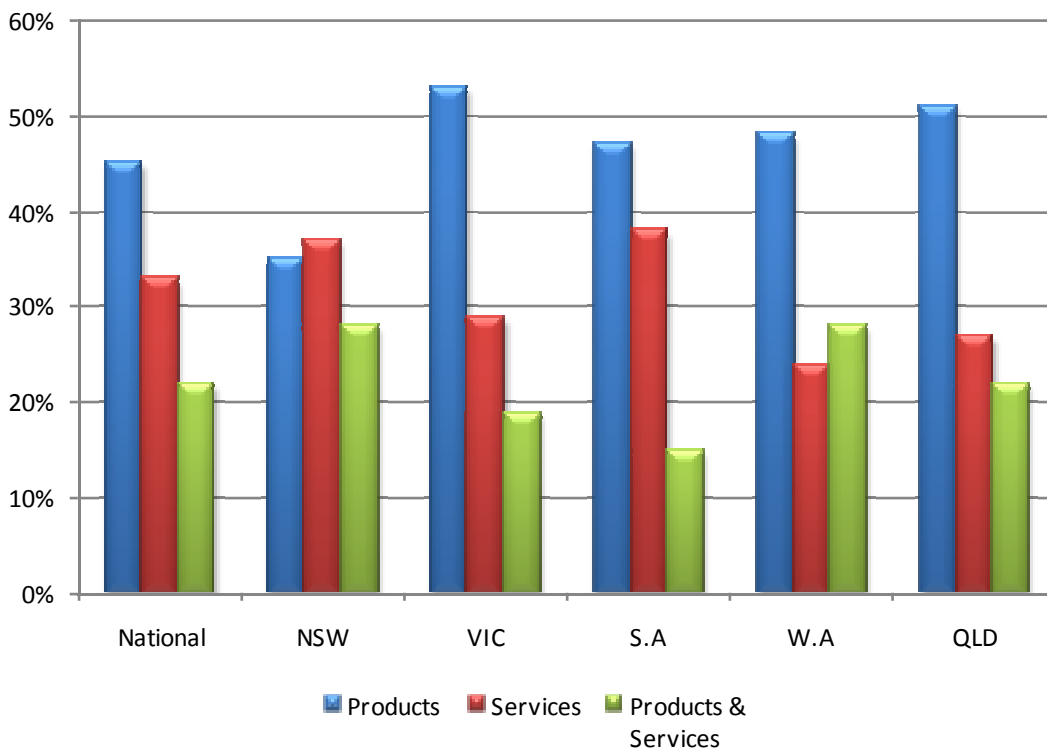
Victoria and Queensland were the only states where more than half of the surveyed businesses (53% and 51%) derive revenue exclusively from the sale of products.

New South Wales, on the other hand, was the only state where more surveyed businesses derive revenue exclusively from services (37%) than from products (35%). It was also the state with the most even spread of businesses deriving revenue from sales of products, services or a combination of both.

South Australia had the largest proportion of surveyed businesses whose revenue is derived exclusively from services (38%), although more businesses still derive revenue exclusively from the sale of products (47%).

Western Australia was the only state where more surveyed businesses derive revenue from a combination of products and services (28%) than exclusively from services (24%).

### Source of Revenues



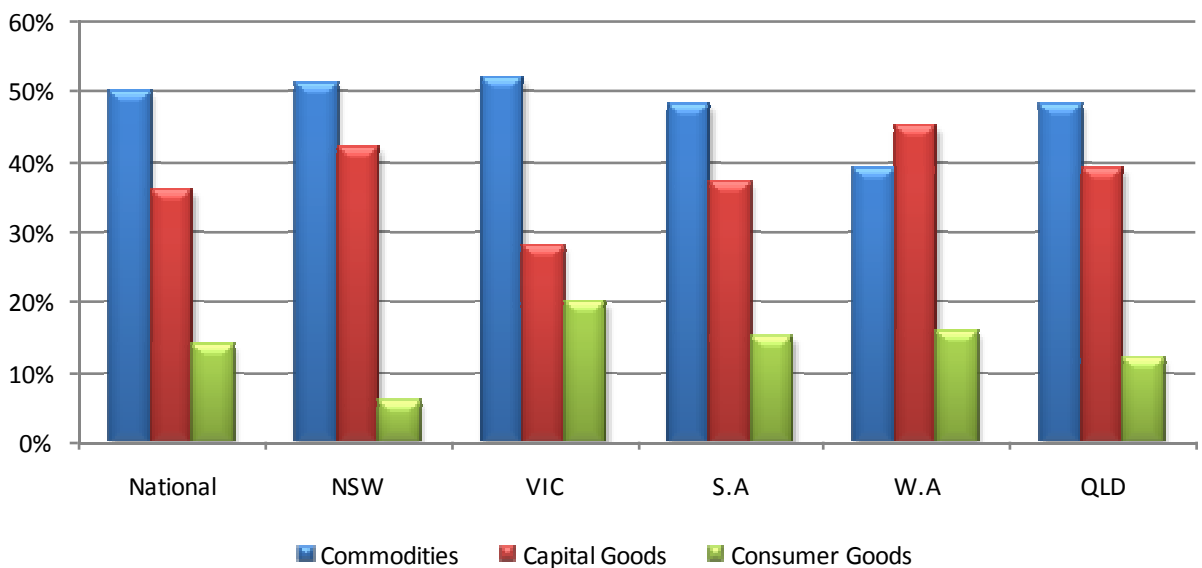
## Type of products

In all states except Western Australia, the largest proportion of surveyed businesses deriving their revenue from products described their products as commodities. In Western Australia, a larger proportion of businesses derived their income from capital goods (45%) as opposed to commodities or consumer goods.

Businesses describing the product from which they derive revenue as consumer goods represented the smallest group in all states.

Victoria had the highest proportion of businesses deriving product revenue from the sale of consumer goods (20%), as well as the highest proportion from commodities (52% - marginally above New South Wales at 51%). At the same time, Victoria had the lowest proportion of businesses deriving income from the sale of capital goods (28%).

### Type of Products

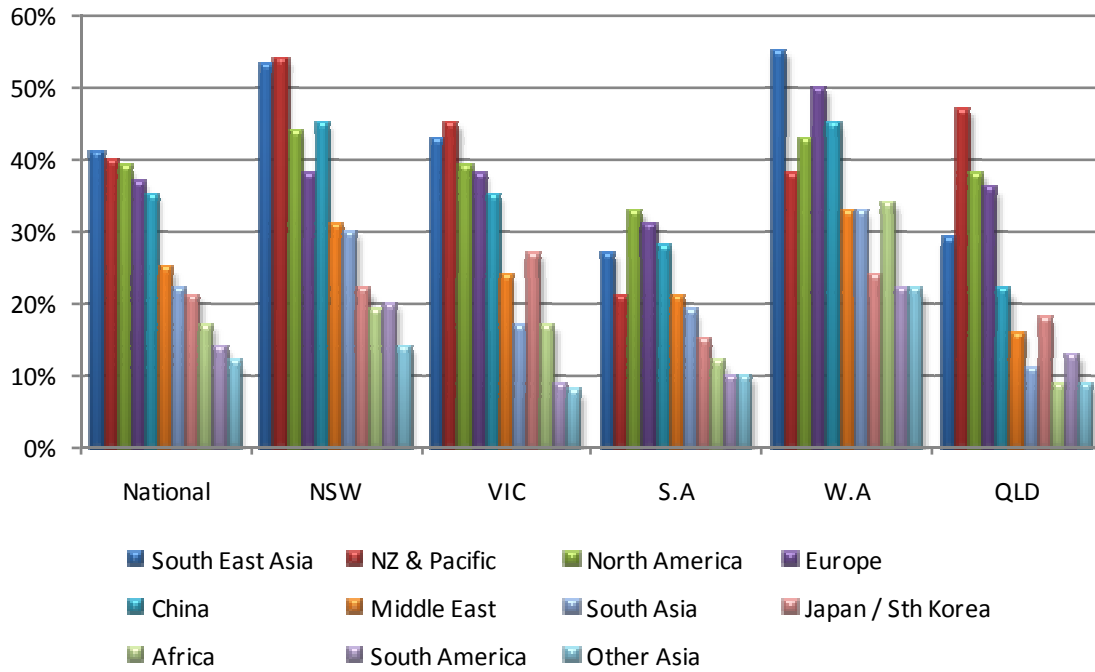


## Revenue by geographic location

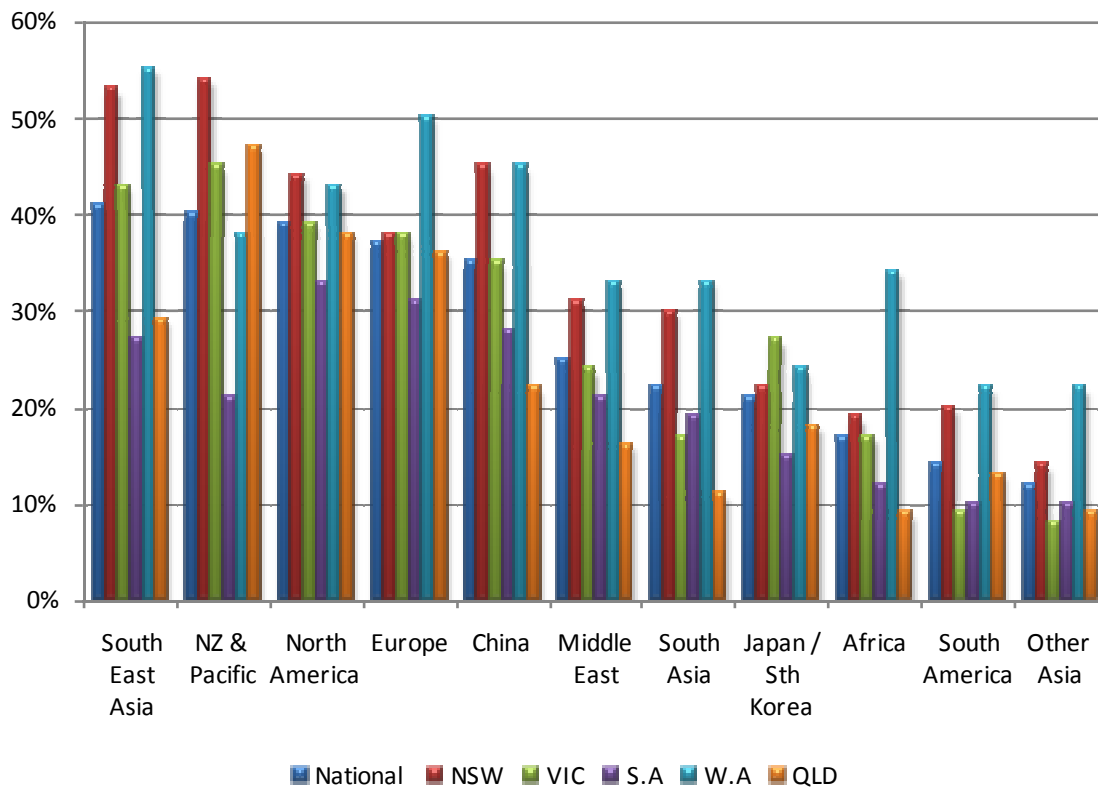
All states except South Australia had the highest proportion of surveyed businesses deriving offshore revenue from either Southeast Asia or New Zealand and the Pacific. South Australia's most popular location for deriving overseas revenue was North America (33%).

In comparisons between the states, Western Australia had the highest proportions of surveyed businesses deriving offshore revenue from Southeast Asia (55%), Europe (50%), Africa (34%), South Asia (33%), the Middle East (33%) and South America (22%). New South Wales had the highest proportion of businesses earning overseas income in New Zealand and the Pacific (54%) and North America (44%). Western Australia shared with New South Wales the highest proportion of businesses deriving revenue from China (45%). Victoria had the highest proportion of businesses earning income from Japan/ South Korea (27%).

## Location of derived Revenue by State



## Derived Revenue by Location



### Length of time exporting

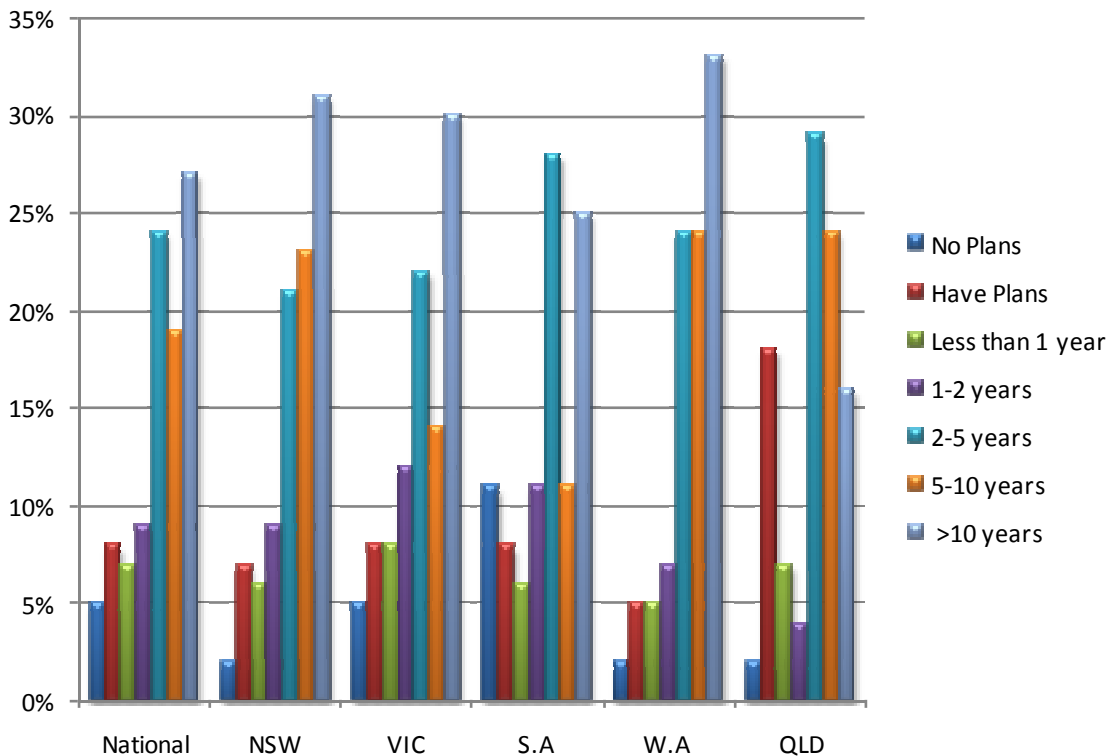
The majority of surveyed businesses in all states were already exporting. Western Australia had the highest proportion of exporters, at 93% of respondents.

Queensland and South Australia had the lowest proportions of exporters in the survey (80% and 81%), as well as the lowest proportions of “experienced” exporters (40% and 36%), meaning those who have exported for more than five years.

The highest proportions of experienced exporters were to be found in Western Australia (57%) and New South Wales (54%).

The proportion of surveyed businesses with no plans to export was 5% or less in all states except South Australia, where 11% had no export plans. In comparison with the other states, Queensland had a significantly higher proportion of businesses that do not currently export, but have plans to do so. Queensland also had the highest proportion of surveyed businesses that have been exporting for two to five years.

### Length of Time Exporting by State

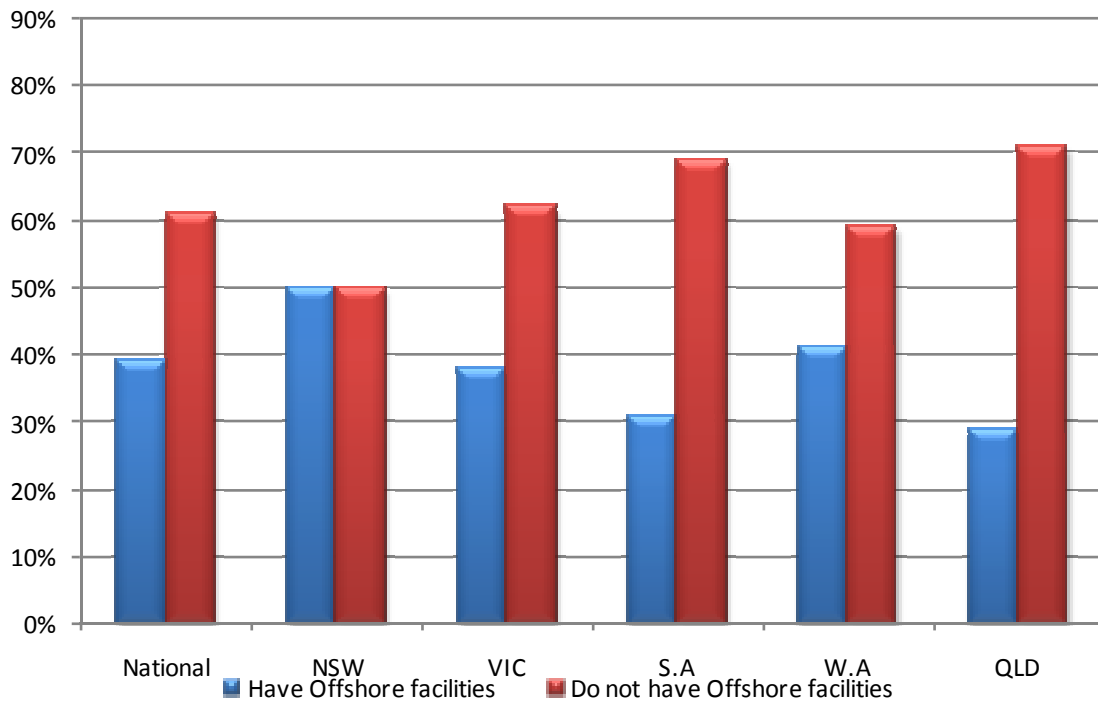


## 4. OFFSHORE FACILITIES

### Existing offshore facilities

The majority of surveyed businesses in all states except New South Wales do not have offshore facilities. In New South Wales, there was a 50-50 ratio between businesses with and without offshore facilities. At 50%, New South Wales had easily the highest proportion of surveyed businesses with offshore facilities, while Queensland and South Australia had the lowest proportions (29% and 31%).

### Offshore Facilities by State



### Length of time with offshore facilities

At a national level, the surveyed businesses with offshore facilities are quite evenly spread across the various amounts of time elapsed since the facilities were established (ranging from less than one year to more than 10 years). However, we see more variation within individual states.

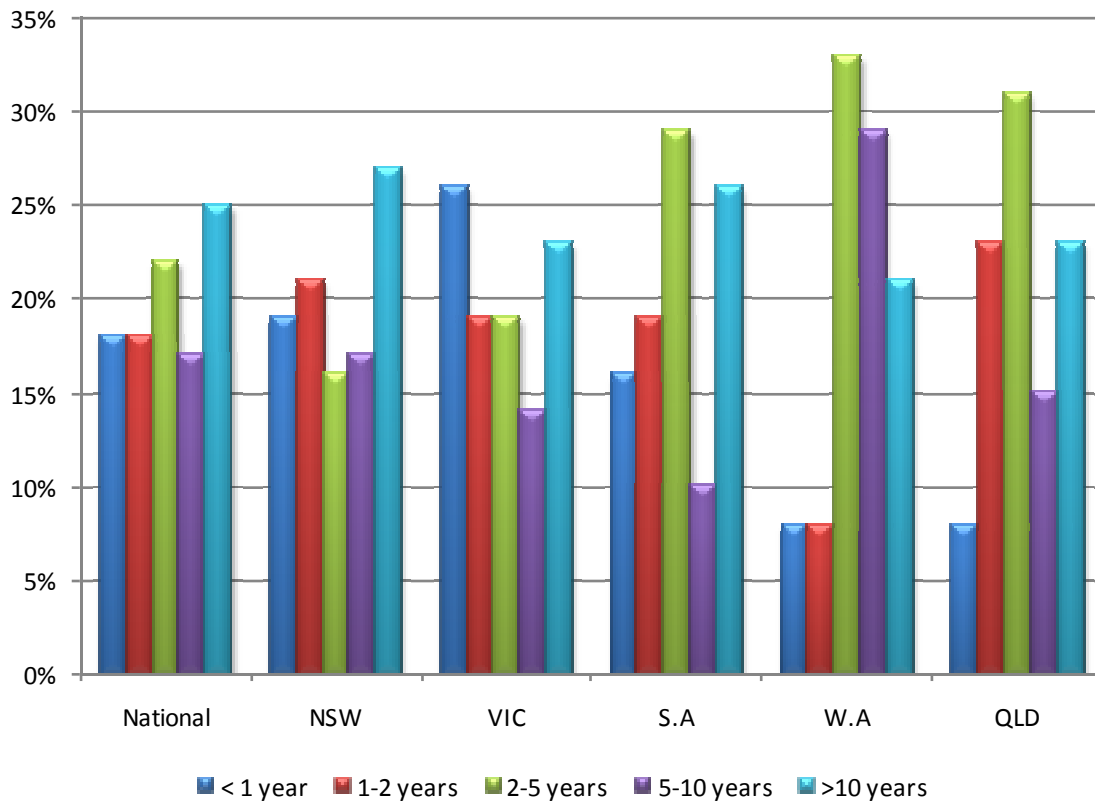
New South Wales is the only state where offshore facilities established for more than 10 years represent the largest group (27%). Conversely, the largest group of offshore facilities in Victoria is those established less than a year ago (26%). Western Australia, Queensland<sup>1</sup> and South

<sup>1</sup> The sample size of surveyed Queensland businesses with offshore facilities is small.

Australia most commonly have offshore facilities established two to five years ago (33%, 31% and 29%).

Among the surveyed businesses with offshore facilities, Western Australia had the highest proportion of companies with long-term offshore involvement (50%), meaning facilities operating for five years or more.

### Length of Time w/Offshore Facilities by State

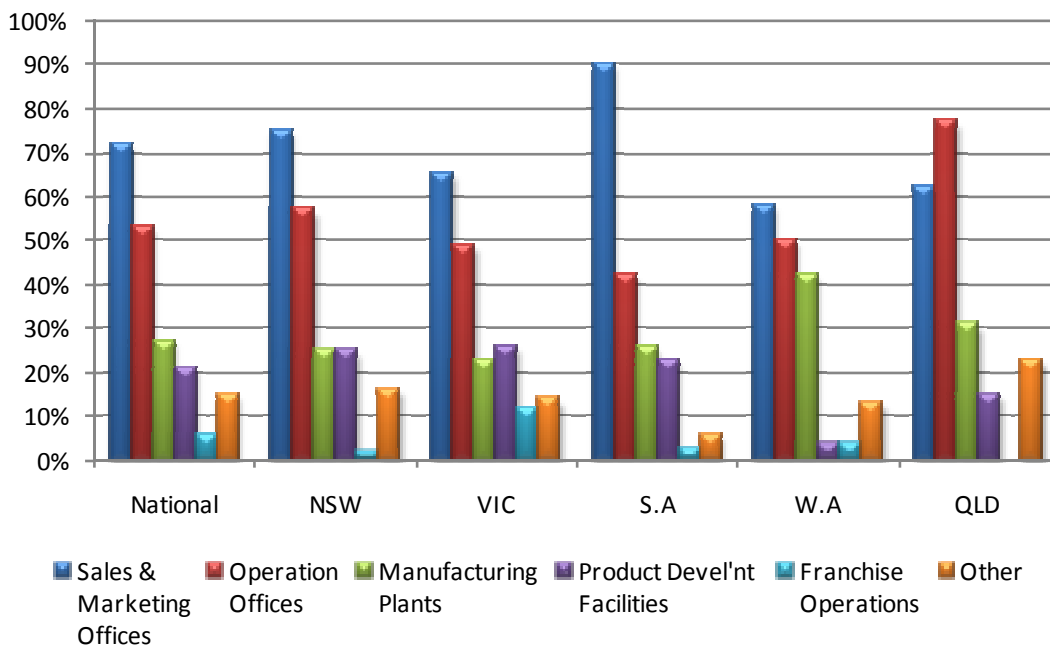


### Type of offshore facilities

Among surveyed businesses with offshore facilities, sales and marketing offices were the most frequently cited type of facility for all states except Queensland<sup>2</sup>, where operation offices were the most commonly cited (77%). Companies in South Australia were significantly more likely to say they had offshore sales and marketing offices (90%).

Victoria is the state with the largest proportion of businesses with offshore product development facilities (26%), slightly ahead of New South Wales and South Australia (25% and 23%). Western Australia had easily the largest proportion of businesses with offshore manufacturing plants (42%).

### Type of Offshore facilities



### Location of offshore facilities

North America, China and Europe are the most likely locations for the offshore facilities of surveyed businesses in all states except Queensland<sup>3</sup>. Queensland businesses were more likely to have their offshore facilities in Southeast Asia or New Zealand and the Pacific (46% for each region).

North America was the most common location for offshore facilities belonging to surveyed businesses from Western Australia and New South Wales (50% and 46%). Europe and China were equally the most common locations for offshore facilities owned by both Victorian companies (47% for each region/ country) as well as South Australian businesses (39% for each region/ country).

In a comparison between states, Western Australia had the highest proportion of surveyed businesses with offshore facilities in North America (50%). Western Australia also had a

<sup>2</sup> The sample size of surveyed Queensland businesses with offshore facilities is small.

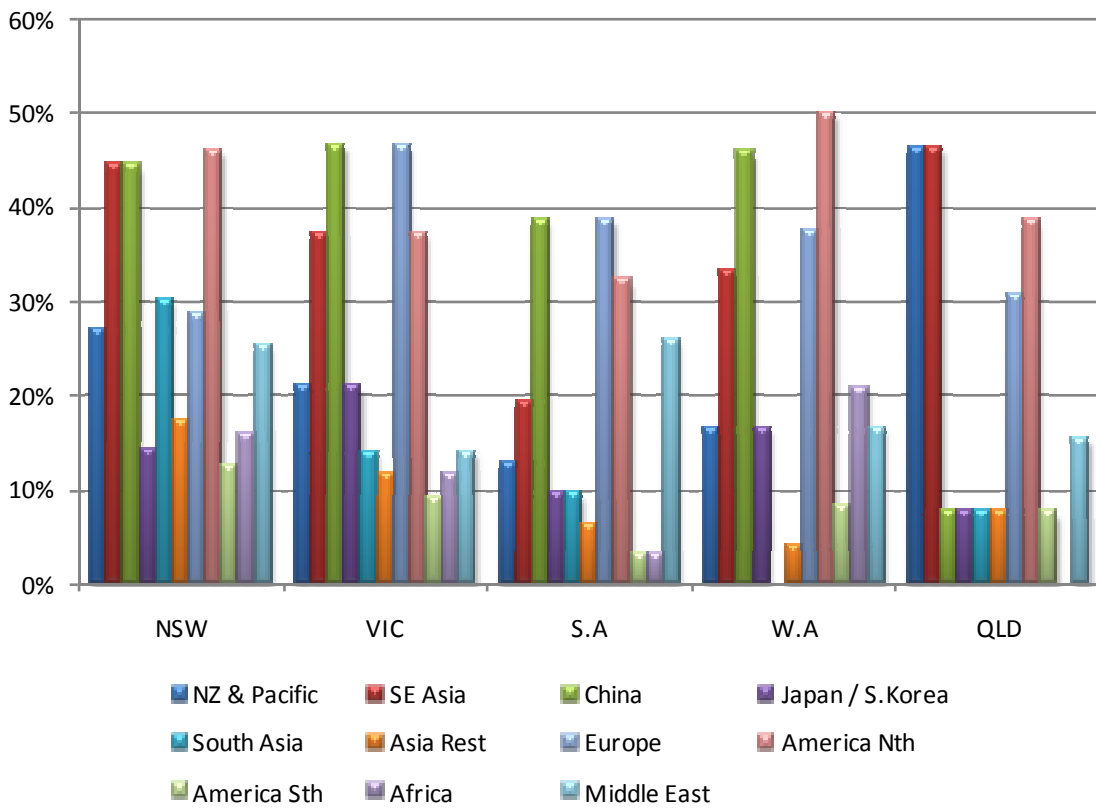
<sup>3</sup> The sample size of surveyed Queensland businesses with offshore facilities is small.

significantly higher proportion of surveyed businesses investing in Africa (21%) compared to other states.

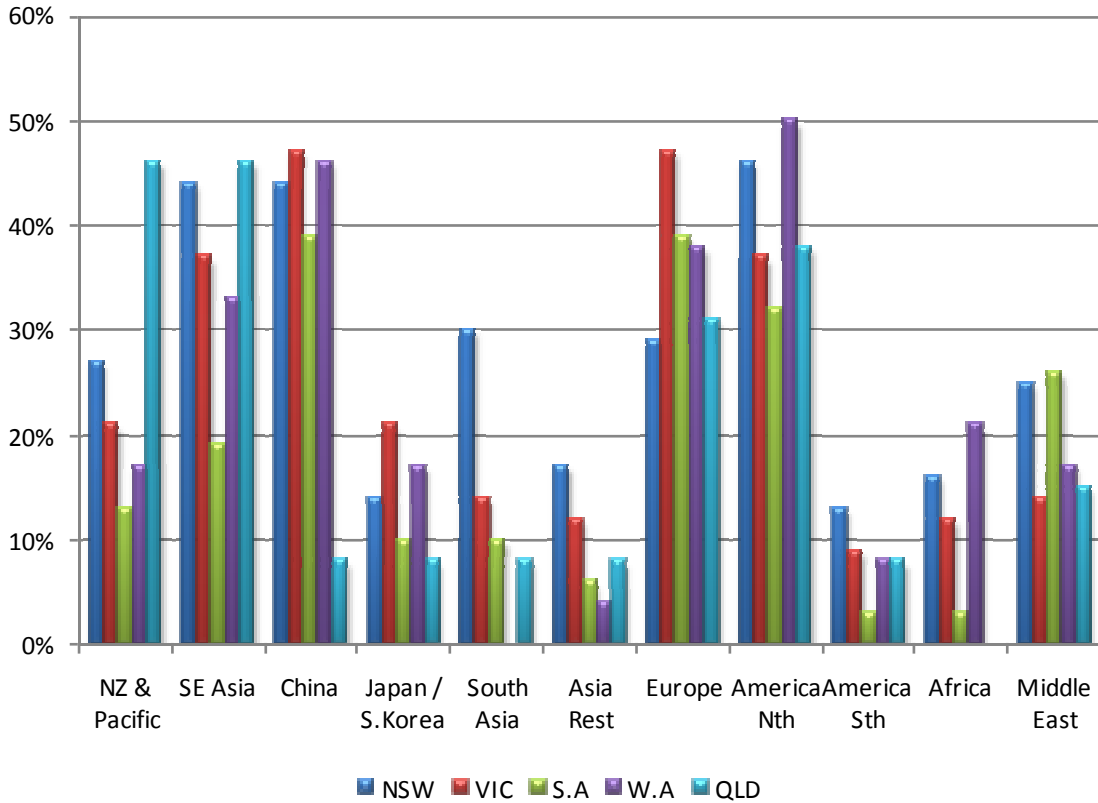
Victoria had the highest proportions of businesses with offshore facilities in Europe (47%), China (47%) and Japan/ South Korea (21%), while New South Wales businesses led in both South Asia and South America (30% and 13%).

South Australia was the state claiming the highest proportion of businesses with offshore facilities in the Middle East (26%), marginally higher than New South Wales (25%). Queensland had the highest proportions businesses with offshore facilities in both Southeast Asia and New Zealand and the Pacific (46% for each region).

## Location of Offshore Facilities by State



## Location of Offshore Facilities by Region

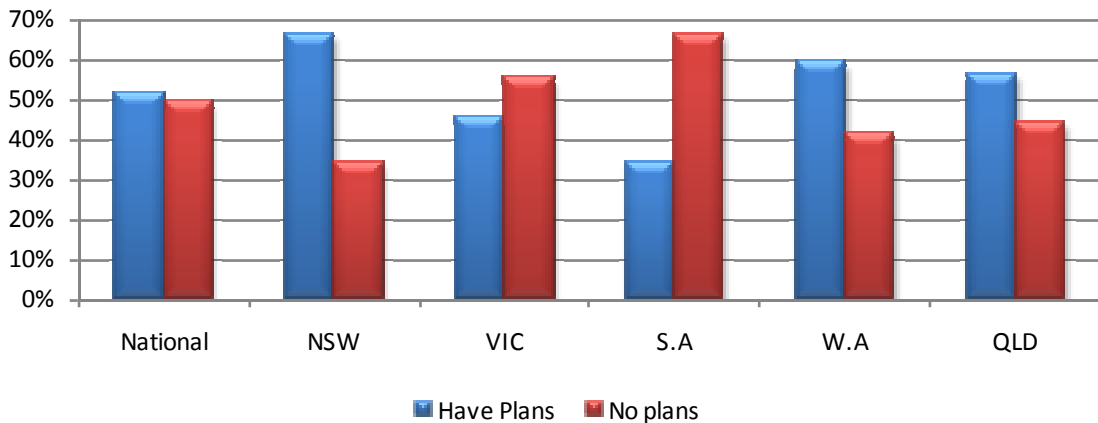


### Plans for new or expanded offshore facilities

In New South Wales, Western Australia and Queensland, the number of surveyed businesses with plans to establish new offshore facilities, or to expand existing ones, is greater than the number of businesses without such plans. The highest proportion is in New South Wales, with 66%.

South Australia had the highest proportion of businesses without plans to establish or expand offshore facilities (66%).

## Plans for Offshore Facilities by State

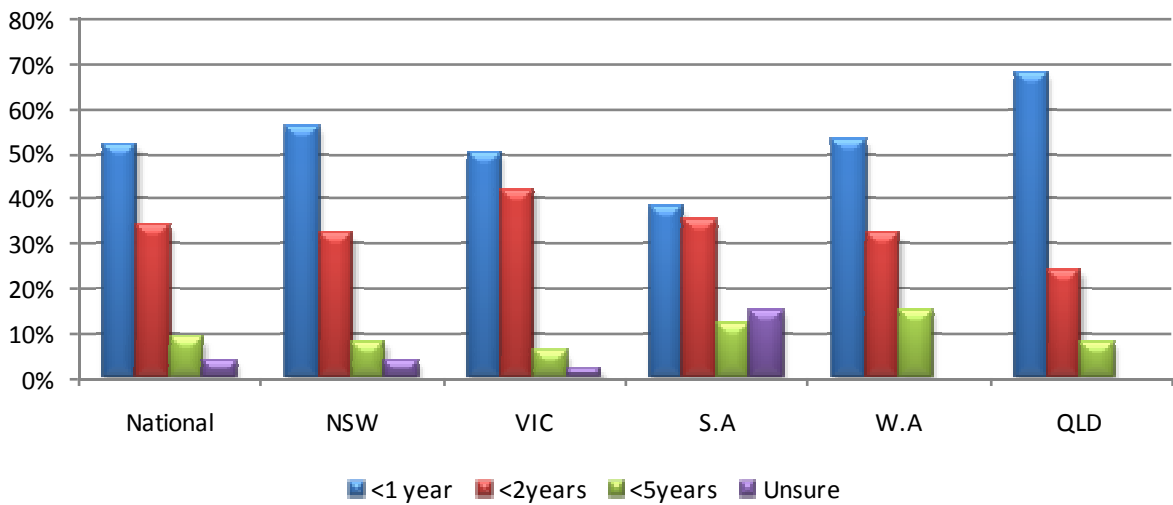


### Timeframes for establishment of new offshore facilities

In all states, the majority of surveyed businesses looking to establish new offshore facilities, or to expand existing ones, plan to do so within a year.

Queensland is the state with the highest proportion of businesses expecting to establish or expand offshore facilities in less than a year (68%), while South Australia had the lowest proportion (38%).

### Timeframes for New Offshore Facilities by State



### Type of planned offshore facility

Among those businesses planning to establish or expand offshore facilities, sales and marketing offices are by far the most usual type of planned facility across all states, with over 60% of South Australian, Queensland and Western Australian businesses planning such facilities.

Operation offices are the second most popular type of offshore facility planned in all states except Western Australia. In Western Australia, planned manufacturing facilities took second place (47%), outstripping the national average of 30%.

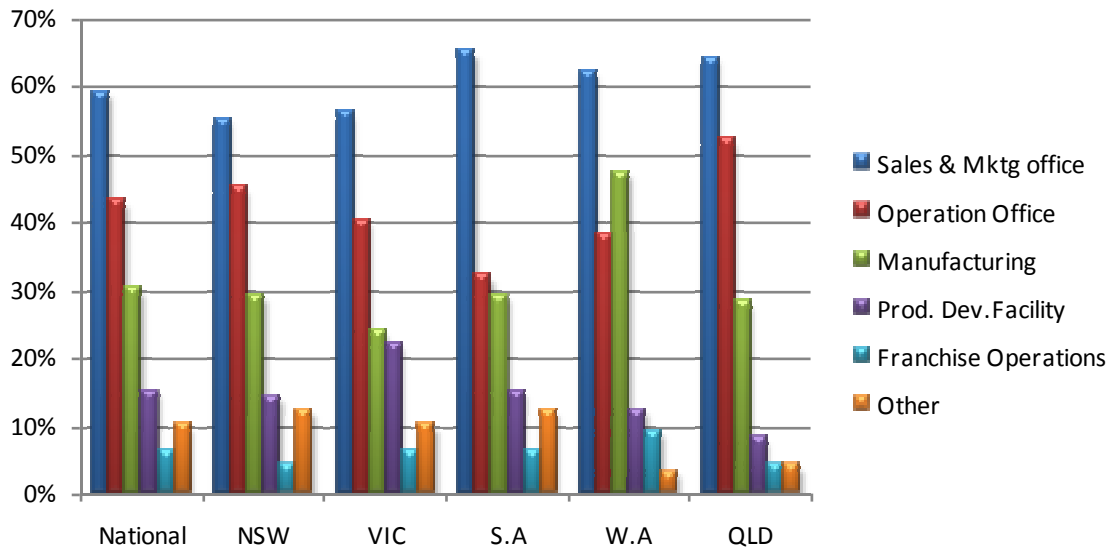
Among Queensland businesses, 52% plan new or expanded operation offices, well above the national average of 42%. Victoria had the highest proportion of businesses planning new or expanded offshore product development facilities (22%). Plans for offshore franchise operations represented less than 10% of planned facilities in all states.

In New South Wales, Victoria and South Australia, there was little change in the relative proportions between existing offshore facilities by type and planned offshore facilities by type.

In Western Australia, the proportion of planned offshore manufacturing facilities increased over the proportion of existing manufacturing facilities, while the reverse applied to operation offices.

While Queensland businesses preferred operation offices over other types of existing offshore facilities, their plans for future facilities are more biased towards sales and marketing offices.

## Type of Planned Offshore Facility by State



### Location of planned offshore facility

Among those businesses planning to establish or expand offshore facilities, Europe, North America, China and Southeast Asia are among the most popular future investment destinations.

In New South Wales, the highest proportion of surveyed businesses are looking to Europe for their new or expanded offshore facilities (40%), followed by Southeast Asia (31%). China takes top place among Victorian businesses (42%), with Europe ranking second. The highest proportions of South Australian businesses prefer Southeast Asia and Europe as investment destinations (29% for each region), while North America and China are the leading locations for Western Australian businesses. Queensland businesses were most likely to choose North America for new offshore facilities (44%), followed by Europe (40%).

In a comparison between states, Victoria had the highest proportion of surveyed businesses with plans for new or expanded offshore facilities in China (42%), Japan/ South Korea (16%) and South Asia (22%). Victoria and South Australia shared the highest proportions of businesses planning facilities in the Middle East (both on 26%).

New South Wales companies were the most likely to plan investments in Southeast Asia (31%) and South America (8%), and both New South Wales and Queensland companies were equally most likely to consider Europe as the destination for planned facilities (both on 40%).

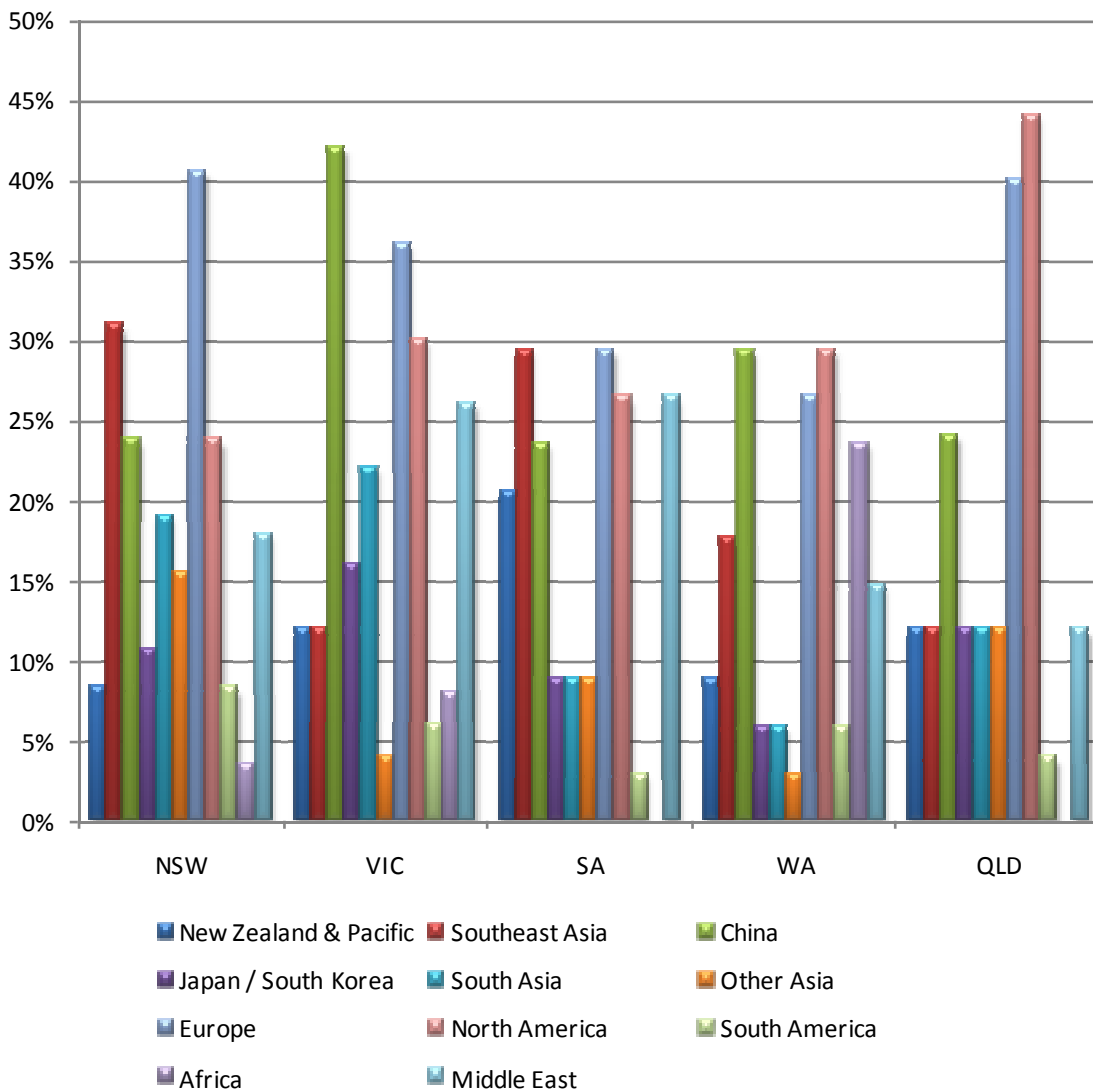
Western Australia had by far the highest proportion of businesses planning investments in Africa (24%). Queensland had significantly the highest proportion of businesses planning facilities in North America (44%). South Australia was the state with the highest proportion of companies preferring New Zealand and the Pacific for planned offshore facilities (21%).

We see continuity in trends between the location of current and planned offshore facilities among Victorian businesses (who continue to prefer China and Europe) and Western Australian businesses (where North America and China remain the preferred destinations).

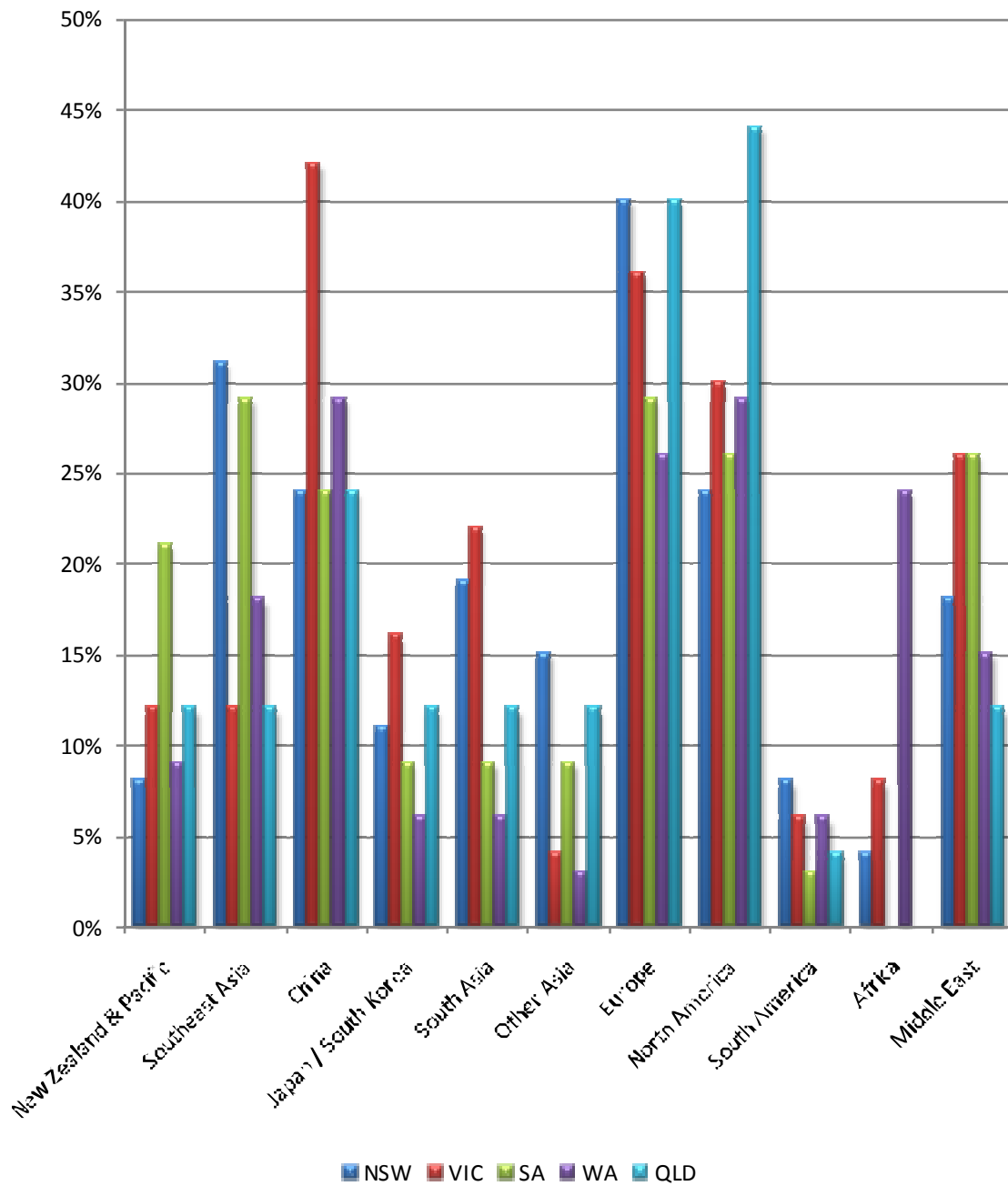
While New South Wales businesses currently prefer North America and China over other regions for offshore investments, Europe and Southeast Asia are the most preferred destinations for planned investments from that state. Europe remains popular among South Australian businesses as a destination for planned offshore investments.

While New Zealand and the Pacific and Southeast Asia together enjoy the status of most popular destinations for existing investments among Queensland businesses, North America is the most popular region for planned offshore facilities.

## Location of Planned Offshore Facility by State



## Location of Planned Offshore Facility by Region



## 5. DRIVERS OF OVERSEAS EXPANSION

### Drivers to establish or expand offshore operations

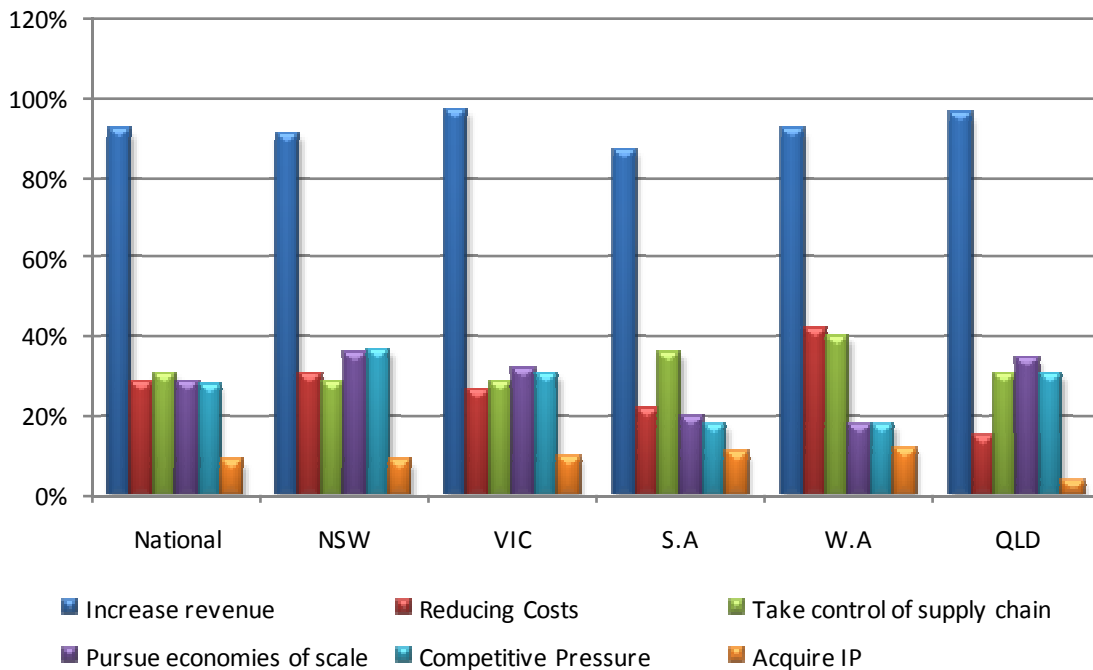
In all states, the desire to increase revenue was overwhelmingly the most important factor contributing to decisions to establish or expand offshore facilities, while acquiring intellectual property was the least-cited factor.

We see more variation between states when it comes to other drivers for overseas investment. Offshore expansion driven by a need to reduce costs is significantly higher in Western Australia (42%) than in all other states.

Pursuing economies of scale is a comparatively more significant factor among businesses surveyed in New South Wales (36%) and Queensland (35%), while New South Wales also had the highest proportion of businesses claiming competitive pressure as a driver for offshore expansion (37%).

Taking control of the supply chain was a comparatively more important driver in Western Australia (40%) and South Australia (36%).

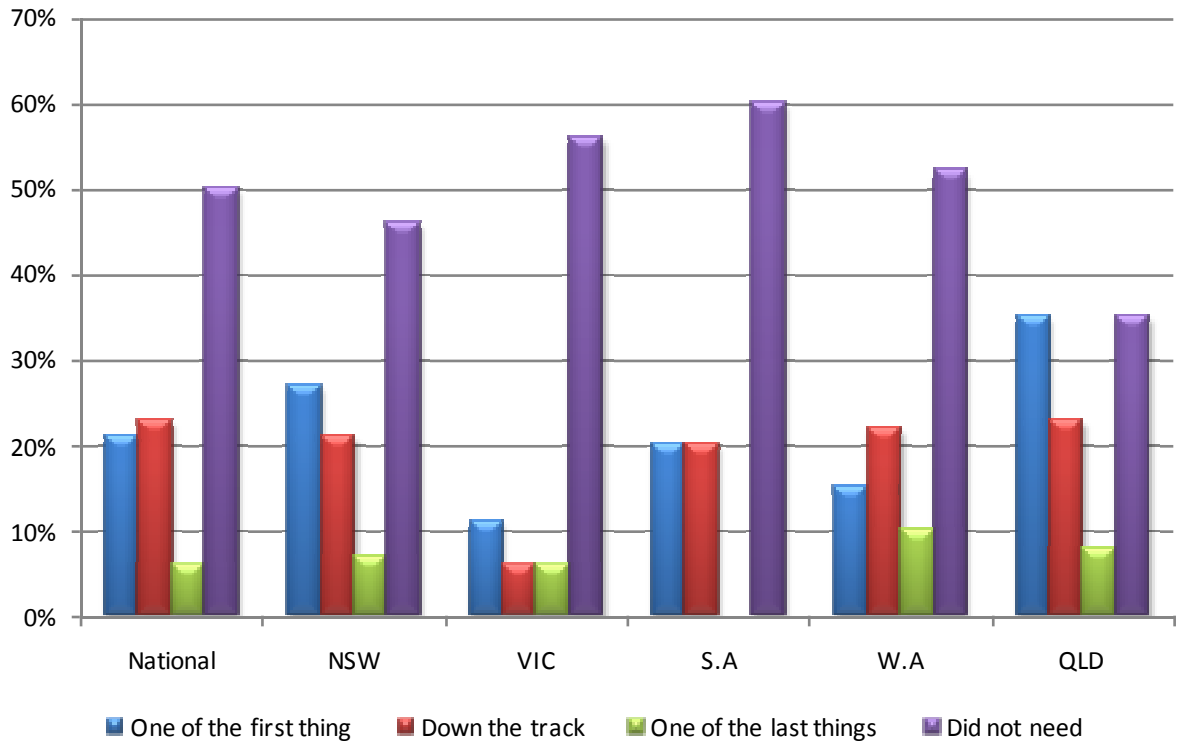
### Drivers of Overseas Expansion by State



### Approaching financiers

In all states except Queensland, a clear majority of surveyed businesses with offshore facilities, or with plans for offshore facilities, indicated no need to approach financiers. South Australia and Victoria had the highest proportions of respondents not requiring financiers (60% and 56%), while Queensland had the lowest (35%). Queensland businesses were the most likely to indicate that approaching financiers was one of the first things they consider (50%).

### Timeframe for Approaching Financiers by State



## 6. BARRIERS TO OVERSEAS EXPANSION

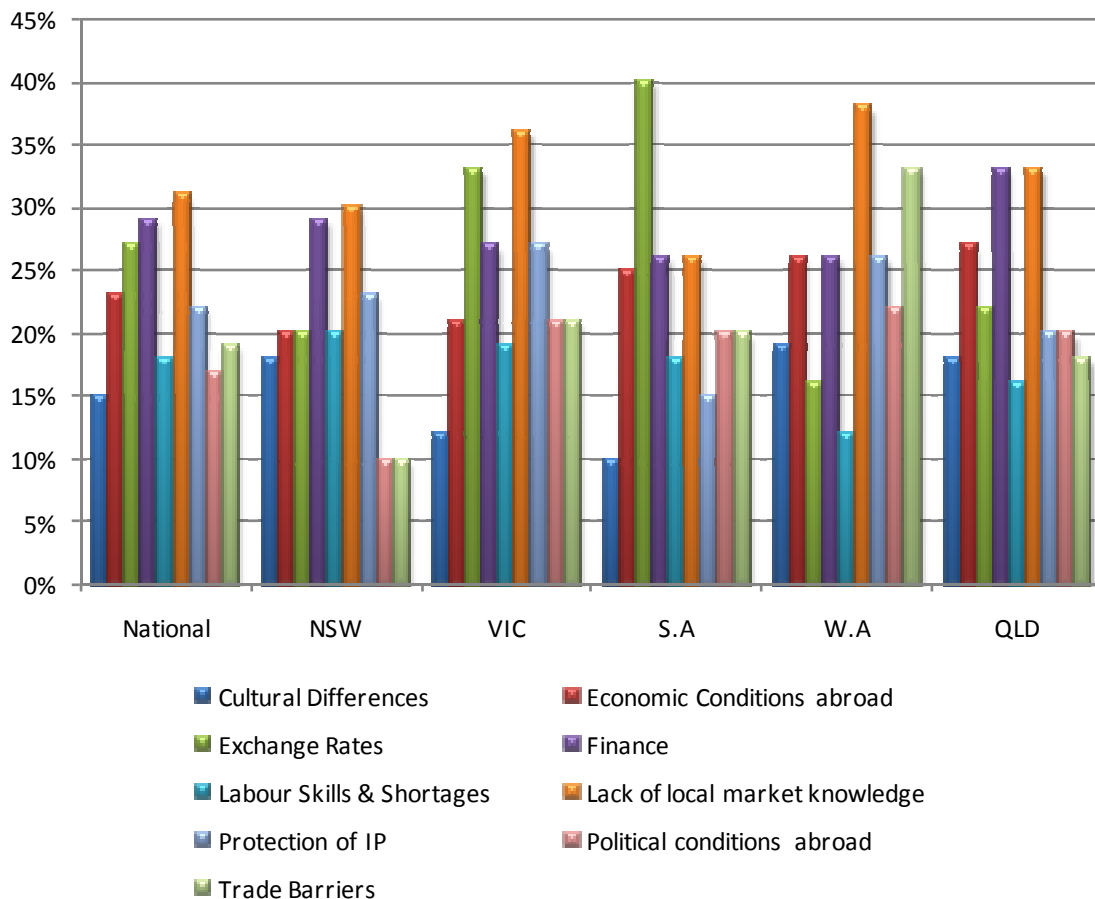
### Barriers to establishing or expanding offshore facilities

In all states except South Australia, the highest proportions of surveyed businesses cited lack of market knowledge as a barrier to offshore expansion, though in Queensland lack of market knowledge scored equally with lack of finance (33% each). Lack of finance was the second-most frequently cited barrier by New South Wales businesses (29%).

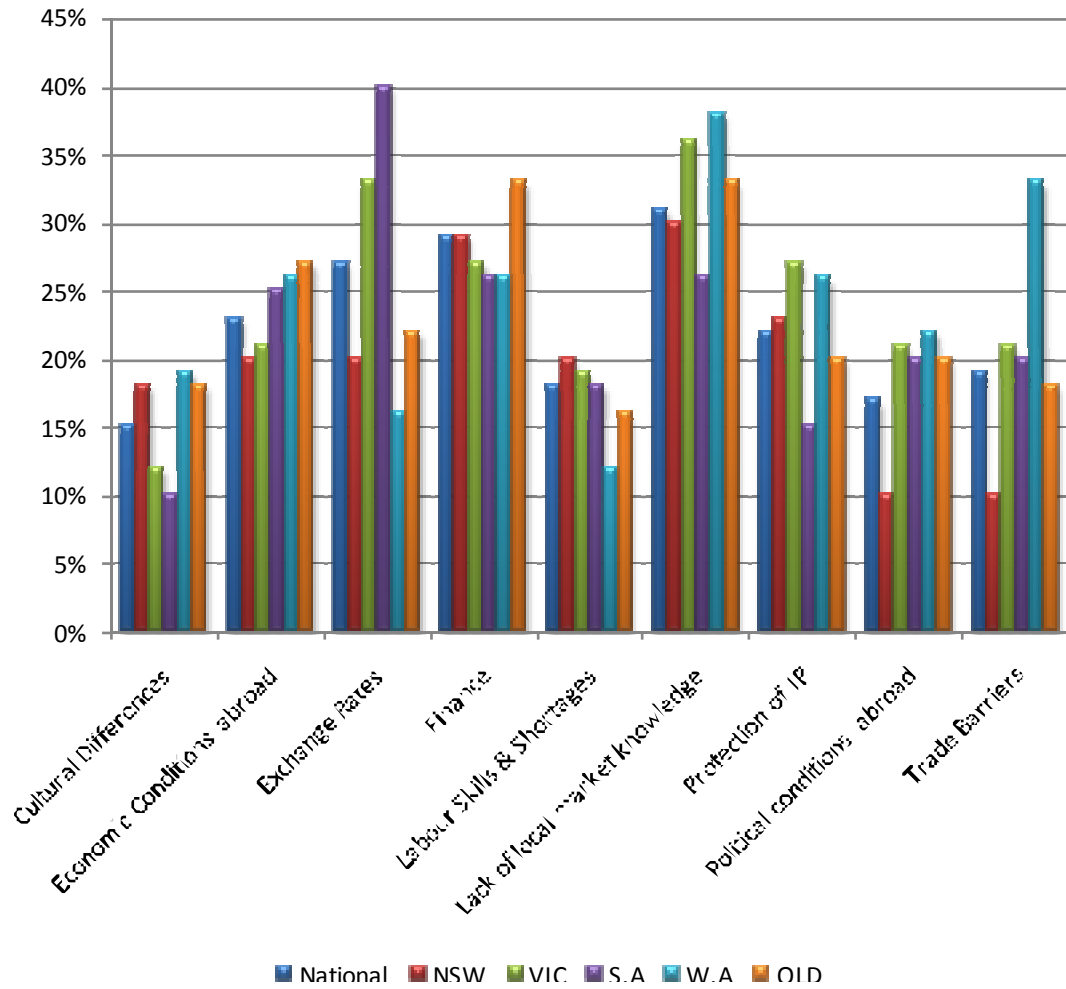
South Australia had the highest proportion of businesses citing exchange rates as a barrier (40%), which surpassed lack of market knowledge and lack of finance (both 26%) as perceived barriers in that state. A significant proportion of Victorian businesses also perceived exchange rates as a barrier to international expansion (33%).

Western Australian businesses were well above the national average when it came to citing formal trade barriers as a hindrance to offshore expansion (33% for Western Australia, 19% for the national average).

### Barriers to Overseas Expansion by State



## Barriers to Overseas Expansion



## 7. FINANCE

### Sources of finance for export business and offshore facilities

In all states, a clear majority of surveyed businesses finance their export business and offshore facilities with retained earnings.

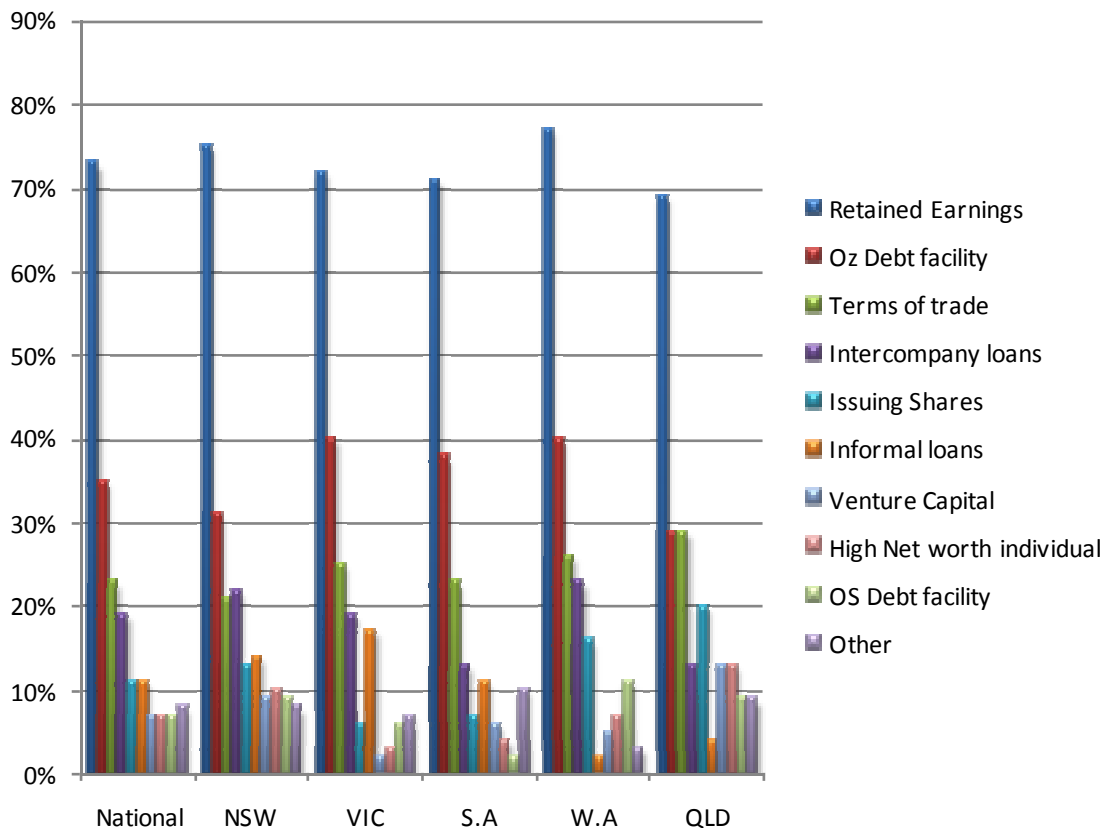
Again in all states, the second-most common method of financing exports and offshore facilities was the use of debt facilities from Australian financial institutions.

In Queensland, terms of trade and supply chain arrangements equaled Australian debt facilities as the second-most common method of finance (both 33%). Terms of trade took third place among surveyed businesses in Western Australia (26%), Victoria (25%) and South Australia (23%).

Intercompany loans were most commonly cited as a source of finance in Western Australia (23%) and New South Wales (22%). Businesses in Queensland were more likely than those in other states to use share issues (20%), venture capital (13%) and high net worth individuals (13%) to finance international activities.

Surveyed businesses in Victoria were more likely than businesses in other states to use informal loans or family guarantees (17%), while businesses in Western Australia were more likely to use a debt facility from an overseas financial institution (11%).

### Sources of Finance by State

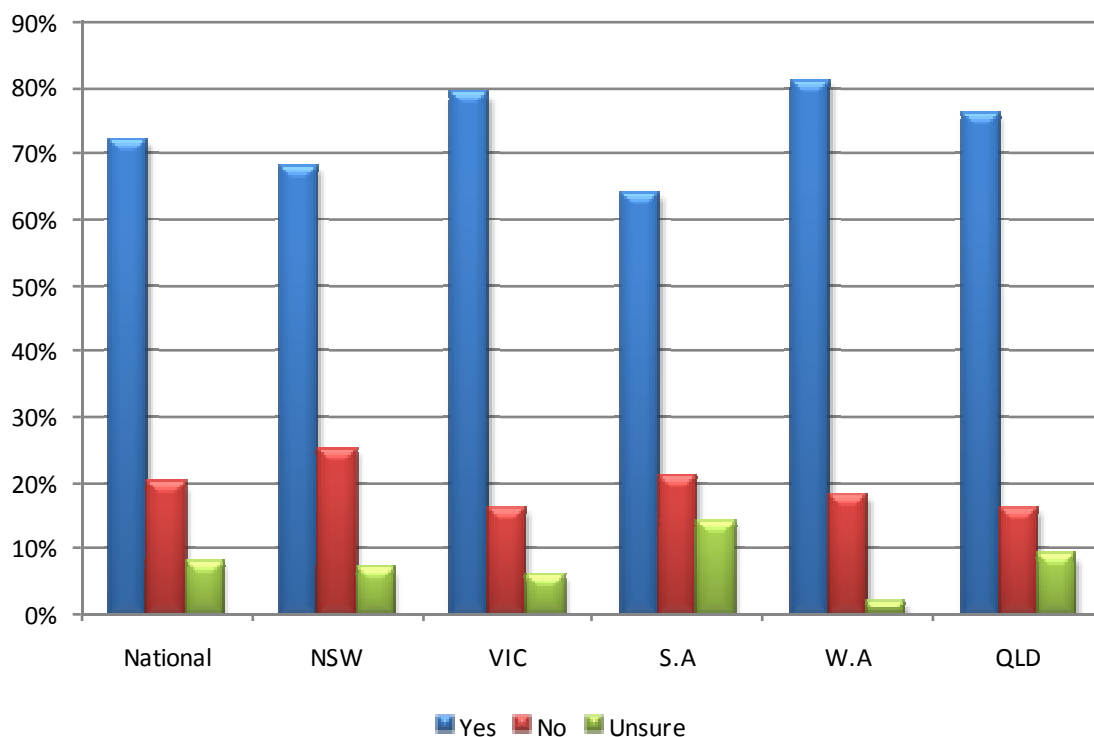


### Extent to which working capital needs are met

In all states, a clear majority of surveyed businesses perceive their working capital needs as being met. Western Australia had the highest proportion of businesses whose working capital needs are being met (81%), while South Australia had the lowest (64%). A substantial proportion of respondents in South Australia were unsure (14%).

New South Wales had the highest proportion of businesses indicating that their working capital needs are not being met (25%).

### Extent to Which Capital Needs Are Met



### Extent to which financing needs for long-term infrastructure are met

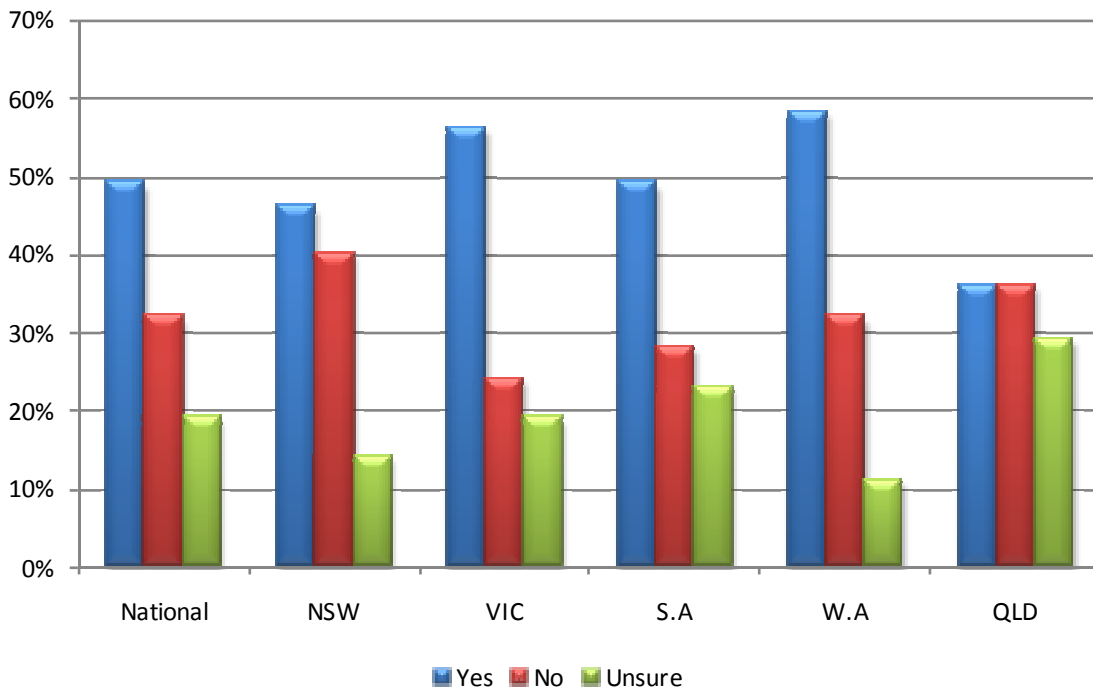
In all states except Queensland, a majority of surveyed businesses perceived their financing needs for long-term infrastructure as being met, with the proportions highest in Western Australia (58%) and Victoria (56%).

In Queensland, equal proportions of businesses indicated their long-term financing needs were or were not being met (36% each), and a large proportion were unsure (29%).

New South Wales had the highest proportion of surveyed businesses whose financing needs for long-term infrastructure were not being met (46%).

In all states, higher proportions of surveyed businesses perceived their working capital needs as being met, compared to their financing needs for long-term infrastructure. Also in all states, higher proportions of businesses are unsure whether their financing needs for long-term infrastructure are being met, compared to working capital needs.

## Extent to Which Long-Term Infrastructure Needs Are Met



### Strategic impact of access to additional funds at market rates

In all states, businesses rated faster growth in current markets and entry into new markets fairly equally as the main strategic impacts of access to additional funds at market rates.

Victoria had the highest proportion of surveyed businesses whose strategic plans would not change as a result of access to additional funding (37%), slightly higher than Western Australia (35%).

Western Australia stands out as the state having the highest proportion of businesses that would enter different types of markets as a result of additional funding (39%).

In all states, taking ownership of product design, distribution and manufacture were rated as the least likely strategic impacts of access to additional funding.

### Effects of Additional Funding by State

