

CAPABILITY AND CAPACITY

ARE YOU READY FOR INTERNATIONAL MARKETS?

KEY TOPICS

Three key signals of export readiness

Capability - people and skills

Capacity - systems and resources

Can you deliver?

Questions to think about for in-house and outsourced manufacturing

Questions to think about for service-based exporters

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**EXPORT
ESSENTIALS
GUIDES**

Before you commit to international markets, you need to look at where your business is at in terms of capability and capacity - so you can make sure you're ready for the challenges that come with export growth.

Three key signals of export readiness

As a starting point in looking at your capability and capacity, here are three key signals that your business is on its way to being export ready.

You have access to the resources you need to succeed. You'll need strong financial resources to cover the costs of export development – from market research to product or service improvements, travel, international marketing, and much more. You also need to have the right people in place to run the export side of your business, and that may mean additional staff.

Your management team is committed to export, and has plenty of time to devote to new markets. Developing international business takes more management time than growing your business at home, and requires commitment from your whole management team, not just the CEO or sales manager. Everyone needs to be up for the challenges and risks that come with exporting.

You've got a strong domestic business. In general, most successful exporters are already successful at home. Having a solid local business means you've got well-tested business processes, market validation for your product or service, and a source of essential cash flow and working capital to invest in overseas markets.

Capability – people and skills

It's vital to have the right people and skills within your business to support your export growth. This goes all the way from your management team down to the people who actually deliver your product or service.

Think about your company growth over the next six months, one year, and two years. What extra people will you need to bring on board over this time, and where would they be located? What roles could they be doing?

Make sure you have the right people in the right roles as you look to export. You're all about to get a lot busier – so it's important to find efficiencies and get the most out of your people. You might need to bring in outside expertise to support your team and help them focus on building your export business.

Consider who will take care of the domestic market while you're focused on international business. Exporting requires a strong management commitment, and early on in the development process your management team may get diverted from the 'home front'. Make sure you have solid processes in place across your business to keep things going locally.

Create a people plan to cover your staffing needs for future growth. It's a good idea to start by taking some of the load off yourself. Delegate your lower priority responsibilities to a team member you trust – if they handle

these well, get them to work up towards higher-priority tasks and relationships.

Develop your people. Look closer at your team and identify staff who have the potential to step up and support your export growth – especially in sales. Look for chances for them to learn on the job (while helping you and your team out), and back this up with professional development and training courses.

Think long-term. Consider setting up an advisory board or governance structure to give you greater support and guidance as you grow. You'll also need to think about succession and what will happen to the business when the time's right for you to step back.

Capacity – Systems & Resources

When making export sales, you've got to be sure you can deliver on time, on budget, and at the quality level your customers expect. Big orders or high-value contracts can stretch your resources to the limit – so don't commit yourself unless you can follow through.

Some things to keep in mind:

- Work out which areas of your business will need additional resources if you need to scale up
- Look at finding alternative suppliers if your existing ones can't move with you

- Remember to factor in how to maintain your quality control and service levels as you grow
- Chat with your financial advisors about how to finance your growth phase and manage your cash flow
- Keep an eye on your pricing as your costs rise
- Scaling up may mean you'll need to revisit your pricing structure.

Can you deliver?

It's time to think carefully about what your business can handle, and what you'd need to do to ramp up product or service delivery for international markets.

Here are a few key areas to consider. Work these through with a business advisor or professional.

Capacity for manufacturers

- **Can you handle regular export orders as well as serving your local customers?** Make sure you're not passing up more profitable local business, or giving competitors a chance to muscle in on your home territory.
- **Can you scale up your present manufacturing capacity?** Think about how much it would cost you to expand your production, and what additional equipment you'd need – as well as lead times to get it installed and get your staff trained up.

- **What extra staff will you need?** Work out how many people you'd need to add for a given level of production – and where you'd go to recruit them.
- **How will you finance your growth?** You'll need a plan to pay for more people and equipment, as well as all the other costs that come with export sales. Where will you find investment and how much will you need?
- **How will any extra costs affect your pricing?** Be aware, capital and implementation costs can wipe out any per-unit advantages you've gained with higher volumes. Consider reviewing your pricing strategy.
- **Can you source more materials or components when you need them?** Check if your suppliers can cope with much larger orders from you, or if you need to research alternative suppliers (here or overseas). How would you cope with shortages, and do you need to hold stock of key items?
- **Can you maintain quality control for big orders?** Think about how you manage quality now and how you might need to change this as your business grows.
- **How will your costs change with higher volumes?** Make sure this is factored into your pricing. If you had to increase your prices, what would happen and how would you handle this with your customers?

Capacity for service exporters

- **Do you need more staff?** Can you quickly recruit people with the right skills you need, and what will it cost?
- **What finance do you need?** You may need to purchase extra equipment such as computers or office furniture. Find out in advance if you can get a credit line from the bank, and what it will cover.
- **How long will it take to get paid?** You may be working on a project for months before getting final payment from an export customer – and you'll need to pay wages, salaries and other outgoings in the meantime.
- **What extra working capital do you need?** Meet with your accountant or financial advisor to work out how much you may need in the way of bridging finance. Then decide if you can fund this through debt financing (such as a credit line from the bank) or if you need to look for investment funding.

- **How will extra costs impact on your pricing?** Don't back yourself into a corner with your pricing – make sure you've factored all the extra costs into your break-even price.
- **Can you sub-contract some of the work?** An alternative to taking on permanent staff is to use part-time staff or sub-contract parts of the work - however you need to weigh up the costs.
- **Can you sustain export service deliveries?** The excitement of successful exporting can lead to neglect of your existing customers or a drop-off in service levels.
- **Can you manage the project?** It's important to have a good project management system in your business. Ask your business contacts or industry association for advice on suitable project planning software.



OUTSOURCED MANUFACTURING

Ask the same questions about your suppliers that you'd ask of your own business. Do they have the capacity, willingness and finances to scale up and deliver reliably? If you're thinking about overseas manufacturing, what benefits might you get from using a supplier that's closer to your export market (or based in it) – and what risks would there be?

Where to go for help

Regional Business Partners

The Regional Business Partner Network (RBP) has specialist growth advisors available to provide you with advice, information and connections to support your business.

 regionalbusinesspartners.co.nz

Business Mentors New Zealand

If you employ less than 25 people and your business is more than 12 months old, you can apply for a business mentor through Business Mentors New Zealand. These mentors are experienced and successful business people who are willing to share their expertise with you to help you and your business grow.

 businessmentors.org.nz

Poutama Trust

If you are a Māori organisation or individual, Poutama can help your business with funding and advice through a range of services.

 poutama.co.nz



Useful tools

You'll also find other useful tools and templates including an Export Plan template to download at

 nzte.govt.nz/tools-and-templates

Get a fuller picture of exporting with our other Export Essentials Guides, available for download at

 nzte.govt.nz/export-assistance/export-essentials-guides

The New Zealand Story is a free toolkit that provides a simple set of brand values, images, videos and presentations that can help you define your value proposition and promote your business offshore.

 nzstory.govt.nz



About NZTE

Export Essentials resources are brought to you by New Zealand Trade and Enterprise (NZTE), New Zealand's international business development agency. We exist for one purpose: to grow businesses internationally, bigger, better and faster, for the good of New Zealand.

We're here to help you get the right focus and information at the right time in your exporting journey, whether you need practical help to get started, a deep partnership to develop a fully global business, or anywhere in between.

Find out more at nzte.govt.nz/about or get in touch with us: nzte.govt.nz/contact-us

Go further with Export Essentials Workshops

Wherever you want to take your business next, it's good to know you're on the right track. NZTE's Export Essentials Workshops put you in full control of your export plans, using lessons learnt by New Zealand businesses in markets around the world.

Find out more and register for upcoming workshops at nzte.govt.nz/essentials

