

MEDIA RELEASE

2 March 2011

Engaging Asia: Getting it right for business - Ai Group/Asialink Report

Despite the increasing importance to business of the rapidly developing Asian economies at our doorstep a new survey by Ai Group and Asialink suggests we are falling short of the skills required to maximise opportunities in the region.

The new report *Engaging Asia: Getting it right for Australian business* was launched in Canberra today by the Minister for Trade, Dr Craig Emerson. The report is based on a joint survey by Asialink and Ai Group designed to get a better understanding of attitudes towards and knowledge about Asia among Australian businesses. The aim was to explore the extent to which Australian business is expanding into Asia and whether we have the skills and capacity to support this growth.

Ai Group Chief Executive, Heather Ridout said, "Respondents were upbeat about the strength of their prospects in Asia but at the same time identified large gaps in their experience and skills.

"More than half of those currently operating in Asia reported little board and/or senior executive experience of the region. There is a higher level of experience among senior executives – about 54% of companies reported that at least some senior executives have experience – but 65% of responding companies have no board members that have worked in Asia.

"This perceived skills gap presents some real challenges for both companies and public policy. To address this challenge the report recommends an Asia Ready Workforce strategy which includes getting more Asia skills, including languages, into school curriculums and support for existing programs aimed at encouraging and developing capabilities related to international business engagement. This includes enhanced funding for what we see as the critically important Export Market Development Grants (EMDG) Scheme," Mrs Ridout said.

Asialink CEO, Ms Jenny McGregor, said while Australia's very strong trade performance with Asia is strong - our business investment into Asia is comparatively low.

"The real test of an understanding of the Asian region, and really knowing what the opportunities are, is when companies put people and money there – when they put people on the ground. Australia still invests more in Europe and the US than we do in Asia, by a significant margin, despite the growth opportunities," Ms McGregor said.

"There's a kind of disconnect – we want to get more out of Asia but are we willing to put more in? With this survey, we wanted to know what the business community felt about Asia and what they felt about the skills and knowledge they had. Companies told us very clearly that experience at senior management level could be much better," she said.

"It is not just about languages – the report found that these are a bonus – but about understanding the local culture, the legal and political hurdles, what has been termed 'Asia literacy'. These are what gives investors confidence," Ms McGregor said. "Supporting Asia studies at school - and then providing skills development in the workforce – these are vital. They're huge investments in our future."

Of all responding businesses, whether already operating in Asia or not, 74% indicated an interest in expanding into the region, with almost 50% actively planning expansion within 12 months. Of businesses with current dealings in Asia, 56% rated at least one of their Asian operations as 'highly important' or 'extremely important' to their overall business success.

China was rated as the Asian economy playing the biggest role in business success, with 69% of businesses with operations in China saying it is important to their overall performance. Japan and Thailand closely followed.

Business in Asia is generally thought to be performing satisfactorily: 82% of those with current Asian interests rated performance as better than expected, or as expected. Only 9% of businesses reported their Asian performance to be below expectations. Businesses are also relatively optimistic about the economic outlook, with only 11% believing conditions are likely to worsen in the next six months.

A deficit of relevant skills was also reported. When asked about the importance of various business factors and skill sets in doing business in Asia, references to 'quality product at accurate price point' and 'quality partnerships' dominated, along with 'appreciation of different political and legal processes', 'managerial skills' and 'local cultural knowledge'.

Further analysis of responses shows that the nature of operations causes some variation in responses. While having quality partnerships and great networks are equally important, regardless of the nature of operations, having a greater depth of understanding of local culture and staff was rated significantly more important for businesses engaged in production in an Asian economy.

Responses to the survey suggested that companies with current dealings in or with Asia are dominated by trade activities (importing, exporting), more so than production or consultancy in Asia. However, it is worth noting that a sizeable minority of businesses dealing in or with China have a production base there (30%).

RECOMMENDATIONS

- ❑ An Asia Ready Workforce Strategy should be developed to ensure that Australian business and the Australian community have the skills and expertise essential to making the most of our position in the fastest growing region of the world.
- ❑ Central to this Strategy should be the appointment of an Asia Skills Business Advisory Panel, reporting to the Prime Minister, and to be chaired by Asialink. This panel would leverage key partners in the Business Alliance for Asia Literacy to develop, guide and implement the Asia Ready Workforce Strategy.
- ❑ The Prime Minister should appoint a Champion for an Asia Ready Australian Workforce. The Champion would be an opinion leader for business and drawn from outside politics to build awareness and galvanise action in the business community.
- ❑ A critical part of the Strategy is schools and tertiary education and to this end the Federal and State Governments should invest in a National Asia Literacy Action Plan to ensure that:
 - The delivery of Asia skills and Asian languages in the Australian Curriculum is adequately funded in Australian schools.
 - Incentives are provided for school and tertiary students to study Asian languages and Asia studies.
 - New and current school teachers and academic staff are equipped and available to teach Asia skills and Asian languages.
 - Universities are supported to establish Asian regional research networks.
- ❑ To facilitate greater business links in Asia, it is also critical that governments should at least continue to support existing programs aimed at encouraging and developing capabilities related to international business engagement including programs targeting the development of export capabilities (for example the Australian Government Export Market Development Grants (EMDG) Scheme).

Asialink is Australia's leading centre for the promotion of public understanding of the countries of Asia and of Australia's role in the region. For more information: www.asialink.unimelb.edu.au

The Australian Industry Group is a leading industry association representing a broad spectrum of Australian industry including manufacturing, construction, automotive, ICT, transport, defence, labour hire and other industries.

The full Ai Group/Asialink survey report is available at: <http://www.aigroup.com.au/policy/reports> and at: <http://www.asialink.unimelb.edu.au/publications>

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