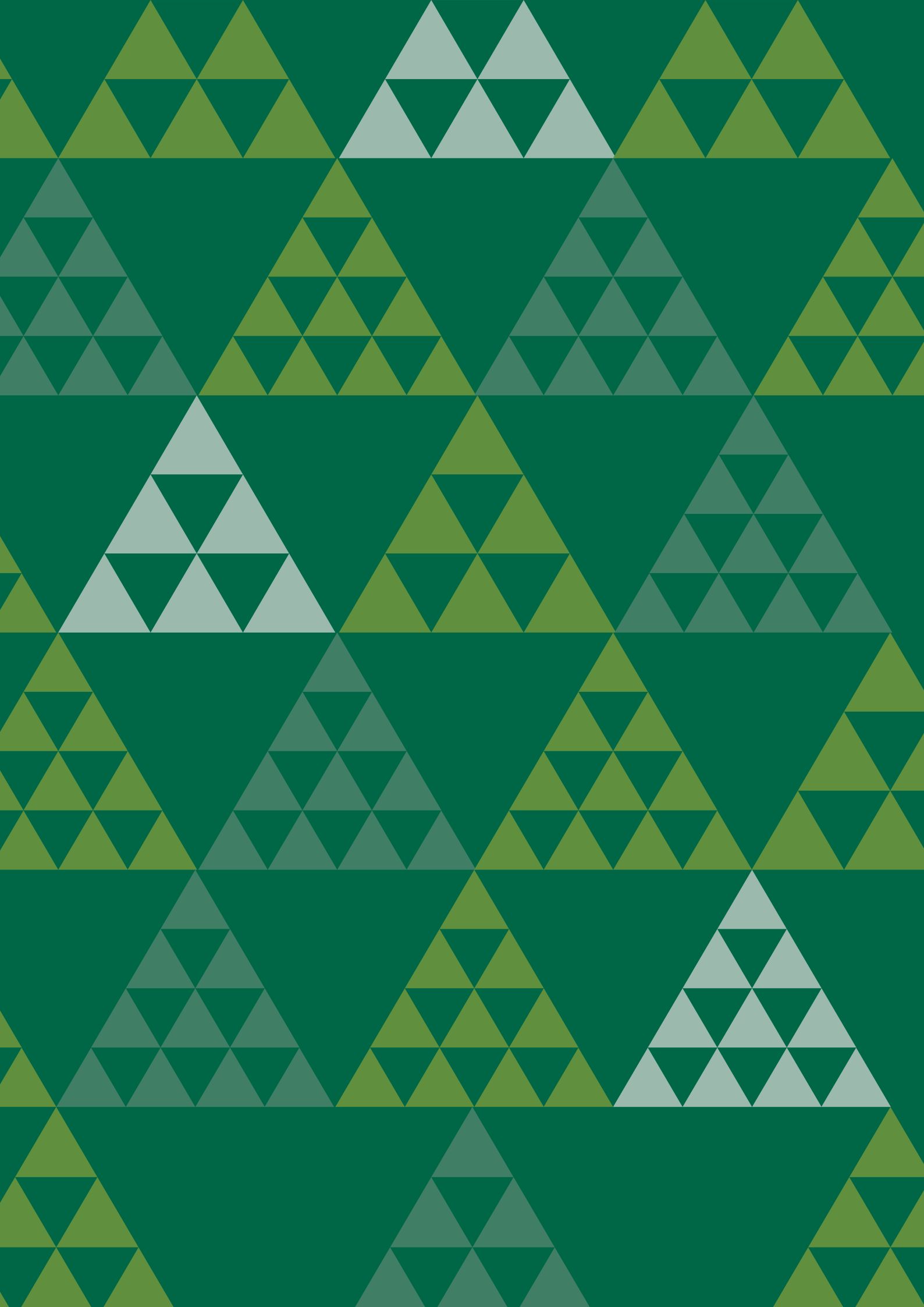




NEW ZEALAND
FOREIGN AFFAIRS & TRADE
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Barriers and Challenges for Internationalising SMEs:

FACILITATING THROUGH
CROSS-BORDER NEGOTIATIONS





Barriers and Challenges for Internationalising SMEs:

Facilitating through Cross-Border Negotiations

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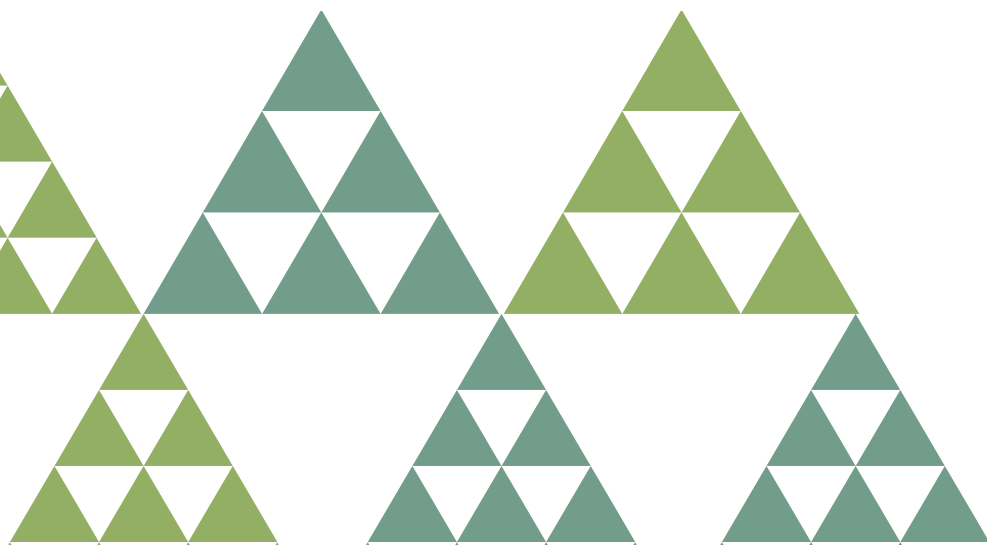
As we celebrate the ASEAN Australia New Zealand Free Trade Agreement (AANZFTA) Upgrade we welcome this research that was procured in lieu of the 2023 Integration Partnership Forum. Micro, Small and Medium Enterprises (MSMEs) are a critical part of the trading environment in our region and the upgraded AANZFTA includes a new chapter to support further cooperation.

This research covers barriers faced by MSMEs in participating in international trade in the region and makes recommendations for businesses. We hope that it can be further utilised to support businesses in ASEAN, Australia and New Zealand and implementation of the upgraded AANZFTA agreement.

I would like to thank the contributions made by Siah Hwee Ang, Fandy Tjiptono and the team at Victoria University of Wellington and we are grateful for the valuable addition that it adds to the existing body of knowledge.

Keawe Woodmore

New Zealand Senior Official to ASEAN
August 2023



Introduction

There has been a proliferation of bilateral and multilateral free trade agreements (FTAs) in the last two decades. The traditional primary benefit of free trade agreements is lower tariffs, but this has reached a plateau for some countries.

In New Zealand, 13 free trade agreements are in force (New Zealand Ministry of Foreign Affairs and Trade, n.d.). There are 17 for Australia (Australia Department of Foreign Affairs and Trade, n.d.). The Association of Southeast Asia Nations (ASEAN), a group of 10 countries that are New Zealand's closest neighbours beyond Australia and the Pacific Islands, has an array of free trade agreements with other major Asian economies, such as the ASEAN-China Free Trade Area, ASEAN-India Free Trade Area and ASEAN-Republic of Korea Free Trade Area. Within ASEAN, Singapore, which is a major hub for multinational corporations, has amassed 27 free trade agreements (Singapore Ministry of Trade and Industry, n.d.).

January 2022 saw the enforcement of the Regional Comprehensive Economic Partnership (RCEP). This multilateral FTA includes all 10 ASEAN nations, plus New Zealand, Australia, China, South Korea and Japan. This complements the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA), which has been in place since 2008. The AANZFTA upgrade negotiations were concluded in November 2022.

In December 2018, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) also came into force for Australia, New Zealand and Singapore, with Vietnam joining in January 2019 and Malaysia in November 2022. Since 2011, an ASEAN-CER Integration Partnership Forum (IPF) has also provided an opportunity for conversations among ASEAN countries, Australia and New Zealand.

In many of the multilateral FTAs, negotiations have extended way beyond lower tariffs. In particular, many have recognised the importance of MSMEs/SMEs (hereon SMEs in short) and their contribution to the (health of) economies (for example, Chapter 14: Small and Medium Enterprises in the RCEP).

Clearly, sustainable trade needs to include SMEs, which constitute 97-98% of all companies operating in almost all countries in the world. Understanding the barriers and challenges to internationalising and growing these companies is paramount to enhancing trade. Government can help facilitate and smooth these processes for SMEs.

This study takes a holistic view by identifying the barriers that SMEs face through an extensive, global literature review. It then looks specifically at studies in the ASEAN, Australia and New Zealand contexts. Finally, we make recommendations based on further insights from six case studies and a survey of businesses and trade-supporting chambers and councils.

What Does the Literature Review Tell Us?

The systematic literature review of empirical studies on SME internationalisation during the 2015-2023 period reveals a series of internal and external barriers that SMEs face when engaging with foreign markets. This includes the initial decision to go abroad as well as decisions around expansion to new markets. These factors can be broadly classified into internal barriers (informational, human resource, financial, and marketing) and external barriers (procedural, tariff and non-tariff, governmental, and market conditions).

The four internal barriers are informational, human resources, financial, and marketing. Below is a description of these internal barriers:



Informational:

includes access to overseas collaborators; ability to contact potential customers; international market knowledge; understanding of international business procedures and regulations; and international business opportunity identification.



Human resources:

includes export talent and experience; network relationships; and aspiration and commitment to exporting.



Financial:

includes internal financial resources; access to external financing; export engagement costs; and international payments, exchange rates, and interest rates.



Marketing:

includes supply chain management; product innovation and management; geographic location; distribution networks; marketing capabilities and strategy; brand and country of origin; and after-sales service.

The most common internal barriers experienced by SMEs globally relate to:

- a lack of – or lack of access to – international market knowledge
- a lack of – or lack of access to – skilled personnel who possess ‘know-how’ of export operations and cross-cultural understanding
- a lack of – or lack of access to – financing for market expansion
- product adaptation challenges in foreign markets
- price competitiveness
- supply chain issues such as logistics and high delivery costs
- the inability to locate reliable foreign collaborators and distributors

The four external barriers are procedural, tariff and non-tariff, government, and market condition. Below is a description of these external barriers:



Procedural:

includes foreign regulations; product and service standards in target countries; administrative and bureaucratic issues; complexity and clarity of export/import procedures; cross-border disputes and legal support; payments abroad; costs and risks of doing business overseas; and taxes and rates.



Tariff and non-tariff:

includes tariff barriers; non-tariff barriers; government policy and regulation; and protectionism.



Governmental:

includes unfavourable home government policy; government assistance and export promotion programmes; political instability; host country government policy; and institutional networks.



Market Condition:

foreign market characteristics; competition; infrastructure issues; liability of newness and smallness; and language and cultural barriers.

As for external barriers, SMEs around the globe were reported to face similar negative effects of restrictive tariffs and non-tariff barriers on exporting and internationalisation. Other external barriers include:

- strong competition in foreign markets
- high costs and risks of doing business overseas relating to customs administration
- cross-border dispute resolution
- compliance with overseas regulation
- inspections, inadequate government assistance, and concerns over collecting payments overseas

More specifically, many SMEs in the ASEAN region have an inability to contact potential customers, difficulty building overseas network relationships, limited information and communication technology (ICT), and an inferior country-of-origin image. Specific external barriers that impede export engagement of SMEs in ASEAN countries include the inability to meet product and service standards in foreign markets (e.g., health, safety, and technical requirements), challenges in resolving cross-border disputes, unequal treatment in foreign markets, and political instability in target markets.

For Australian SMEs, geographic location was identified as a barrier affecting access to sources of supply, human resources, and business networks. Australian SMEs find it challenging to adapt their promotional materials to foreign markets. Building foreign connections is another specific internal export barrier faced by Australian SMEs. In a specific case of Australian businesses operating in China, government policies on trade and regulations on foreign direct investment were identified as an external export barrier. However, the export assistance programme in Australia has also been raised as an exemplary model of government assistance programmes.

Compared with SMEs in ASEAN and Australia, New Zealand SMEs face specific internal export barriers including:

- a lack of – or lack of access to – knowledge and familiarity with foreign laws and export procedures
- the liability of newness (low profiles and reputation levels due to being not known in the target countries)
- the liability of smallness (small size with correspondingly few resources)
- a lack of R&D investment
- a lack of time for attention on international markets
- the ‘tyranny of distance’ (i.e., the effect of physical location on sourcing and shipping products)
- interest rate volatility and infrastructure issues (e.g., suitable transport facilities)

OUR METHODOLOGY ON GLOBAL STUDIES

We utilize major publication search engines such as EBSCOHost and ABI Inform to track down 3,975 publications related to our research focus. We then assess these publications on their relevance relating to the New Zealand, Australia, and the ASEAN contexts. We also use a set of articles that provide empirical evidence around what are known in the wider global context.

The final number of publications for our deep-dive review was 293. The breakdown for each content category: NZ (14), Australia (13), ASEAN (30) and Rest of World (236). For these 293 articles, we then extracted the 57 articles in NZ, Australia, and ASEAN. For the Rest of World publications, we extracted similar information from publications with empirical evidence from 2015 and later. The focus on post-2015 will help ensure the barriers are relevant in the current context, especially since the COVID-19 pandemic.

Through this process, we compiled a list of four key internal barriers and four key external barriers. Internal barriers refer to those within the control of the company, while external barriers are out of the control of the company or the environment in which the company operates.

What Do the Case Studies Say?

Having established some patterns across the globe, and more specifically on New Zealand, Australia and ASEAN, we further identified six case studies to help verify some of our findings and to further tease out the nuances in barriers to exporting and internationalising.

We went through an extensive process to identify these cases, with the following criteria:

- The cases must be SMEs.
- The cases must have some export and internationalisation barriers to share.
- The cases must be spread across the region (we have three cases from New Zealand, two from ASEAN and one from Australia; and most of these companies are engaged in at least two of the three regional contexts).
- The cases must cover different industries (our cases cover healthcare services, food, alternative food, digital services, animation and creative design).
- The cases should include Māori presence (two of our cases are Māori).
- The cases must involve a mix of export and internationalisation strategy.

Our 6 cases are **Homage**, **NTKMADE**, **Fable Food**, **CodeHQ**, **Irvins Salted Egg** and **NNMD**. The summaries of each of the cases are presented in the appendices. Below we discuss the learnings from them.

Quality growth, astute market assessment and the value of local partnerships

Homage's inception in Singapore was driven by the market needs of the ageing population by providing matched healthcare services from caregivers and healthcare professionals. Its business model is basically a subscription-based platform for pairing. The subscription model allows the company to monitor the integrity of the service providers and its customers, as well as to provide the best services possible. Similar demographics in Malaysia have led Homage to enter that market. It further entered the Australian market with the help of Austrade due to a shortage of healthcare service providers there. The company uses partnerships with hospitals and healthcare providers in these markets. Homage's international market selection was based on cost, growth, and demand. In its growth journey, the company also finds itself providing training to caregivers and healthcare professionals to maintain quality supply so that it can continue providing quality services to clients. Due to the basic-needs nature of the business, Homage has been able to raise substantial funding from various sources for further investments.

Customised approach to sales and distribution channels

NTKMADE houses three brands that offer products and creative design services that are based on Māori culture. Its primary focus is on clothing and accessories. The three brands use different models to engage with customers. One of the brands is subscription-based, allowing priority services and access for customers. The second is promoted through fashion shows for high-end customers, while the third is largely online. The founder has relied on manufacturing expos and fashion shows as ways to create more brand awareness. She extracts information from her own research and other insights available. Referrals are a major part of getting access to the required knowledge and potential partners. NTKMADE has been actively looking for engagements internationally and has faced challenges in some Asian markets such as China, South Korea and Thailand. Its plan to establish in Australia has also been deemed not viable.

Carve a product niche, and utilising (co-)branding partnerships

Fable Food's mushroom-based alternative meat is pitched to consumers who are looking for a reduction in meat consumption but not leaning toward becoming vegetarian or vegan. A key emphasis of the offering is to ensure that consumers do not lose the taste of meat while consuming its products. Since its inception, international expansion has been on the mind of its founder. Due to its focus on innovation, sustainability and taste, Fable Food has been able to attract funding for its new product development and international expansion. The company has been using customer insights and research that it can access to understand consumer needs. On the marketing side, it relies on celebrity chefs to promote the concept of using mushrooms as an alternative, and it establishes partnerships with restaurants to promote its products. On top of these, multiple channels and distribution partnerships have been used to maximise outreach. Market choices are largely dependent on the extent to which awareness of alternative meat exists or is able to be generated.

Set up operations overseas to access (human) resources

CodeHQ runs a cross-border operation between New Zealand and Vietnam that focuses on providing digital solutions. Internationalisation was always needed, as New Zealand could not provide enough affordable talent to service demands. Singapore and Malaysia were also considered before CodeHQ decided to establish a base in Vietnam. While the similarity in legal systems would have placed Singapore and Malaysia as primary options, the cost was pivotal in the decision to locate in Vietnam. While setting up its base in Vietnam, the founder found having a network fundamental to address issues such as regulation, legal advice and cultural challenges. Frequent and rapid changes in the Vietnam market mean CodeHQ has to constantly evolve with changes in local market conditions and regulations, and having a presence there helps in that regard.

Localised innovation for regulatory compliance and alignment with consumer preferences

IRVINS Salted Egg has a strong base in Singapore, moving from a brick-and-mortar restaurant to the current business model of selling online and in supermarkets and convenience stores. Its expansion is drastic and within a span of 8 years, it has grown to do business in 26 markets. The company recognises the importance of having the right capabilities for its R&D and manufacturing processes, and hence its key operations remain in Singapore, despite being a relatively more expensive location. IRVINS has faced significant challenges in entering markets due to ingredients, most notably in the US. This led to new product innovations that allowed subsequent entrance into the market. Localised innovation is sometimes needed just to enter a market, be it for regulatory requirements or cultural alignment. Counterfeiting has also led the company to leave the Tmall Global platform. The need for SMEs to build a brand could mean that a company needs to pay attention to the risks associated with counterfeits.

Cultural alignment of products and services

NNMD prides its products and services on cultural elements, which lead to creativity and commerce. Its first exposure to international markets was in the aftermath of trade trips to Ireland and Vietnam, which gave the founder the opportunity to consider Europe or Asia as potential markets for his products and services. Given the extent of digitalisation and the younger population, Vietnam was selected to be the company's first engagement abroad. In Asia, the company has had exposure to various projects in Singapore, Thailand and Nepal. As with many SMEs, networks, referrals and partnerships are at the centre of NNMD's strategy. The founder believes that setting up a foreign operation requires significant help from local networks. It is also important for the company to articulate its unique value propositions and to be able to understand the local culture in order to engage.



Findings from a Trade Survey in 2022

In August 2022, a trade survey was conducted by New Zealand’s Chambers of Commerce in the ASEAN region, working as part of the NZ ASEAN Business Alliance hub, and in conjunction with the ASEAN NZ Business Council, supported by the Ministry of Foreign Affairs and Trade and Southeast Asia Centre of Asia-Pacific Excellence.

The survey had 71 responses, with the majority coming from New Zealand (21) and Malaysia (21), followed by Singapore (9) and Thailand (9). Respondents were largely SMEs, and half were New Zealand wholly-owned, while 27% did not have New Zealand ownership.

Fifty-two percent of the respondents highlighted that access to skilled labour is a major challenge in local markets. This issue is prevalent in Singapore and New Zealand. Bureaucracy was also raised by 48% of respondents, with Indonesia and Thailand highlighted as challenging markets. Of the potential markets for expansion, Vietnam (44% of respondents), Singapore (39%), Indonesia (34%) and Thailand (30%) were the major targets.

When respondents were asked whether they had used the AANZFTA, 56% responded ‘no’. Of these responders, 14% were not aware of the agreement, and a further 27% suggested that their companies did not need to use the AANZFTA. Forty-eight of the 71 companies used other FTAs such as the CPTPP, RCEP, NZ-Malaysia FTA, NZ-Thailand FTA and NZ-Singapore CEP.

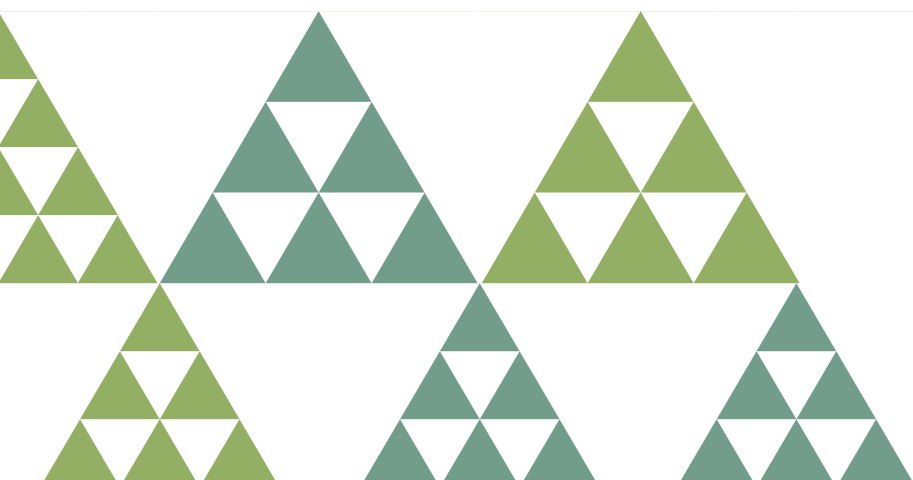
The survey also asked respondents what changes to New Zealand’s FTAs with ASEAN trading partners would help greater FTA usage by Kiwi businesses. A primary suggestion was building awareness, including better visibility of business facilitation services available for New Zealand companies wishing to expand into ASEAN and education on how to use FTAs. Networking opportunities and extending to local market connections were also suggested. Any help with custom regulations will be useful as well, including improving supply chain efficiency through process simplifications. Removal or minimisation of NTBs such as harmonisation of standards, and labour and services flow, would be great. Finally, there are calls for expanding FTAs to include more liberalisation of services and the reduction of application of de facto local-preference policies.



Validation

Various mechanisms were set up to validate the above observations from the literature review, case studies and trade survey. The following stakeholders (not exhaustive) were involved as part of the conversations around barriers to export and internationalisation:

- Business Central NZ (to which the lead investigator is also a board member)
- Wellington Chamber of Commerce (to which the lead investigator is also a board member)
- ExportNZ Hawke's Bay
- Manawatu Chamber of Commerce and Manawatu Young Chamber
- New Zealand Trade and Enterprise
- Malaysia NZ Chamber of Commerce (based in Malaysia)
- NZ Thai Chamber of Commerce (based in Thailand)
- NZ ASEAN Business Alliance (a group consisting of six Chambers of Commerce in the ASEAN region)
- ASEAN NZ Business Council (to which the lead investigator is also an executive board member)
- Businesses participating in Southeast Asia Centre of Asia-Pacific Excellence (SEA CAPE) workshops and events
- Stakeholders of SEA CAPE and Chair in Business in Asia (a Professorial Chair role to which the lead investigator currently holds) who are engaged in international business and trade
- Foreign missions in New Zealand, such as Singapore, Japan and Australia





Recommendations

This section provides recommendations for actions to help SMEs based on the outcomes from this research investigation. The recommendations are classified into two categories: (1) actions that can be undertaken in New Zealand; and (2) actions that need facilitation in a host market. Within these categories, the actions are further segregated into (A) short-term actions that can be taken immediately; and (B) actions that can only be taken in the medium- to long-term. Note that we did not propose actions that can only be taken in the medium- to long-term in the host markets as we expect these markets to evolve quickly for us to consider a plan of action now for the longer-term.

Actions in New Zealand

Short-term, Immediate Actions

1. Through public-private partnerships, the New Zealand government can reach out to businesses with more information about both FTAs and international (including ASEAN and Australia) markets. While this has been done on an ad hoc basis by various councils, chambers and other entities, some support can be better serviced with the help of New Zealand government agencies. It also allows a feedback loop, e.g. through regular dialogues, back to the New Zealand government for its negotiations with foreign countries.
2. More collateral could be considered for wider distribution. The lack of time and attention span of SMEs, plus the complexity of navigating websites, can mean that SMEs are not really accessing existing collateral and informational materials that are made available by the New Zealand government. More outreach can be done via social media.
3. More education could focus on the markets that New Zealand has prioritised. Most of the SMEs that we interact with tend to come from the supply-side perspective (i.e., 'we have a good product (service)'), while very little is considered around the demand-side. Many are not exposed to adequate overseas markets to make an informed decision to export or internationalise. This can be done via collateral – NZTE has some but more and deeper-content are also needed. New Zealand businesses also need to be exposed to various modes of market entry. As can be seen from our case studies, there are innovative ways to engage rather than only through direct export.
4. New Zealand is one of the signatories to the Anti Counterfeiting Trade Agreement (ACTA). The agreement was signed in 2011, but still not yet in force. Nonetheless, some of our findings suggest the need for intellectual property protection of New Zealand SME products and services. Generating awareness of the intellectual property rights in host markets should be part and parcel of collateral relating to foreign markets.

Medium- to Long-term Actions

5. Many SMEs suffer from the liability of smallness. Critical mass, for even small things like filling a container load for shipping, is not there. Coalitions of non-traditional sectors should be considered and facilitated to allow a critical mass to enhance the ability of SMEs to engage with foreign markets.
6. Access to skilled personnel for international market engagement is a major barrier identified by SMEs globally. The COVID-19 pandemic has only made this worse. The fundamental knowledge of international markets is not normally included in the curriculum of New Zealand's education system. Cultural and language training are also limited in supply in New Zealand. Greater exposure to culture is needed for businesses, and this should include the training of individuals that businesses can employ. To enhance SME growth, it is imperative to make sure the New Zealand government provides support to cultural and language training at the 'survival' level to allow foreign engagements to happen.
7. Consideration should be given to widen the New Zealand Inc. brand name to include non-traditional sectors that are not part the largest trading sectors for New Zealand. Our findings suggest that there are lots of SMEs within New Zealand that do export and internationalise, but some of them are not being helped by the fact that the New Zealand Inc. brand does not really speak to those sectors.
8. By and large, New Zealand SMEs do not know where and how to source external financing and grants. Many of them have become foreign-owned in order to achieve that exposure to external funding opportunities. Banks are the key suppliers in this area. There is room for platforms that New Zealand SMEs can use to access external funding.

Actions in Host Markets, Especially ASEAN and Australia

Short-term, Immediate Actions

9. While we are not recommending any government assistance programme like Australia offers, it would be worthwhile to consider more trade mission opportunities for SMEs. Some New Zealand agencies provide assistance to businesses going abroad, and this support could be enhanced. Some of our case studies have also alerted us to the importance of trade visits and how it presents opportunities for SMEs.
10. A wider net should be considered for assistance in looking for local distributors and collaborators. These are a major challenge for SMEs globally. SMEs tend to rely on their own networks for such access. The government should consider assistance in creating pools of companies for building networks, all of which have been assessed for quality. This could be a platform, similar to the one that *Homage*, one of our case studies, has utilised.
11. Our findings have clearly alerted to ways to which New Zealand SMEs can engage in foreign markets through establishing a foothold, such as an office or partnership. In fact, in our conversations, certain presence is becoming *sine qua non*, as expectations of foreign customers and consumers have risen in recent years. There is also a trend of more countries expecting local content requirements that deemed it necessary for New Zealand SMEs to have a presence in the host market. More facilitation will be needed from the New Zealand government agencies to allow a smoother transition to this. Many of New Zealand's SMEs find setting up a foreign presence a major challenge.
12. Customs paperwork and other export/import procedures are a major barrier to trade. Even when there is an FTA, other administrative and bureaucratic hurdles need to be overcome before an FTA can be effective. This might be related to the World Bank's Doing Business Index, which was discontinued in 2020. While the World Bank is working on its new index, we can reflect that in the last ranking of the old index, New Zealand was ranked number 1, Australia (14), Singapore (2), Malaysia (12) and Thailand (21). But other major ASEAN economies such as Vietnam (70), Indonesia (73) and the Philippines (95) ranked much lower. The New Zealand government needs to continue to work with these various ASEAN governments to reduce the challenges for SMEs in navigating their import systems.

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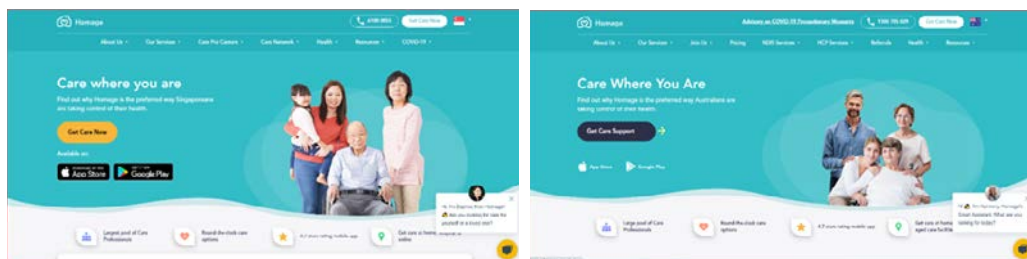
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Appendices

APPENDIX 1 – HOMAGE: Matching for Healthcare Services



Singapore’s low fertility rates and high life expectancies led to the need to strengthen its healthcare system, including expanding the range of social and long-term care services in the community. This demographic movement has led to the inception of Homage (<https://www.homage.sg/>). Homage is now a leading technology-driven care and health services provider in Singapore, linking trained care professionals with innovative technology to provide on-demand, holistic non-medical and medical services to seniors and adults.

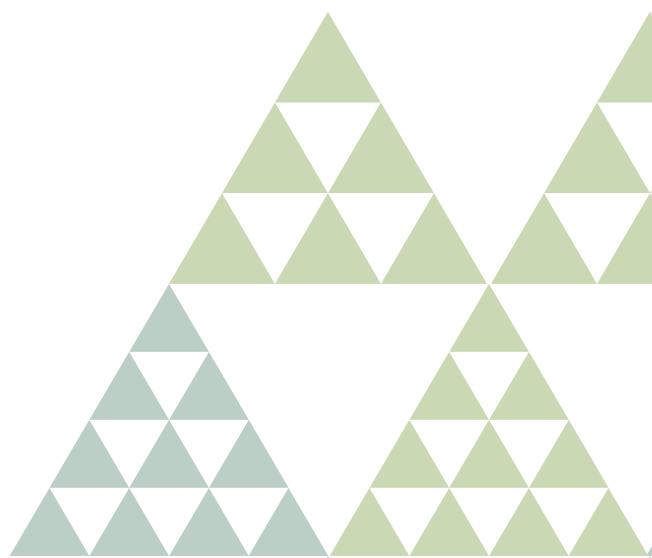
The mission of Homage is “to enable wellness and recovery through holistic personal care”. It enables families to hire part-time and full-time caregivers for periods ranging from one hour to flexible prepaid packages of up to 200 hours. Co-founder Gillian Tee explains, “What’s unique about Homage is we combine the power of on-demand technology with a deep emphasis on the professionalisation and training of our care pros.” Homage leverages technology to streamline its operations and improve the user experience. The company’s app allows users to schedule appointments, track their caregivers, and communicate with them in real-time. Homage also uses data analytics to monitor and improve the quality of its services. Every care professional must go through a background/reference check, in-person interviews, and various certification and onboarding sessions.

Homage’s business model is subscription-based, with users signing up for various plans depending on their needs. By February 2023, the app had over 15,000 downloads on the Google Play store and the company claims to have offered more than a million hours of service to customers. Homage says it can arrange virtual appointments with a doctor within 30 minutes, plus house calls within a day. Caregivers can be sent within two days.

Homage first expanded overseas in 2018 to Malaysia. Malaysia is a neighbouring country that shares similar demographics to Singapore – seniors are primarily cared for by their family members, live-in domestic helpers, professionals in nursing homes, or carers contracted from brick-and-mortar agencies (Kang, 2022). In Malaysia, Homage collaborates with local companies and health institutions to provide customers access to high-quality care in the safety and comfort of their homes (FedEx, 2023). The expansion helped increase revenue by 170% to S\$1.8 million in 2020 (Kang, 2022). Homage then entered the Australian market in 2021 with the support of the Australian Trade and Investment Commission (Austrade). Homage appointed a country manager to lead its expansion there and to drive its mission of providing accessible home-based or in-facility services for ADL assistance. The shortage of caregivers is acute in Australia, where it is predicted that the shortage could reach at least 110,000 workers in the next ten years (FedEx, 2023).

Homage's international market selection was based on cost, growth, and demand. In an interview with CNBC (Goh, 2022), Tee revealed that, "We looked at caregiver shortage, the nature of the aging population and chronic illnesses – which interestingly, is not just caused by age, but highly correlated with urbanization." Homage's digital platform can help alleviate the staff shortages by allowing its pool of certified care professionals to reach and treat patients more efficiently. The company's sales increased by more than 200% in 2021 and international revenues grew eightfold between 2021 and 2022, following their expansion to Australia.

Homage's success can also be attributed to its strategic partnerships with hospitals and care providers. For example, in 2020, Homage collaborated with NTUC Health to offer home-based care services to seniors in Singapore. Through this partnership, Homage has expanded its reach and provided its clients with a more comprehensive range of services. The company has also been recognised for its impressive vision and scalable business ideas by being awarded as one of four winners of the FedEx Small Business Grant Contest 2022. Due to its fulfilment of a particular market niche, Homage has also attracted more than US\$45 million of investment in recent years.



APPENDIX 2 – NTKMADE:

Cultural Identity, Fashion, and Internationalisation

Nichola

NTKMADE Limited is a company established by Nichola Te Kiri, specialising in Māori design innovation and creation. Based in Hamilton, the company offers various products and creative design services that are uniquely contemporary, innovative, and Māori, setting them apart from other fashion brands. The brand's commitment to creativity and innovation in fashion makes it a notable player in the fashion world.

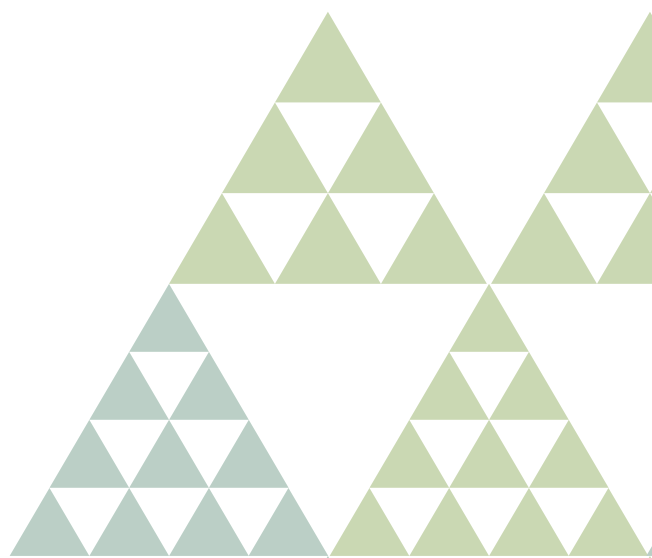
NTKMADE Ltd has three brands: Nichola – Designs from Aotearoa, Top Tēpu, and KaistorSt. Nichola (<https://www.nichola.co.nz/>) focuses on ready-to-wear clothing and accessories for the local and national market. The brand offers unique designs that combine “old world charm with a modern edge” and incorporate storytelling. The brand's skilled team creates these distinctive designs in-house, catering to the fashion and accessories market. Top Tēpu (<https://toptepu.co.nz/>) is an exclusive subscription service that offers delivery of limited edition, first-to-receive, locally made taonga from the Nichola brand and other pakihi (businesses) in Aotearoa. A subscription model was created, because customers used to have to travel to events to access the products, and some of them missed out due to limited stock. KaistorSt (<https://www.kaistorst.com>) is NTKMADE's latest brand (launched in February 2023), specialising in bespoke and commissioned taonga (clothing and accessories) for high-end domestic and international customers. These products are sold through specific events such as fashion shows.

NTKMADE has achieved several milestones, including winning the Employment & Growth Award from Māori Women's Development Inc (MWDI). During 2022-2023, NTKMADE was commissioned to design various works, including the Player of the Match Sonic Trophy for the 2021 Women's Rugby World Cup (WRWC) for Mastercard, the Matariki Business Awards for Whakaata Māori, the Hue designed Business awards for MWDI, the Business awards for Ka Hao i Te Ao, and the Leadership awards for Māori ki Waikato (University of Waikato). The company was also featured on Seven Sharp, which showcased the WRWC Player of the Match Sonic Trophy. For distribution, NTKMADE has collaborated with various companies and retailers, including Arrow Uniforms, Fashion Uniforms, the Parisian Neckwear Company, Bloom 'n loco, Creative & Brave, Poutama, Tikitibu, and The Cool Store Gallery. Distribution networks are generally created through networks and referrals, some of which are related to commissioned work.

Founder Nichola Te Kiri's talent and designs have gained recognition on various platforms. In 2018, an avant-garde collection called M+H (Mahuika + Hinepukohurangi) was showcased at New Zealand Fashion Week (NZFW) Miromoda show, where it placed first equal in the Avant-Garde section. This collection drew inspiration from Matariki (Pleiades star cluster) and celebrated wahine (women). In 2019, she was one of six Māori and Pacific fashion designers and artists who travelled to Hong Kong for Fashion Week, showcasing their collections and exploring business opportunities. Her works have been featured in Te Ao Māori News, Fashionz, RNZ, and Authority Magazine. Te Kiri's designs go beyond fashion and jewellery. In collaboration

with Mastercard, she designed the world's first sonic trophy for the Women's Rugby World Cup 2021. The trophy captures live-action audio from each game, match commentary, and fan reactions, celebrating the courageous female leaders of the indigenous Māori people. She was also selected to design the new uniforms for the staff of the Auckland War Memorial Museum, incorporating shapes, patterns, and colours inspired by Māori and Pacific collections.

Te Kiri has been involved in business mentoring programs run by MWDI, Waikato Innovation Park, and Te Puni Kōkiri. She is determined to expand her brand overseas, particularly in Asia. She is a member of the Kāhui Māori Fashion Collective, which had a group visit in 2018 to major cities in China to meet with manufacturers and retail giants, including Lane Crawford. As she was establishing connections with manufacturers and testing samples, the COVID-19 pandemic struck and stopped her progress on these collaborations. She had also considered South Korea and Thailand as other markets for suppliers, but those did not eventuate. Currently, some of NTKMADE's manufacturing is done in Cambodia. Before the COVID-19 pandemic, 60% of NTKMADE's sales were made at events and in its Casabella Lane retail store. However, since the pandemic, almost 90% of the company's sales are made online, with some sales from overseas. The online store experienced significant growth after implementing the Ka Hao e-commerce system, and the company's digital presence has been enhanced.



APPENDIX 3 – FABLE FOOD:

Internationalisation of Australian Mushroom-Based Meat



“We know being vegetarian is healthy, but it’s boring! We’ve found the solution and it’s called ‘Flexitarianism!’” [News.com.au]

Fable Food (<https://fablefood.co/>) is a rapidly growing Australian food start-up that has captured the attention of health-conscious consumers and investors alike. Based in the Sunshine Coast (Queensland), it was founded in 2019. Co-founder Michael Fox’s experience working as a chef in a high-end restaurant inspired Fable Food. He saw first-hand the negative impact that the meat industry was having on the environment and animal welfare. This led Fox to search for a meat substitution that looked and tasted the same.

Australia is the third largest vegetarian market in the world, and one of the key drivers of people eating less meat is the development of alternative meat (York, 2021). Fox recognised that the biggest challenge for meat alternatives is that meat tastes great, so for consumers to accept an alternative, it must have a close-enough texture and taste to meat. Fox also observed that many available products in the market at that time contained artificial or unrecognisable ingredients, which contradict the health motivations behind reduced meat consumption and plant-based alternatives. He thus decided to reach out to chefs to find meat alternative ingredients, and their most frequent recommendation was mushrooms.

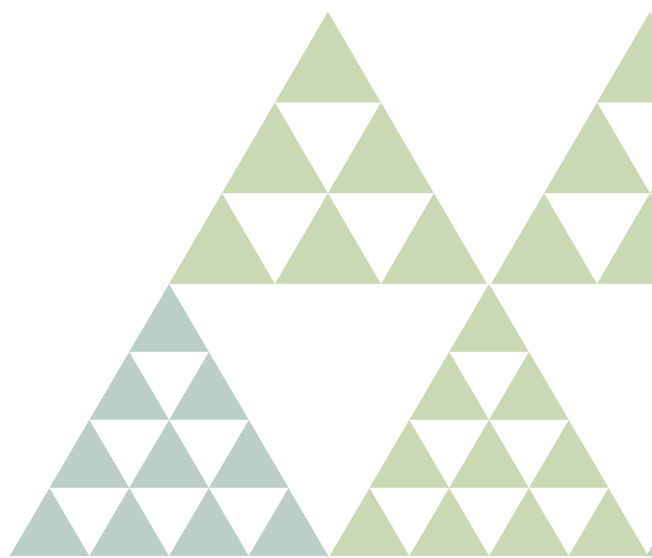
With this in mind, Fox subsequently joined forces with Fuller and McLoughlin to develop a unique process that uses shiitake mushrooms to create a meat-like texture and flavour. The result is a product that tastes delicious and is healthier and more environmentally sustainable. Unlike other plant-based meat products, Fable Food uses only a handful of ingredients in its products ($\pm 65\%$ are shiitake mushrooms) and minimal processing.

Fable Food is one of eight Australian start-ups recognised in the international Foodbytes! Pitch for 2021. It has also been included in The Forbes ‘Asia 100 to Watch’ list. Fable Food has roughly doubled its revenue each year since inception. By early 2023, the company had 7 employees in Australia, 3 in China, 4 in Malaysia, 4 in the UK and 4 in the US. Fable Food has developed its business strategy based on three key components: innovation, sustainability, and taste. Its unique process for using shiitake mushrooms to create a meat-like texture and flavour has been patented and is the foundation of its product line.

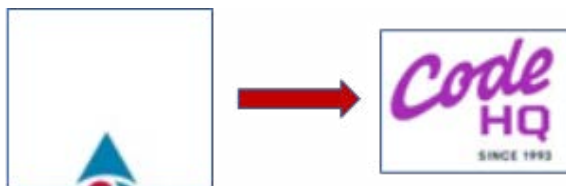
The company constantly innovates and expands its product offerings by introducing new products (e.g., plant-based meatballs and sausages) and is exploring the use of other mushroom varieties. Through a series of customer interviews, the company identified how to position their products in the ‘flexitarian’ market. They used customer insights to focus on developing products that can appeal to plant-based eaters as well as meat eaters “who might want to cut back a little bit on meat consumption”.

Fable Food strongly focuses on distribution, with products available in both retail and food service channels, as well as at its own direct-to-consumer online store. Fable Food has expanded to the UK, the US, Canada, Singapore, and Malaysia. Chef celebrity endorsement plays a crucial role in facilitating Fable Food's international expansion. Fox collaborated with celebrity chef Heston Blumenthal, who owns The Fat Duck in London (a Michelin 3-Star restaurant), during the product launch in December 2019. Fable's plant-based braised beef is also endorsed by Blumenthal, who has featured it on the menus of his restaurants in the UK and the Hilton Hotel restaurants in London. Partnerships are used as a way to align its products with various markets. In their international expansion strategy, Fable Food tries to keep their retail presence and work with premium partners to create added value (e.g., co-branding with curry manufacturers or dumpling manufacturers making Ready-to-Eat products).

Fable Food navigated COVID-19 disruptions with high flexibility and adaptability. For example, the company supported restaurants that had carried their products to find ways to shift from dining-in to takeaway. One of the initiatives that offered an at-home 'date-night' hamper through the Fable Food website was so successful that Fable Food had to expand beyond the Sunshine Coast to include Brisbane, Sydney, and Melbourne.



APPENDIX 4 – CODEHQ:

One Team Across Two Markets

Augen Software Group, now known as CodeHQ (<https://www.codehq.nz/>), was founded in Auckland in August 1993 by current owners Mitchell Pham and Peter Vile, along with three friends and fellow students from the University of Auckland. Since then, CodeHQ has been delivering technology innovation, software development, and resource capacity to their customers. They have a growing resource base of developers, business analysts, testers, consultants, and project managers in their New Zealand and Vietnam offices.

CodeHQ has been a Microsoft Certified Partner for over 20 years. Many of their staff are Microsoft Certified Solution Developer (MCPD) certified. CodeHQ's extensive portfolio of services includes developing, implementing, and integrating solutions such as customer relationship management systems, database integration, strategy and roadmap consultancy, and many others. The company helps organisations improve efficiencies, and respond to more complex reporting, transparency and outcome measures. It puts the client journey and experience at the forefront of engagement and innovation. The key driver for CodeHQ has always been transformations that positively affect customer outcomes through smart innovative use of technology. A believer of the partnership model to greater success, CodeHQ has been actively involved in the NZ Health IT Cluster, the NZ Technology Industry Association, the NZ Software Association, the NZ Financial Innovation & Technology Association, as well as the NZ Artificial Intelligence (AI) Forum.

Driven by talent shortages in New Zealand, CodeHQ started exploring alternative offshore operational locations in Southeast Asia in 2003. Singapore and Malaysia, where the legal systems are similar, were initially shortlisted as viable options. However, the associated costs were relatively high for a small company. This led to their final decision to base their Southeast Asia operations in Vietnam in 2005. According to Pham, Vietnam was attractive due to its location, economic growth, population size, relatively high education level, and its government's technology development strategy. More importantly, Pham is Vietnamese-born, speaks Vietnamese, understands the culture very well, and has an extensive network in the country.

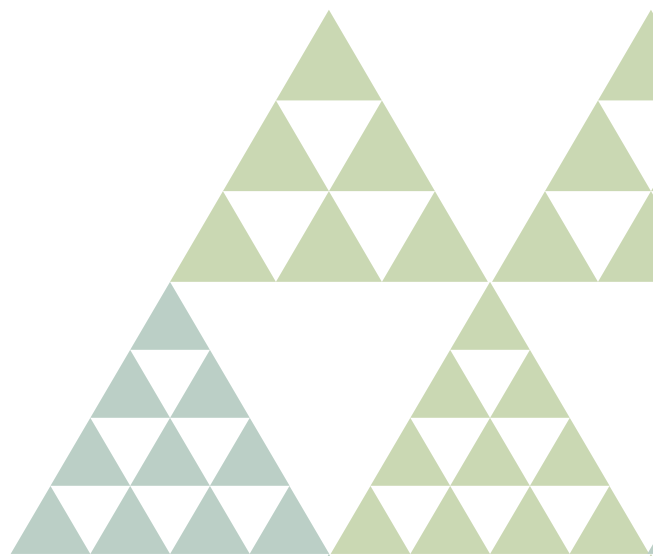
The market entry process for CodeHQ into Vietnam was by no means a smooth journey. The bureaucratic Vietnamese system was relatively challenging to manoeuvre. For instance, CodeHQ's business license application took 11 months to be approved. It was particularly frustrating compared with the ease of doing business in New Zealand. The Vietnamese regulatory environment is also more fluid. Regular law changes have been and continue to be the norm. Further, businesses are required to re-register roughly every five years. Pham says, "The changes in law force re-registration, because the new laws require new types of information and processes, and when you last registered that didn't apply so now you have to re-register again because they now have different systems and requirements."

Language and cultural differences are also challenging for companies like CodeHQ that provide people-based services in two or more different countries. Business culture in Vietnam is very different to business culture in New Zealand in many respects, including organisational hierarchy and individuals' status. To navigate

these cross-border challenges and to not delay its internationalisation process while waiting for approval of the business license, CodeHQ collaborated with a local Vietnamese partner firm for almost a year before it was officially registered. The company uses its brand image as a successful international firm from New Zealand to attract talent in Vietnam. They spent two years of trial and error to come up with the optimum employment package, which includes good remuneration and benefits and a conducive working environment in Vietnam.

Augen Software Group announced in July 2021 that it would rebrand to CodeHQ to better reflect its growth, evolved services, and new vision. After going through a systematic brand development process involving stakeholders, 'CodeHQ' was chosen over 150 other potential names as the new brand name. This rebranding demonstrates the company's commitment to stay up-to-date with technology and to provide the best software development solutions for domestic and international customers.

Pham says, "At CodeHQ, our 'one team across two markets' approach has enabled us to connect businesses with experienced developers while the local labour market is stretched. Our presence in Vietnam and ability to outsource has enabled us to remove the traditional constraints that often limit a business' growth in a timely and cost-effective manner."



APPENDIX 5 – IRVINS SALTED EGG:

The International Journey of an Iconic Singaporean Snack Brand



IRVINS (<https://eatirvins.world/>) is an award-winning Singaporean salted egg snack brand. Managed by Cocoba Pte Ltd, it specialises in chef-crafted gourmet chips and crispy upcycled salmon skin snacks. They are made in small batches, using real whole food ingredients commonly found in Southeast Asian culinary dishes.

Irvin Gunawan, founder and CEO of IRVINS, has been involved in the food business for a long time. He opened his first IRVINS seafood restaurant in Singapore in 2009. The idea of a salted egg snack business happened by both chance and necessity. In 2014, Gunawan's restaurants were struggling due to the significant increase in rental fees in its older location and less customer traffic in its new location. The company tried to keep afloat by experimenting with their most popular item: a salted egg crab dish. This ultimately led to the creation of salted egg potato chips. IRVINS opened its first physical retail store at VivoCity in Singapore. They also made the hard decision to close the IRVINS restaurants to focus on the IRVINS snack brand. Within four years, IRVINS has grown from one tiny kitchen with three employees to 300 people spread across 21 outlets in six countries.

IRVINS is family-owned and managed by the Gunawan brothers. The company is fully funded from personal savings, as the owners prefer to

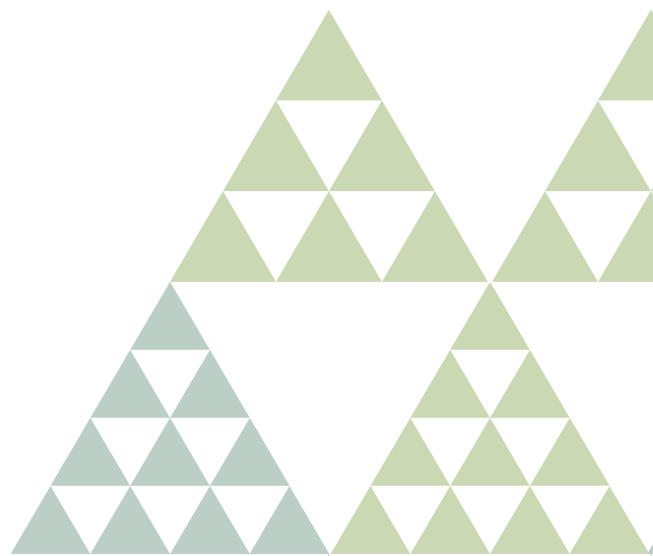
grow organically. It started its internationalisation by selling its products at the Singapore Airport, targeting travellers who wanted to bring something home that was affordable and made in Singapore. After establishing its presence at the airport, IRVINS started its international product launch in the Philippines in 2017. The company expanded to other countries quickly, and they now have 5 offices and 26 markets worldwide, including all of ASEAN (minus Brunei).

Until 2019, IRVINS' products could only be purchased via its stores or website. Irvin Gunawan says, "So, when COVID-19 hit, our customers were finding it hard to buy our products." The company subsequently expanded its collaboration with local retailers internationally. IRVINS now sells its snacks at 7-Eleven stores in Taiwan and Hong Kong, at Costco in Canada and the US., and at Don Quixote (Don Don Donki) in Japan. IRVINS aims to balance its retail strategy (using pop-ups) and direct-to-consumer strategy. The company believes, "Almost nothing beats in-person sampling and real-time feedback. Retail wins the distribution game but offers much fewer customer connection opportunities. Therefore, the two are complementary and should be pursued together at all costs."

IRVINS has also experienced specific challenges in different international markets. For instance, their salted egg dory skin was extremely popular in Asia. However, when they decided to enter the US market, they learned that dory was not allowed

to be sold there. The IRVINS team did intensive research to find alternatives and found that salmon skin chips were the most feasible option, because they have a rich flavour and many health benefits. More importantly, no competitors produced and sold salmon skin chips at that time. The team also managed to find reliable salmon suppliers who were keen to work with IRVINS. By supplying an otherwise discarded part of salmon, the fishermen can get an additional income. The salted egg salmon skin snacks are now sold in Costco in the US. Challenges remain, because for instance, crispy salmon skin is a hard sell for less adventurous customers. Some countries, like New Zealand, have a strict biosecurity policy and do not allow fish skin to enter the country. New Zealand's Ministry for Primary Industries clearly states that "fish skin covered in egg powder is not allowed to be brought to New Zealand" on their website (Ministry for Primary Industries, n.d.). As a result, IRVINS has developed more universal offerings, such as salted egg potato chips, and expanded the flavours (e.g., sour cream & onion and truffle potato chips). The company also works on new product variants without certain ingredients (e.g., MSG) to gain access to popular natural retail networks.

Counterfeit is another challenge when a brand becomes popular in the global market. The IRVINS overseas flagship store in Tmall Global (China) was closed on 26 April 2022 after they found that some operators were selling counterfeit IRVINS products on various e-commerce platforms.



APPENDIX 6 – NNMD:

Future of Aotearoa through Creativity, Culture and Commerce



After years of working with ground-breaking computer-generated graphics company WETA Digital on blockbuster movies (e.g., Avatar, Tintin, the BFG, and the Hobbit), Nikora Ngaropo founded NNMD in 2016. The vision of the company is “influencing the future of Aotearoa through creativity, education, culture and commerce”. NNMD (<https://www.nnmd.co/>) provides motion and design services, digital consultation, and product design that caters to commercial and educational markets.

It fuses intuition, experience, and communication with motion graphics, 3D animation, and design skills to create design-driven solutions. As Ngaropo says, “The WETA Digital experience has exposed me to various emerging technologies, ideas and best practices. These have been instrumental for the setup of NNMD.”

NNMD’s projects and programmes include the Young Animators (YA) programme, the Kia Takatu a-Matihiko programme, the Raukawa Project, Te Tira Toi Whakangao (T3W), and the TORO project. The Young Animators (YA) programme is a mobile, Māori-led animation initiative that introduces school-aged children to 2D and 3D animations. It aims to improve their digital literacy while encouraging them to pursue careers in animation, motion, design, and technology. The Kia Takatu a-Matihiko (the National Digital Readiness) programme and the Raukawa Project bring bilingual stories to life through animation. They aim to inspire youth to pursue learning in the visual arts and to become creators and innovators of digital technologies in New Zealand and beyond. Te Tira Toi Whakangao (T3W) is a group of global

Māori tech companies and Māori sector investors working together to create a virtually connected Māori business support ecosystem. The TORO project is a Post-Covid Recovery priority project in Tairāwhiti (Gisborne) to establish a national centre of excellence for animation and technology. This project aims to provide an end-to-end solution from education to production, to create technology IP, and to support technology capability for local industry and small businesses.

NNMD received the Te Puni Kokiri-Ka Hao funding for Māori Development in both 2017 and 2018. Through its initiatives, NNMD has impacted over a thousand rangatahi across 18 regions in Aotearoa, establishing profitable partnerships within the industry and a productive network in the wider community. NNMD’s commitment to excellence has been recognised through numerous awards and nominations.

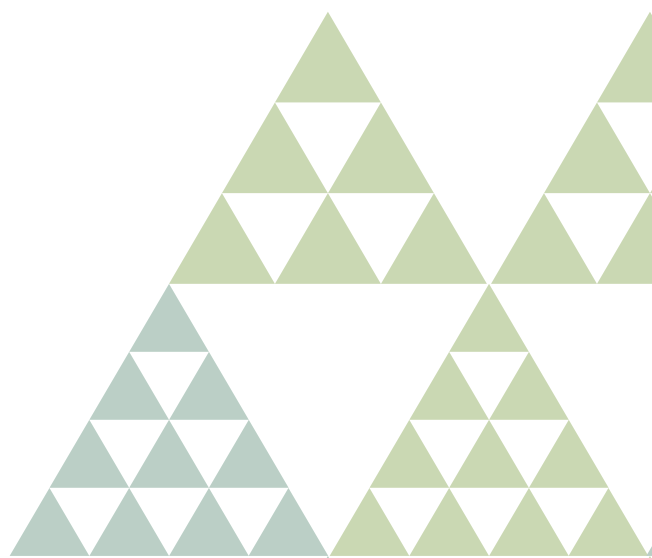
Ngaropo was first exposed to overseas markets through the T3W in 2018. After visiting tech companies in Ireland and Vietnam, Ngaropo knew that Asia would be the right place for NNMD to expand. Ireland was tempting because of its similarities to New Zealand and its location as a gateway to the European Union. However, the strength of the Vietnamese tech sector and its location in Asia made the country more enticing.

Ngaropo says, “The contrast is huge as an emerging nation presents plenty of opportunities. Every store has WIFI access. Further, Southeast Asia has a better price point fit than Europe, and Europe has already got many players.” He predicts that the Vietnamese digital workforce will significantly impact the global tech economy, with an increasing number of businesses outsourcing work to the region. Ngaropo sees shared cultural values and identities as pivotal to building

relationships and Māori business success in the region. Focusing on building relationships with Vietnamese entrepreneurs and outsourcing work to the region could help expand NNMD's market reach, and more broadly Māori businesses in Southeast Asia. "In Southeast Asia, there are more opportunities, systems are in place, and the programme and people will naturally grow into these spaces," he says.

Ngaropo also believes understanding a country's culture is pivotal to engage with the market, especially in business. His business integrates creativity, culture and commerce – and culture is the first aspect that sets the scene for creativity and commerce. He believes understanding his own value proposition and how it relates to the local culture is essential for market entry to work.

Nonetheless, setting up foreign operations is by no means easy, starting with setting up a company and a bank account. It requires the assistance of networks and partners. Ngaropo is a firm believer in building networks, and he has found collaboration partners for the most part through introductions. These collaboration partners form the basis of some of the markets that are in NNMD's portfolio. NNMD also actively searches for partners once a market is identified. Face-to-face engagement is important and that is where alignment with collaboration partners is critical.





MFAT

MINISTRY OF FOREIGN AFFAIRS AND TRADE
MANATŪ AORERE