



# REFORM OF THE AUSTRALIAN TRADE COMMISSION

MAXIMISING OUR VALUE

MAY 2011



Australian Government  
Austrade



## Rationale for the Review

The Australian Trade Commission (Austrade) was established in its current form, under the *Australian Trade Commission Act 1985* as a statutory authority. Initially, the aim was to bring together the functions of the Trade Commissioner Service, elements of the then Department of Trade, the Australian Overseas Projects Corporation, the Export Development Grants Board and the Export Finance and Insurance Corporation into a 'one stop shop' to support Australia's export effort.

Since that time there have been fundamental shifts in the global and Australian economy. Globalisation, changes in technology and the means of doing business internationally have seen the nature of barriers faced by companies in international markets also shift.

Along with this, Austrade's strategy and disposition of resources has moved through several cycles. The abolition of the former business based Board in 2006 following the Uhrig reforms saw Austrade's governance arrangements brought under public sector frameworks.

More recently, the Government has allocated a range of additional functions to Austrade – including responsibility for attracting productive foreign direct investment; industry-focused trade and investment strategies (clean energy, automotive); the Australia Unlimited nation branding program; and the international marketing of Australian education.

Despite the changes in Austrade's functions, responsibilities, governance and operating environment there has been no whole of organisation review of Austrade's operational model and organisational structures since one by McKinsey and Company in 1990.

## Approach to the Review

This review was initiated by the CEO to put Austrade on a more contemporary, more sustainable footing. The review commenced in late July 2010 with the appointment of two external consultants (following public tender) to advise the CEO on aspects of the review. A small internal secretariat was established to support this work.

A significant program of analysis and internal and external consultation was undertaken during the second half of 2010.

Austrade client, investor and customer data (more than 80,000 firm records) provided a key source of information and insight. Annual surveys of Austrade's client base were also analysed. The Client Service Improvement Survey is conducted annually on behalf of Austrade by the Wallis Consulting Group. In 2010, 1,502 firms completed responses to the online element of the survey and 1000 firms were interviewed by phone. Specific questions were added to the 2010 survey to support the review work.

The CEO also drew on previous research and analysis undertaken or commissioned by Austrade (including Journey to Export and International Business) and empirical studies conducted by various international institutions. The 300 public submissions made to the Mortimer Review of Export Policies and Programs in 2008 were also considered.

To supplement (but not duplicate) these sources, the views of stakeholders from government, business and industry were sought. Face-to-face meetings were held in Sydney, Canberra, and Melbourne. Teleconference and video conferences were also arranged with stakeholders located in Brisbane, Adelaide, Perth, Darwin and Hobart.

Within Austrade, more than 300 staff contributed to surveys, made individual written submissions and participated in workshops.

While the initial scope of review was directed towards Austrade's operations in Australia, inevitably this was extended across all other areas of the organisation.

Following the completion of the initial assessment in December 2010 the outcomes of this review have been carefully considered and endorsed by the Australian Government. Under the guidance of a senior management Taskforce, internally staffed working groups were commissioned in February 2011 to undertake early, high level solution design work. This work concluded in late April and will be instrumental in shaping the next phases of review implementation.

## A New Operating Model

The conclusions of the Review will fundamentally reshape Austrade's strategy, operating model and structure. The core elements of the new operating model are:

- › A clearer rationale and purpose - predicated on addressing market failure and focussing resources where Austrade as a government agency can add the greatest value
- › A realigned international network – with a different focus in different markets reflecting the commercial potential as well as the nature and scale of impediments to business in those markets and the optimal role for Government
- › A service delivery model targeted to internationally ready firms, supported by simpler packaging and pricing of services
- › A focus on identifying and bringing tangible foreign business opportunities to Australian business
- › Sharper investment promotion, attraction, and facilitation priorities
- › A more open and contemporary approach to sharing Austrade information and insight, with new investment in online service delivery and information dissemination and strengthened collaboration with government and commercial service providers
- › A commitment to strengthening organisational capability through simplifying the organisational structure, new initiatives to build workforce capacity and streamlining of corporate administration

## A clear rationale

The key focusing issue for the review has been the rationale for Austrade in 2010 and beyond, and identification of where and how Austrade can and does deliver greatest value to business. The views of external organisations that work closely with Austrade and the results of independent surveys, indicate a high degree of goodwill and support for the organisation. Client satisfaction with Austrade's services has been consistently high over many years.

This level of commitment was also matched with equally strong views about the strengths and weaknesses of the current operating model. In particular, consultations confirmed the view that Austrade has spread its resources too thinly and was suffering from a lack of focus, lack of consistency and unnecessary complexity.

### 1. Maximising our Value

Consultations and face-to-face interviews held with business and industry representatives as well as surveys of Australian exporters and the experiences of Austrade staff during 2010 have confirmed that Austrade's greatest value is derived from its:

- › ability to identify and assess foreign business opportunities and help Australian companies capture opportunities
- › advice to firms on business practices ('how to do business') in prospective markets
- › networks of key decision makers, customers and contacts in overseas markets
- › market insight and intelligence
- › 'badge of government' assistance with access to senior officials and business executives and with 'behind the border' barriers to trade and investment.

It is clear therefore, that Austrade's unique value stems from the ***combination of its knowledge of, and connections in, international markets and its status as a government organisation.***

In economic terms, the strongest rationale for continued Government investment in Austrade, and the optimal basis for prioritising what functions it undertakes, how it is organised and where its resources are located, must centre on addressing market failure. And in a commercial sense it is also clear that a lack of access to relevant information in and about international markets can impede Australian businesses from identifying international commercial opportunities and entering those markets.

For Austrade's export facilitation and development activity, market failure will be strongest in markets where governments play a significant role in the economy, where language and business culture can provide a barrier, where there is less openness of regulatory frameworks and transparency of business processes, where there are difficulties accessing distribution channels and commercial connections and where the value of the 'badge of government' is highest.

For investment attraction, the general market failure argument for government involvement is not as specifically related to the nature of the market. Potential investors in New York have a similar lack of understanding of the nature of investment prospects and of Australia's economic credentials and regulatory environment as those in Mumbai. It makes sense therefore to target the allocation of investment priorities and resources to actual and potential sources of investible funds— such as Europe, North America, Japan and increasingly the major growth and emerging economies.

In respect of Austrade's responsibilities for the international marketing of Australian education, there is a general deficiency of validated information in relation to Australian education opportunities in current and prospective education markets, despite the existence of private sector agents and institutional providers.

***This does not mean that Austrade cannot add value in all markets and in all of the activities it currently undertakes; but there is a need to focus where it can add the greatest value.***

## **2. A Re-shaped Network**

It makes sense therefore for Austrade's efforts in the more established markets of North America and Europe to be focused predominantly on inward investment and education services, with greater reliance on partners, referrals and online information and services to support Australia's exporters in these markets. Currently a smaller proportion of Australian firms make use of Austrade export services in these markets when compared with major growth markets.

The closure of several small posts in North America and Europe, the reduction of some staff primarily in North America and Europe as well as a rationalisation and redirection of effort in Australia will release resources to strengthen Austrade's trade and investment representation in growth and emerging markets with high commercial potential, where there is strong interest from Australian business and importantly, where the challenges faced by firms are greatest.

This is important as Austrade's limited resources are currently thinly spread or absent from a number of locations where it could clearly add value. These markets will have a strong focus on trade development, the marketing of international education and, increasingly, over time, on investment.

The opening of new Austrade representation in Mongolia was announced in February 2011. As resources are available, Austrade will move to also establish or strengthen our Australian based and local representation in Latin America, Africa, Central Asia and western China.

The strategy of prioritising different activities in different markets directly contrasts with the current policy of delivering all services in all markets.

In certain locations Austrade delivers consular and passport services to Australians travelling and working abroad. This coverage will be maintained.

Recognising that firm level assistance delivered in international markets is the main priority for Austrade provides a clearer basis for prioritising functions and activities in Australia. Domestically, many organisations across all levels of government and in the private sector play a role in broader business development activity. The further away from the market that Austrade operates, the less unique its role is.

Activities and services which support international based activity should therefore be given priority. It is appropriate also for Austrade to look to ways to better share its market insights and pass information on international commercial opportunities through to other domestically oriented organisations both in government or the private sector who can best help firms exploit those opportunities.

## Delivering Greater Value for Australian Business

### 3. Services for Internationally ready firms

Because Austrade's greatest value lies in international markets, Austrade services will be more clearly directed to those companies ready to tackle international business opportunities. Where companies are not ready for export, Austrade will make referrals to alternative enterprise development programs (government or private sector).

To support this, Austrade will also implement:

- › An International Readiness Indicator
- › A streamlined suite of services
- › Simpler packaging of those services

The Export Market Development Grants (EMDG) scheme will continue unchanged.

Austrade services will be available to firms regardless of size, industry sector or turnover. Having said that the bulk of clients that Austrade currently assists are Small to Medium Sized Enterprises (SMEs) and this will continue to be the case.

Decisions about a firm's capacity to enter or grow international business will not be made by Austrade. Rather, the International Readiness Indicator is intended to guide firms to make their own assessment of their capacity and to guide them to a range of sources of assistance (delivered by Austrade or other organisations) that best fit their need

### 4. Opportunity Identification and Delivery

Identifying and bringing tangible foreign business opportunities directly to Australian business and to other relevant organisations (ie a greater emphasis on 'demand' rather than 'supply') will be a key element of the new strategy. Opportunities will include a mix of transactional commercial opportunities – including assisting Australian firms to win business arising from opportunities they have identified as well as longer term, major project based opportunities.

### 5. Sharper Investment Focus

Investment activity will be focused in markets where there are sources of investible funds, predominantly established markets, but increasingly, growth and emerging economies. However, a sharper focus for investment activity is also required.

- › Generic promotion of Australia's attractiveness as a destination for foreign direct investment in target markets will remain a core element of the investment program.
- › Proactive investment attraction priorities will be determined through structured consultation across Government.
- › The facilitation of investors who have made a decision to consider Australia, requires close cooperation across levels of government and Austrade's role will be concentrated in the delivery of targeted information and navigation through the Australian policy and regulatory landscape. A key goal for Austrade will be the delivery of strong investment leads to states, territories and other providers for facilitation activity, at the earliest opportunity.

### 6. Better targeted promotions

Consistent with the increased focus on opportunity identification and distribution there is scope to streamline Austrade's current events and missions program. In most cases, Austrade's greatest value-add is in the provision of business services around events and missions and the contribution of commercial, market-based insights in third party conferences and seminars rather than recruitment and organisation. Where there are reliable alternatives, Austrade will actively seek to partner with relevant allies to organise events and missions. Agreements with major exhibition companies for logistics and recruitment will be pursued.

Offshore, the roll-out of Australia Unlimited branding, promotions and events will be accorded priority. In Australia, a holistic seminar / roadshow program will be developed informed by market trends and opportunities and other major opportunities that are endorsed through the corporate planning process (and will include events in support of our formally endorsed industry priorities).

Some current, domestically focused marketing activity and early stage export coaching events will be phased out during 2011-12.

### 7. More Online Services and Information

Improved online service delivery will underpin Austrade's new operating model with additional resources to be applied to this over the coming two years. To expand and transform online capacity to support a range of service and information capabilities, the following types of initiatives will be further scoped:

- › Online access to the new International Readiness Indicator tool
- › Integrated online and offline support functionality
- › Online referrals and linkages to appropriate service providers
- › Dissemination of market insights and opportunities via external networks
- › Access to a portal of searchable third party information on Australian suppliers.
- › Online business registration and enhanced access to content and functionality for registered users

## 8. Sharing Our Insight

Austrade possesses considerable information and commercial insight regarding specific developments and opportunities in international markets. Feedback during the review indicated there was high level of demand from other organisations both government and business associations who would value and would be better able to support business their business base if this was made available more readily.

Opening access to Austrade's market insights and information on international commercial opportunities to a wider range of organisations will have flow on benefits for Australian business and ways of doing this more effectively will be explored including any commercial and legal risks.

## 9. Stronger, but fewer partnerships

Many organisations across all levels of government, industry and with the private sector have a stake in delivering trade and investment support and broader business development.

Austrade currently maintains an excessive number of formal partnerships with such organisations. While effective collaboration is critical, new principles and business processes governing Austrade's establishment of partnerships, service provider relationships and alliances will be introduced. A more disciplined approach will see a smaller number of partnerships established but those that are, will be grounded in shared objectives and mutual interest.

At the federal level, there is scope for strengthened collaboration between Austrade and organisations such as Enterprise Connect and the Industry Capability Network. Enhanced, practical collaboration with other government and private sector service providers in Australia where they are better placed to deliver opportunities to companies or to develop export capability is to the benefit of Australian firms and this will be an early priority. The TradeStart network will continue to be an important part of Austrade's service delivery network.

## Stronger Organisational Capability

This new operating model also has significant implications for Austrade's organisational arrangements, its structure and the way resources are allocated. It will also require a more streamlined approach to the delivery of corporate support within the organisation.

## 10. Simpler Organisational Structure

Key objectives in shaping the new organisational structure are to ensure it:

- › allows for more focus, effort and resources offshore, recognising that is where Austrade's major value lies
- › creates a globally integrated organisation without the sense of two if not five Austrades
- › reduces the fragmentation of functions and consolidates areas of expertise
- › is simpler, clearer and improves lines of accountability

- › uses complex matrix arrangements very much as a last resort.

Key features of the new structure are:

- › A smaller executive group (three rather than eight) reporting to the CEO from 1 July 2011.
- › Austrade will move to a global rather than regional management structure with strategic management and oversight of the international network to be based in Austrade's Sydney headquarters. Operational responsibilities remain with Posts.
- › Clear lines of responsibility for Austrade's core functions: trade, investment and education and for the EMDG scheme will be established.
- › Support functions (corporate services, promotions and communications and online information and service delivery) will each be consolidated with clear lines of responsibility.

To enable appropriate recruitment and transition arrangements, the new structure will be the subject of phased implementation from 1 July 2011. Regional Directors will remain in place with their current authority and delegations until 1 October 2011.

There will not be a general 'spill' of senior positions, but the reorganisation will create a number of new positions which will be advertised shortly.

## 11. Skills and Values

Priority will also be given to enhancing staff capability through the introduction of Trade Commissioner Development program and a graduate recruitment program to complement existing recruitment and to bolster longer term capability and sustainability.

These initiatives will also be supported by changes to other key internal policies including changes to posting cycles and rotation practices and the introduction of a new language policy.

As representatives of the Australian Government, a key operating requirement is for all Austrade activities to uphold and promote the highest ethical standards. Changes to Austrade's governance structures following the review will include the establishment of an Ethics Committee with an independent Chair, and the designation of a Chief Ethics Officer.

## 12. Streamlined corporate administration

Elements of Austrade's governance structure need to be refreshed to reflect the new strategy, structure and new operating model. Changes will be made to governance arrangements including Austrade's planning processes; corporate performance indicators; committee and reporting structures; agency risk management; delegations and Chief Executive Instructions; audit; and performance evaluation.

A particular priority in finalising our 2011-12 corporate planning process will be to renew our indicators of organisational effectiveness to reflect our new strategy and directions.

In parallel with the review of Austrade's operations, the efficiency of Austrade's corporate services areas were examined. The broad conclusion is that while Austrade is within norm for (domestically focused) federal government agencies, it is at the higher levels. Equally, Austrade has some genuinely unique features (including its global distribution) which necessarily increases costs in some areas. That said, there are opportunities for achieving efficiencies as part of the forthcoming change program and a specific, internal cost saving target will be set.

## Implementation

These reforms will be achieved within Austrade's existing budget, through the rationalisation and redirection of resources both in Australia and offshore as well as through efficiency gains identified in the course of the review.

Implementation will commence from 1 July 2011 with changes phased in throughout 2011-12. To enable appropriate recruitment and transition arrangements, all elements of the new structure will not commence until 1 October 2011.

Implementation will continue to be governed by an internal Implementation Taskforce. Further details will be communicated within Austrade and with stakeholders over the coming weeks. Austrade staff will be involved in consultations during implementation.