

International Resource Review



Outline of Approach

- The following slides outline the analysis of WDA International Division performance undertaken in the period February-May 2005. The analysis sought to break down the international outputs by identifying which areas of activity delivered any given output. This will facilitate getting to the heart of the past and present performance of the Division and recommend any changes required to materially improve performance in an increasingly competitive market.
- The first element of the presentation (Slides 3-19) outlines 2004/5 performance vs 2003/4 and highlights the markets from which outputs were derived. This is then contrasted with the true origin of the outputs based on which area of International Division (or other areas of the WDA) generated the output. Finally, in this section, the implications of this analysis and the associated actions are highlighted
- The second element of the presentation (Slides 20-42) provides more detail on the analysis and the actions that will be undertaken in Wales and overseas markets to address the issues highlighted by the analysis of performance.
- The presentation was given to the Minister of Economic Development and Transport on May 25th 2005 and to the WDA Board on 2nd June 2005. The actions, which were approved by all parties are in the process of being implemented.



WDA's Performance Comparison – Whole Market UKTI Criteria

	2003/4	2004/5
Projects	119	94
Spend (£m)	383	190
New Jobs	6,229	4,662
Safe Jobs	5,252	1,835



ASIA PACIFIC	2003/4	2004/5
Projects	10	11
Spend (£m)	14	43
New Jobs	256	577

Highlight (2003/4)

- An expansion by Axiom with 44 new jobs - **AM**

Highlights (2004/5)

- Unisem, an acquisition involving investment of £11 million – **AM**
- Aspers with a joint venture involving investment of £30 million and 400 new jobs – **UK Consultant**
- The presence of Shanghai Fudan Science Park Company Limited in Swansea - **Overseas**

NORTH ASIA	2003/4	2004/5
Projects	4	7
Spend (£m)	12	6
New Jobs	187	107
Safe Jobs	686	150

Highlight (2003/4)

- Sharp's move into the production of solar panels with 90 new jobs - **Joint**

Highlight (2004/5)

- An expansion by Fujitsu Services with 15 new jobs - **Networking**



UNITED KINGDOM	2003/4	2004/5
----------------	--------	--------

Projects	54	41
Spend (£m)	80	36
New Jobs	2,308	2,087
Safe Jobs	1,359	574

Highlights (2003/4)

- An expansion by Avana Bakeries - £24 million/900 safeguarded - **AM**
- An expansion by LogicaCMG - £12 million/350 new jobs - **AM**

Highlights (2004/5)

- An expansion by Companies House – 200 new jobs – **Direct Contact**
- An expansion by Lloyds TSB – 200 new jobs - **Networking**
- An expansion by ONS – 600 new jobs – **Direct Contact**
- A new project by Westbridge Furniture – 336 new jobs - **Networking**



EUROPE	2003/4	2004/5
Projects	27	16
Spend (£m)	114	60
New Jobs	1,707	1,044
Safe Jobs	1,313	225

Highlights (2003/4)

- An expansion by Alcatel - £8.3 million/70 new jobs – **Joint**
- An expansion by Robert Bosch - £18 million/900 safeguarded jobs – **AM**
- An expansion by Rockwool - £23 million/60 new jobs/150 safeguarded jobs – **AM**
- A new project by SEDA - £17.5 million/190 new jobs - **Partners**

Highlights (2004/5)

- An expansion by Ipsen Biopharm - £5 million/200 safeguarded jobs – **Joint**
- A new project by Aldi - £30 million/200 new jobs – **Consultant**
- A new project by ING Direct - £4 million/300 new jobs - **Networking**

NORTH AMERICA	2003/4	2004/5
Projects	24	19
Spend (£m)	163	44
New Jobs	1,771	847
Safe Jobs	1,894	886

Highlights (2003/4)

- An expansion by EDS - £12 million/350 safeguarded jobs – **AM**
- An expansion by Ford - £47 million/298 new jobs/416 safeguarded jobs – **AM**
- An expansion by Kimberly Clark - £37 million/10 new jobs/80 safeguarded jobs - **AM**

Highlight (2004/5)

- GE's expansion - £10 million/199 safeguarded jobs - **AM**



2004/5 Project Origin

WDA PROJECTS SECURED 2004/2005 : 94 PROJECTS

79 FROM UK SALES OPERATION

40 FROM UK OWNED COMPANIES / PUBLIC SECTOR

THREE SOURCES OF PROJECTS WITHIN THE UK:

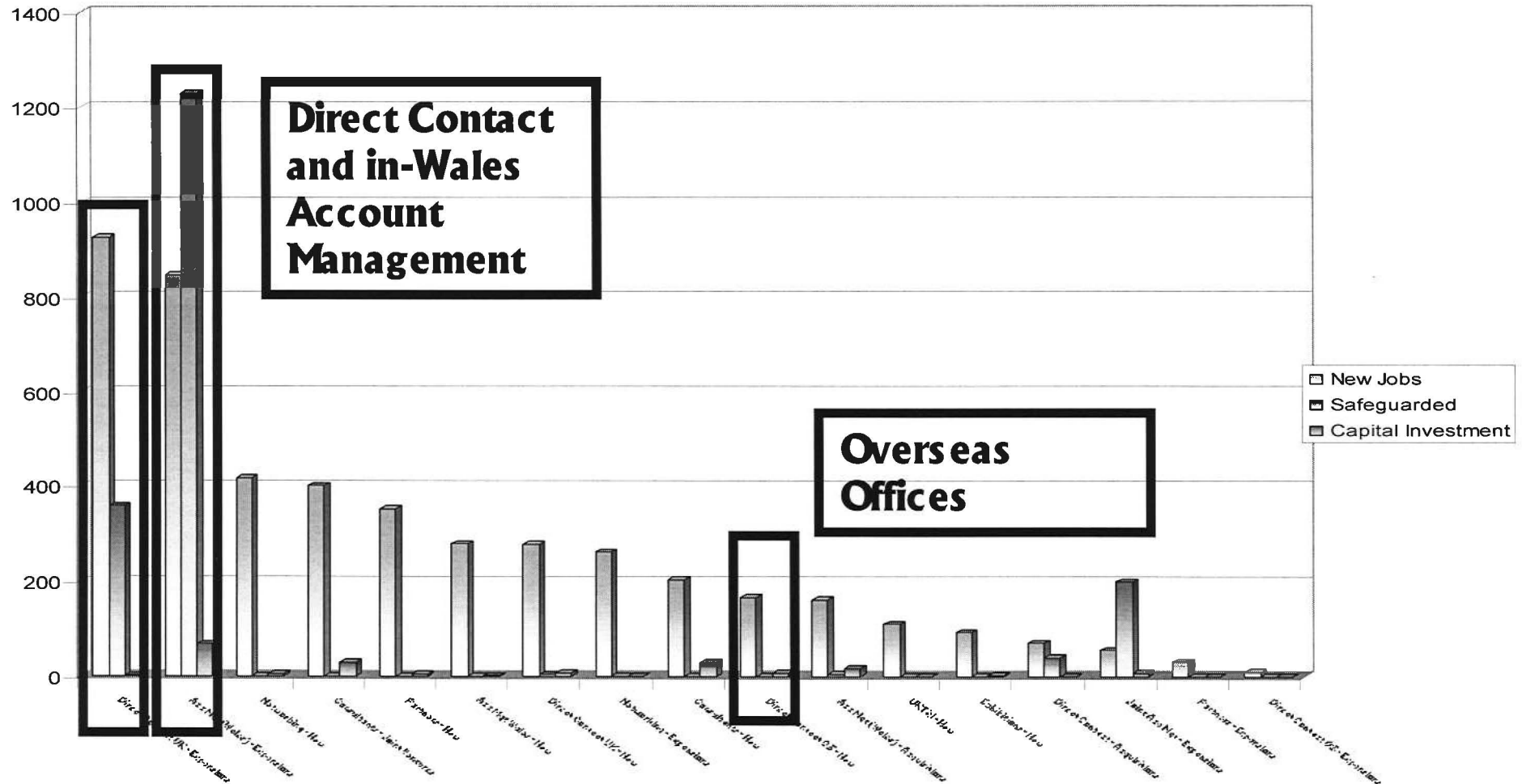
UK Owned Companies 38

Foreign Owned Companies 39

Public Sector Projects 2

2004/5 Secured Projects – Source Analysis (icis)

Secured Projects 2004/2005 as recorded on ICIS



The Problem

- **In the context of the WDA Business Plan International Division underperformed in FY 2004/5**
 - **Jobs supported 8563 vs 9850 target**
 - **International offices provided approximately 10% outputs but accounted for over 50% of costs**
 - **New –new projects from North American team low – only 70 new jobs - 1% of outputs vs 39% of costs**
 - **Vast majority of outputs generated in-Wales**
- **Issues**
 - **Operations and resources not linked to market opportunity**
 - **No coherent business model, strategy or detailed business plan to drive activity and resource allocation**
 - **Account management of FDI customers**



Issues

Operations and resources must be linked to market opportunity

A coherent business model, comprehensive strategy and detailed business plan must be developed to drive activity and resource allocation

Solution for account management of FDI customers between International, the WDA regions and the emerging Knowledge Bank must be developed

The Solution - Two Tasks

- Put our own house in order
- Play a full role in developing the new “Trade and Investment” element of the post April 2006 Department of Economic Development and Transport
- Involve Wales Trade International to ensure maximum “merger compatibility”



Llywodraeth Cynulliad Cymru
Welsh Assembly Government
Cofrestrwyd ym 2006/08/08

Putting our own house in order – The 4 Rs

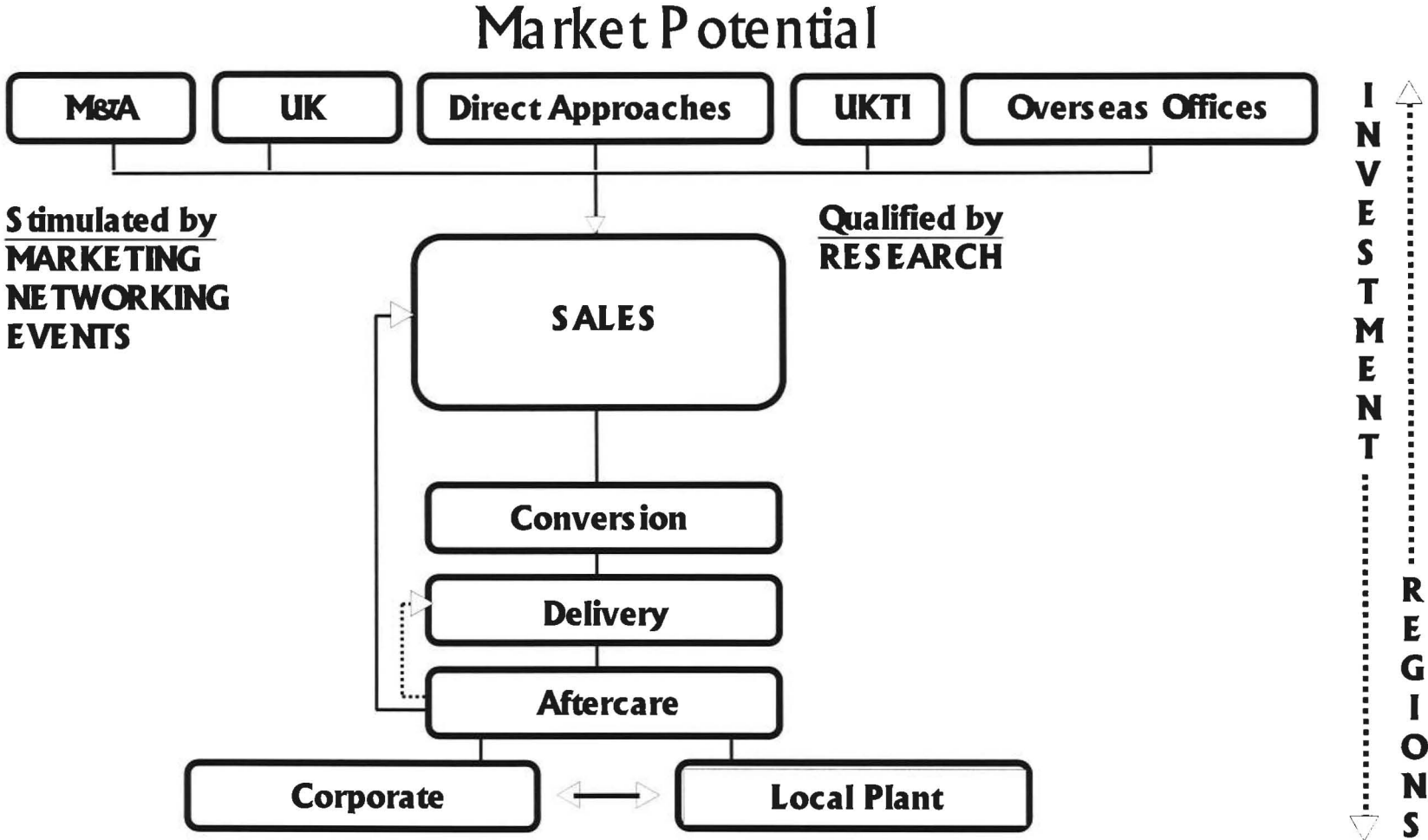
Have we got:

- the Right people in.....
- the Right places with.....
- the Right Skills doing.....
- the Right things

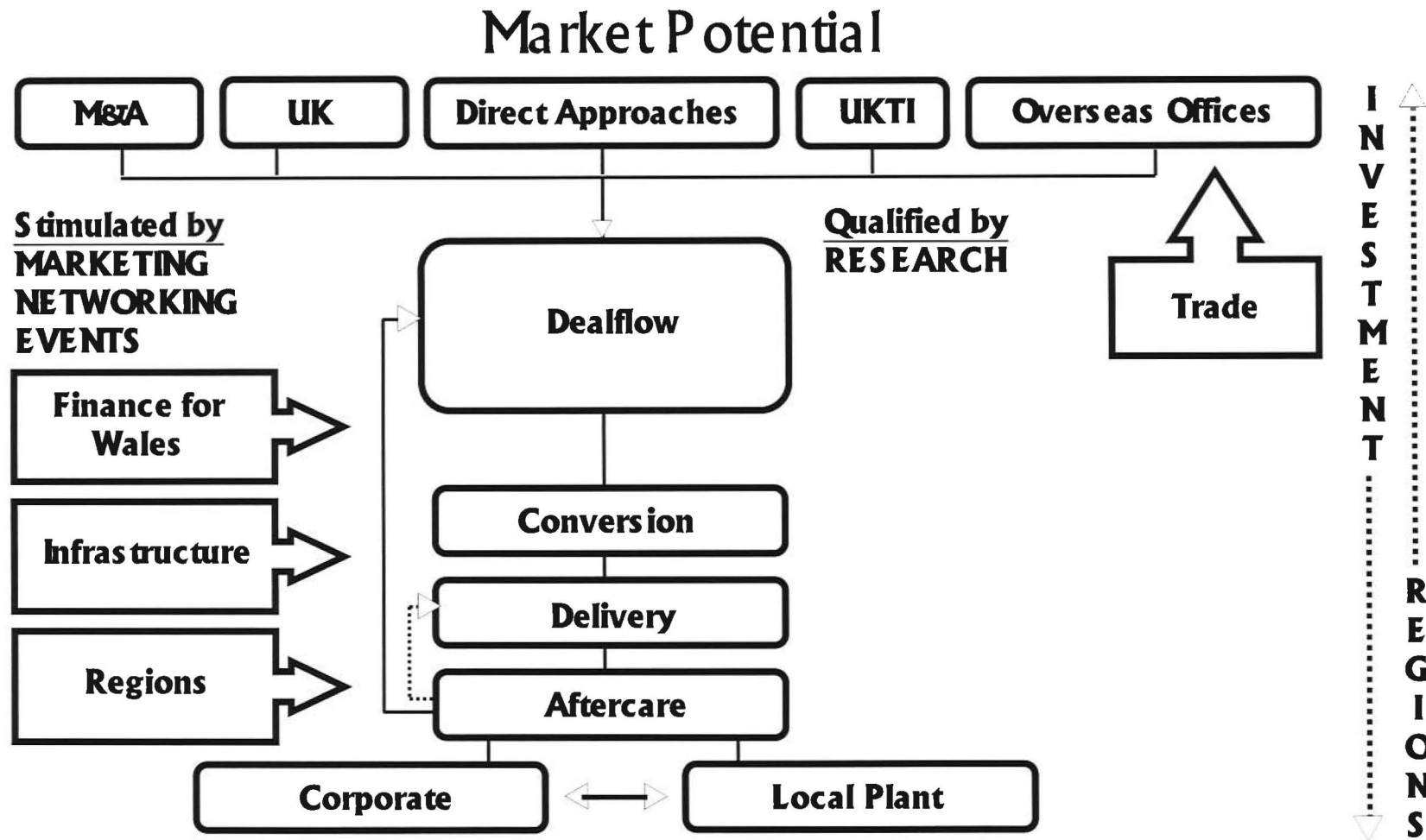


Llywodraeth Cynulliad Cymru
Welsh Assembly Government
Cŵm Cymru a Lloegr

Investment Business Model



Investment Business Model – Merger Dependencies



Actions

- **Two task and finish teams formed**
 - **International operations**
 - **In-Wales operations**

**Findings and Action/Implementation Plan
Approved by EDTM, and WDA Board on
June 2nd**

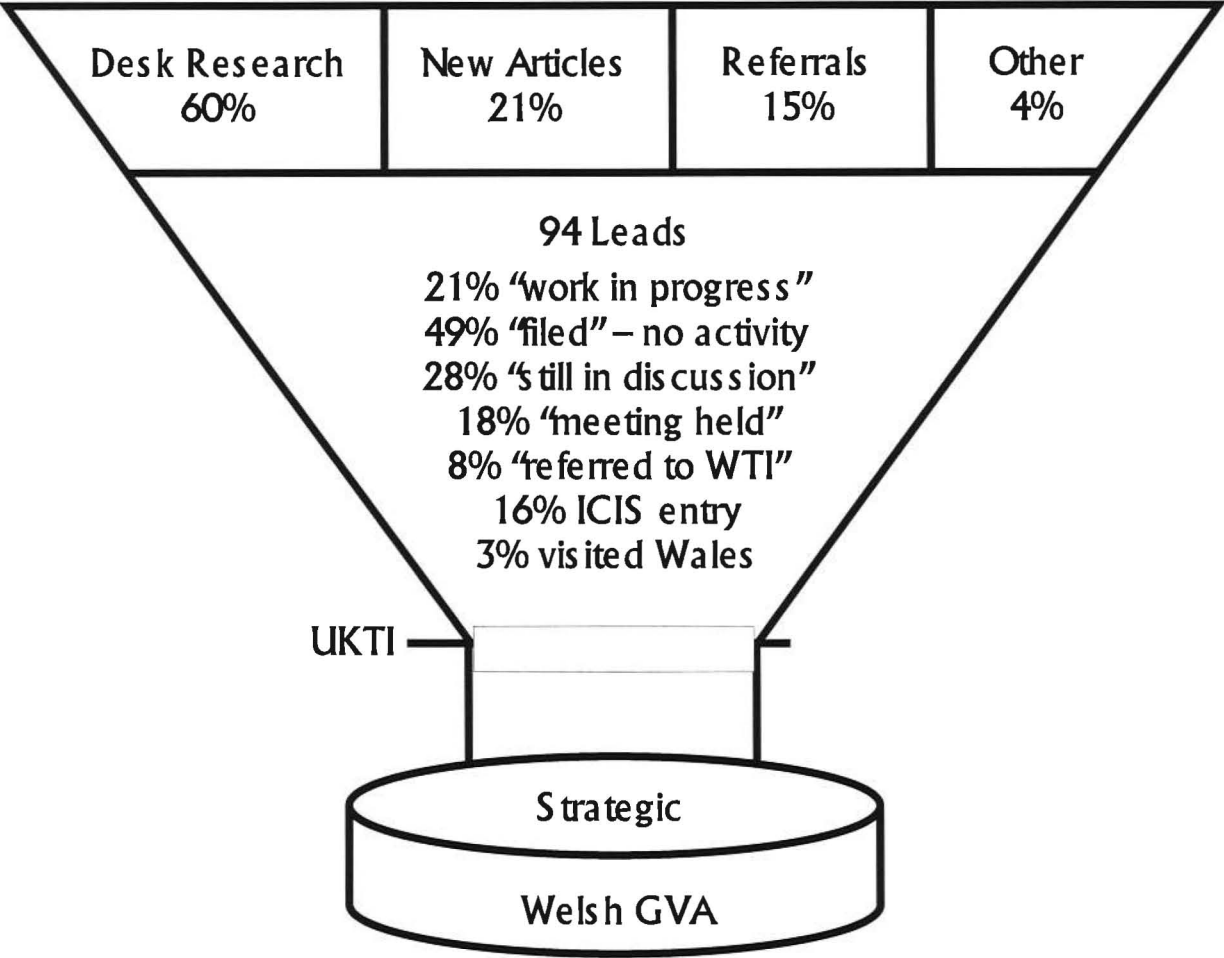
Review of **INTERNATIONAL** Operations

- **Scope**
 - **Analyse global market potential**
 - **Align Resources with market potential**
 - **Define future International sales operations**
 - **Define in-country operational models**
 - **Revise target setting and implement performance measurement**

- **Approach Analysis based upon:**
 - **Strategic Market Analysis**
 - **Triage**
 - **“Funnel and Whiteboard”**
 - **In-market definition of output range**



Australia – Shape of the funnel and what fills it



Review of in-Wales Operations

- **In Scope**
 - **Review in-Wales and UK operations against business model**
 - **Assessment of Sector Approach**
 - **Account Management Solution**
 - **Analysis of delivery process from lead generation to conversion**

- **Approach**
 - **CANDO**
 - **Origin of secured projects**
 - **“Funnel and Whiteboard”**
 - **Review allocation of resource to delivery and support of business model process**



Findings

- **Significant levels of contestable FDI exit across markets**
- **Resources, operational models and budgets not aligned to market opportunity – 4Rs not being delivered**
- **Performance can and will be improved if we are not afraid to act now**



Triage - Potential Market Movements

Europe

- **France** Trade will dominate future presence
- **Germany** Develop Entry Strategy – Establish sales office
- **Austria** Develop Entry Strategy - Cover from German Office
- **Spain** Develop Entry Strategy - Cover from Italian Office
- **Scandinavia** Develop Entry Strategy – Establish sales operation
- **Russia** Monitor from EMEA HQ in Cardiff
- **Israel** Monitor from EMEA HQ in Cardiff

Rest of the World

- **N.Amer** Place resource at point of opportunity
- **Malaysia** Develop Entry Strategy – Cover from India office
- **Brazil** Monitor from Americas - WTI Intelligence
- **South Africa** Develop Entry Strategy – Cover from Cardiff
- **Japan** Working with WTI on integrated operations
- **Korea** Trade will dominate future presence

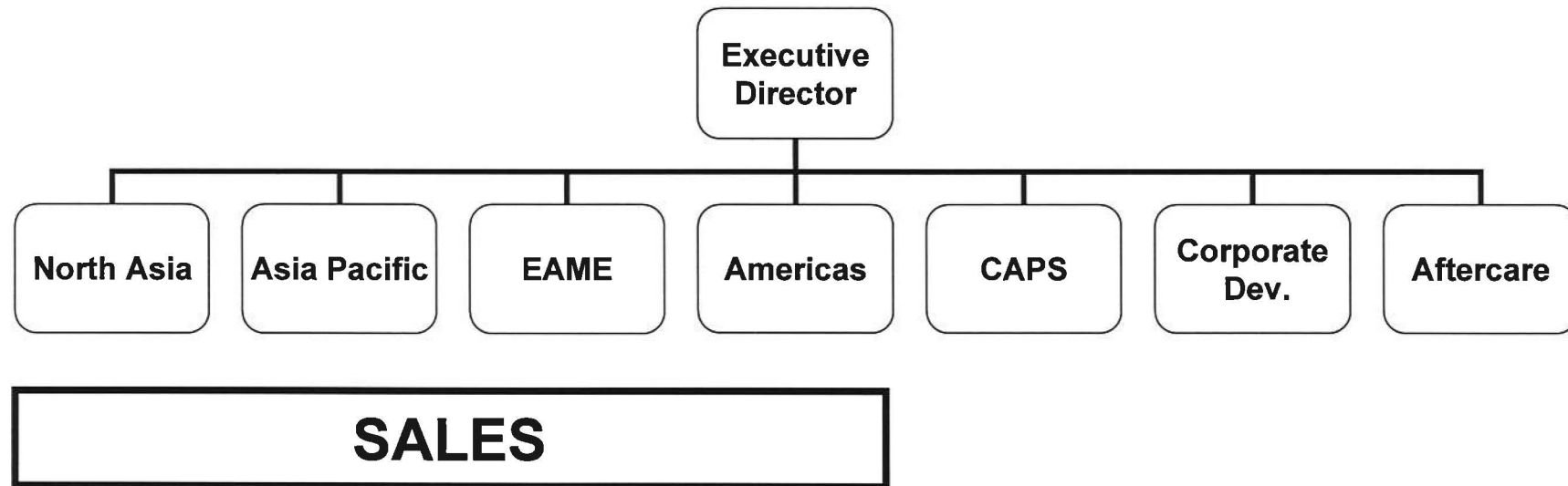


Actions

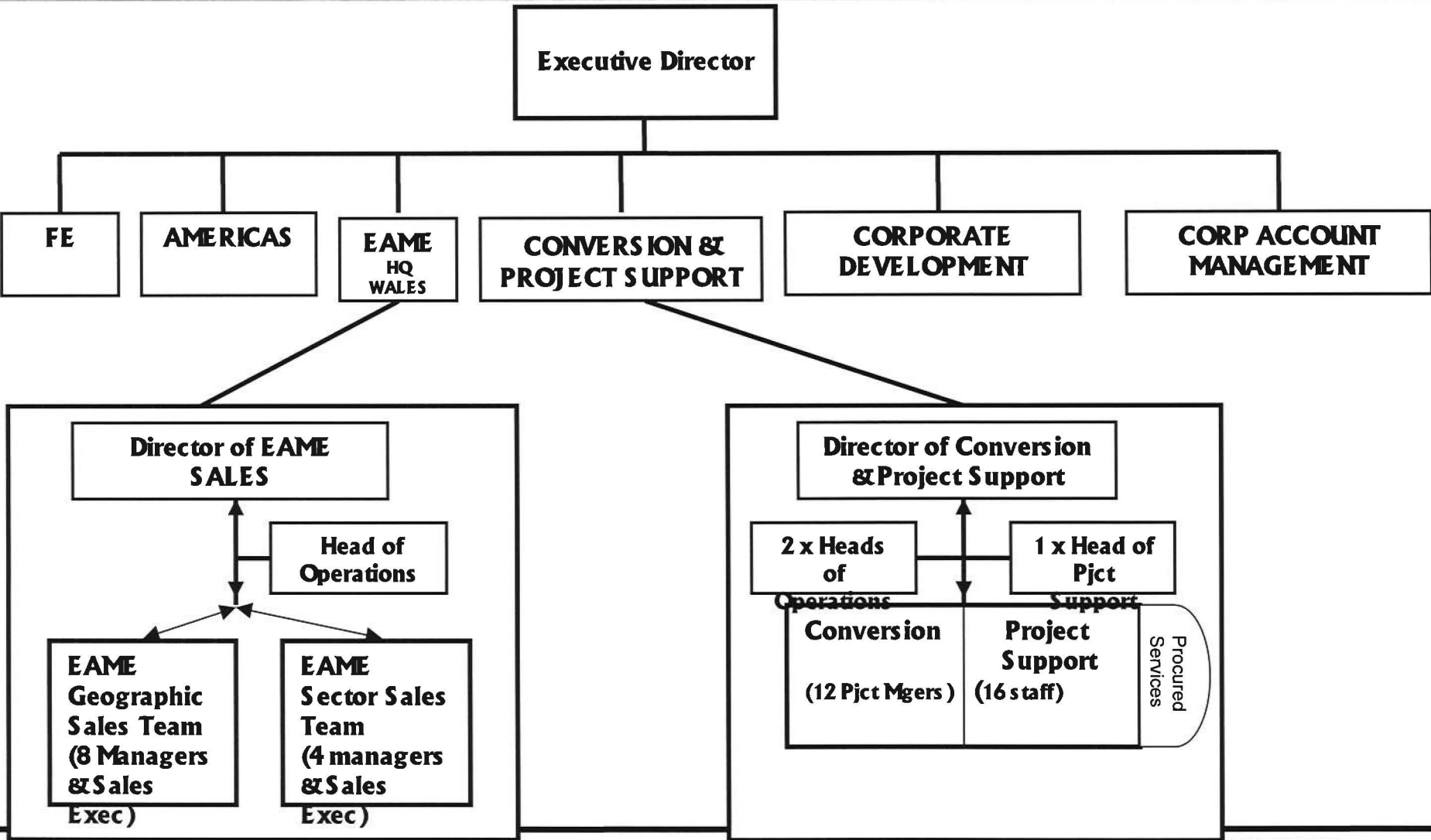
- **Act on Triage**
 - **Establish UK sales presence within M25**
 - **Change European sales presence**
 - **Relocate European HQ to Cardiff**
 - **Streamline in-Wales operation align with Investment business model**
 - **Manage N American market from US**
 - **Change US operational model**
 - **Implement integrated account management process**
 - **Implement business planning process with spend driven by market opportunity and analysis**
 - **Foreign nationals – ISSUE RESOLVED**



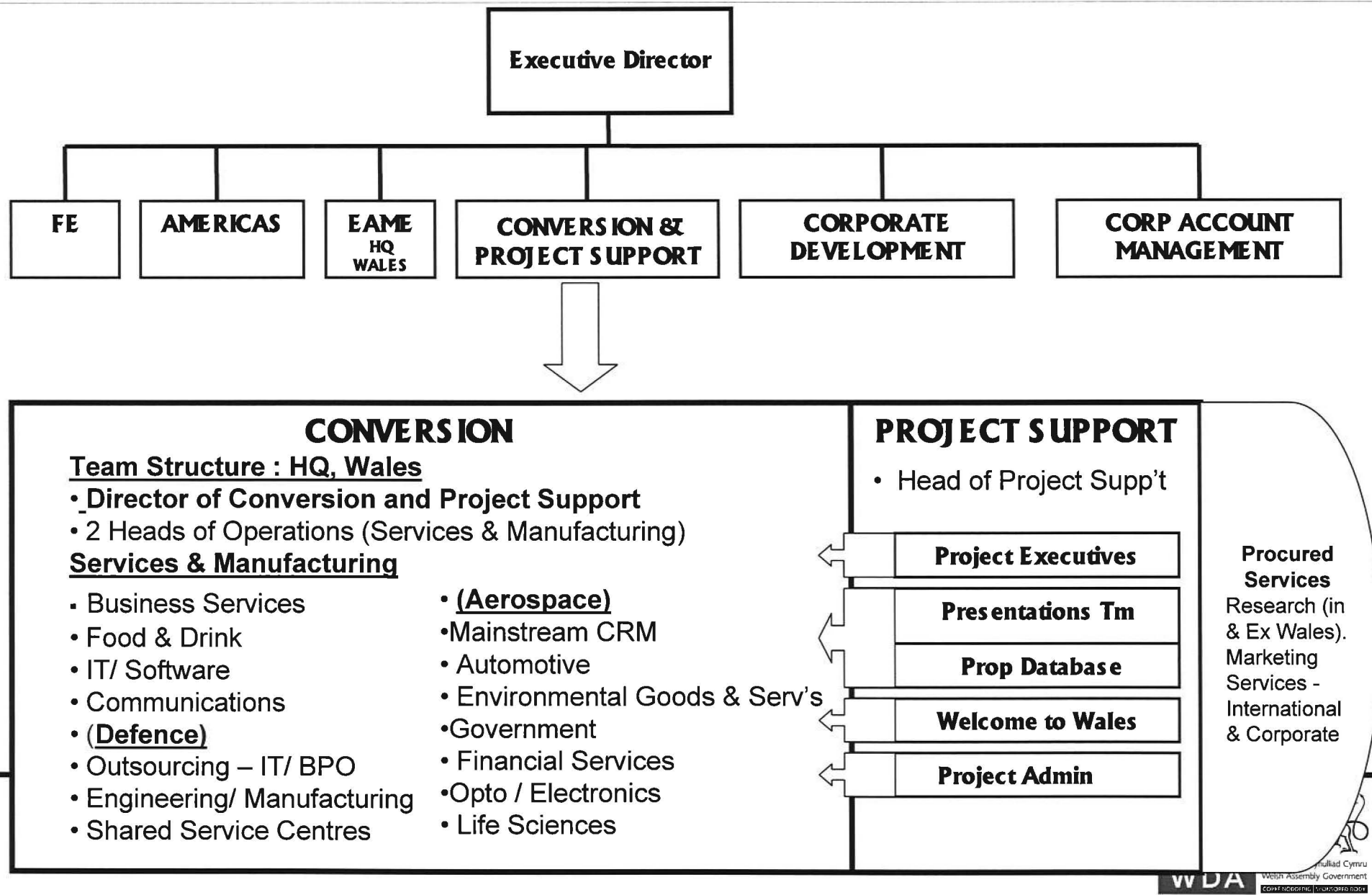
Proposed WDA International Organisation



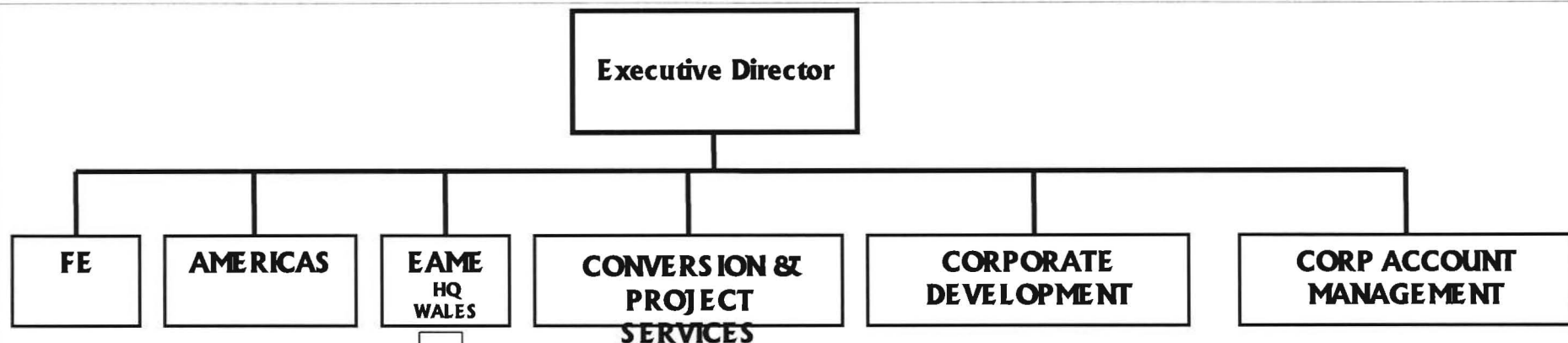
Proposed EAME Operational Structure



Proposed EAME Operational Structure



Proposed EAME Operational Structure



EAME – GEOGRAPHICAL SALES

Team Structure – HQ, Wales:

- EAME Sales Director (for both Geographical & Sector Sales Teams)
- Head of Operations
- Sales Executive

European Operations:

- Sales Manager – Amsterdam (poss)
- Sales Manager - Ireland
- Sales Manager – Italy
- Sales Manager + team – M25/ SE England
- Sales Manager – France (trade dependent)
- Sales Manager – Scandanavia (poss)
- Sales Manager – Germany (poss)

EAME - SECTOR SALES

Sector Sales Managers, HQ based

- IT Services & Software Applications
- Financial services
- Automotive & Precision Engineering
- Aerospace / Defence & Opto-electronics
- Life Sciences

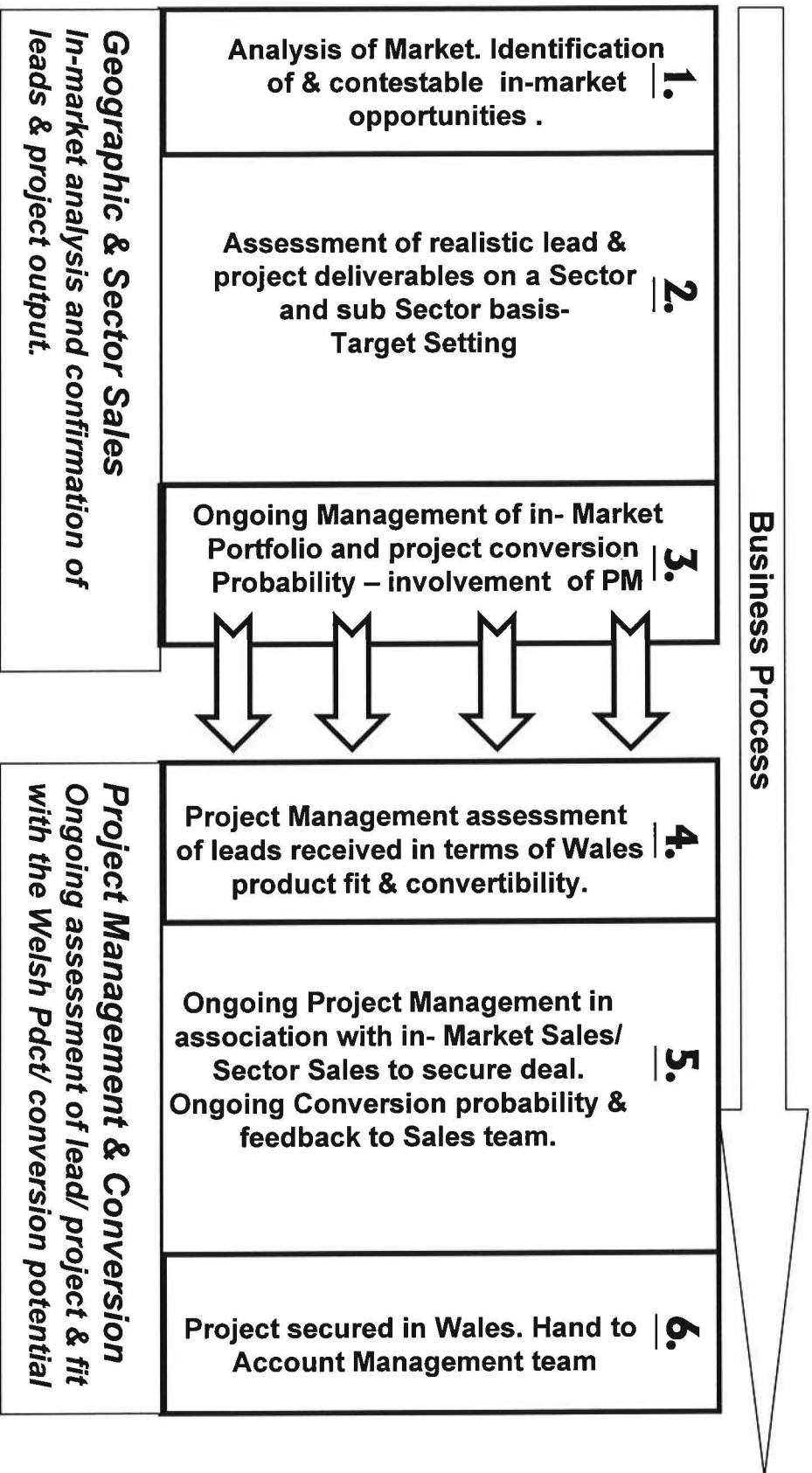
**Note: M25/ SE England Managers include;
 General Business - Asia Pacific
 General Business – Americas
 Sector Sales – Business Services / Financial Services*

North American Macroeconomics

- **US economy continues to expand, but its performance has been patchy in recent months .**
- **GDP growth forecast to slow to 3.3% in 2005 and 2.9% in 2006.**
- **Federal budget deficit forecast to hit new record in 2005/06; govt's plan to halve deficit by 2009/10 lacks credibility.**
- **Sustainability of current account deficit – which is making the US dollar vulnerable - s tirs up protectionist sentiment.**
- **US economy is sufficiently robust to weather any business cycle at approx 2.5% growth.**
- **Canadian economy forecast to grow at 2.6% in 2005 and 2.7% in 2006, despite slower US growth and higher oil prices . Record current account surplus in 2004.**
- **US and Canadian FDI projected to DECLINE by 2% yr-on-yr but from a high volume – size of the prize is still large**



Lead - Project Business Process



North America – FDI Analysis

- **Complex market – over 40 regional economies with dramatically different cluster development and sectoral emphasis - not 3 simple markets**
- **Large market – over 800 service sector projects in 2003/4**
- **Key clusters closely matched to Welsh proposition e.g Southern California defence cluster and aerospace strategy**
- **UK see as key entry point to Europe with S&M as the leader**
- **Analysis of donor locations indicates WDA potentially has “eggs in the wrong baskets”**
- **Strategy of pan-American outsourcing of lead generation and focus on Fortune 500 has not delivered results**
- **Major change in operational methodology required**



North America – Potential Sales Operation



North American Operational Methodology

- **Run market in-market – Create Head of Americas post as a direct report to ED**
- **Flatten organisation and redistribute resources within International team**
- **Distribute sales force across key clusters – Undertake Harvard/Cardiff study to determine locations =sales territories – to report by 12/2005**
- **Move towards FFP in- house and more market specific lead generation by April 2006**
 - **2005/6 contract structure an interim step**
- **Rotational training programme for US nationals**
- **Instigate sales training for all staff**



Asia Pacific Macroeconomics

- **Asia Pacific (excluding Japan) fastest rate of expansion of any region in 2005-09**
- **Region also has largest upside and downside potential.**
- **Chinese economy – potential downturn, if current successful efforts to slow the economy ultimately fail.**
- **Emerging Asian countries likely to out perform other emerging regions**
- **ASEAN countries forecast to grow, on average, by 4.9% yr-on-yr**
- **Challenges to Asian growth will be slower demand in OECD countries for imported goods and dominance of China**
- **Asian countries also need to move up value chain and present an investment environment complementary to China, rather than competitive.**
- **Growth as FDI source markets - China and India (c.15% yr-on-yr) and Australia (c. 4% yr-on-yr)**



China – FDI Analysis and Action

- **To date only accounts for 0.41% of global FDI**
- **State-owned enterprises account for >40% of FDI**
- **Spain is Europe's No.1 recipient, followed by Germany then UK**
- **Independent analysts predict FDI growth of 15% per annum over next three years**

- **CAITECWDA Study – 102 Chinese Companies sampled**
 - **48% will expand into Europe in next 2 years, 78% in next 4 years - 20% will invest >\$10MM**
 - **Tax breaks , subsidies, visa availability and access to market ranked as key drivers**
 - **US, Germany and UK ranked as top destinations**

- **WDA team have established presence – beginning to show results**

- **Enhance investment activity with in-market trade development**



India – FDI Analysis

- **The most rapid internationalisation of any economy driven by legacy position, 6.9% economic growth and major IP driven sectors**
- **Service sector now >50% of GDP**
- **FDI has concentrated on US but now seen as overdependent on this market – Triangular trade now a key strategic objective**
- **Service sector FDI in Europe driven by a trend to “near-shoring”**
- **Other key sectors are bioscience and pharmaceuticals**
cf. Wockhart in N Wales
- **Key drivers**
 - **Access to European markets**
 - **Market share acquired through acquisition**
 - **Acquisition of technology, sales, manufacturing and IP**
 - **Cultural and language links a plus for UK**



India – Actions

- **Build upon Indian market's predisposition to the UK and the development of the India /USA /UK triangle**
- **WDA under resourced in market (1 person in Bangalore!)**
- **Enlarge team by redistributing resources from North American market**
- **Link WDA intelligence to Indian corporate M&A strategy**
- **Develop “nearshoring” proposition to project into market**
- **Facilitate amalgamation of public sector demand for Indian service sector companies**



European Macroeconomics

- **Slowest FDI growth of any region over next five years.**
- **Many countries will struggle to reduce unemployment and strengthen fiscal positions.**
- **Large variations between and within countries**
- **Euro zone growth forecast to average 2%; Central Europe/Baltic states around 4%.**
- **WDA not in some existing and emerging “sweet spots”**
- **Trade will dominate some markets**
- **Accession States, high growth and heavy borrowing =risk to FDI potential in the short-term.**



Germany – FDI Analysis

- **“Gross” economic picture very poor**
- **Long recovery from unification**
- **However 2004 – 142 projects into developed Europe, 22 in to the UK**
- **60% of all German investments come from Bavaria and Baden-Wurttemberg**
- **Evidence of drive R&D collaboration in key sectors e.g.BMW**
- **UK projects focus on UK market opportunity – not the base for European expansion**
- **Germany has been a historically good donor of projects but high dis investment potential – no in-market account management presence presents an avoidable risk .**

- **Potential justifies in-market presence in Southern Germany – Scotland, Ireland and London First have major presence**



Review of in-Wales Operations

- **In Scope**
 - **Review in-Wales and UK operations against business model**
 - **Assessment of Sector Approach**
 - **Account Management Solution**
 - **Analysis of delivery process from lead generation to conversion**

- **Approach**
 - **CANDO**
 - **Origin of secured projects**
 - **“Funnel and Whiteboard”**
 - **Review allocation of resource to delivery and support of business model process**



Corporate Development



Aftercare – Future Strategy

- **450 companies with origin in FDI currently operating in-Wales**
- **Patchy understanding of corporate strategies – needs to be bolstered by high quality research**
- **Segment market by Reinvestment and Disinvestment potential and manage the highest opportunity and risk**
- **Give Knowledge Bank the space to operate**
- **Develop individual corporate account management strategies with customer, WDA regions and International - Strawman being developed with Sony**

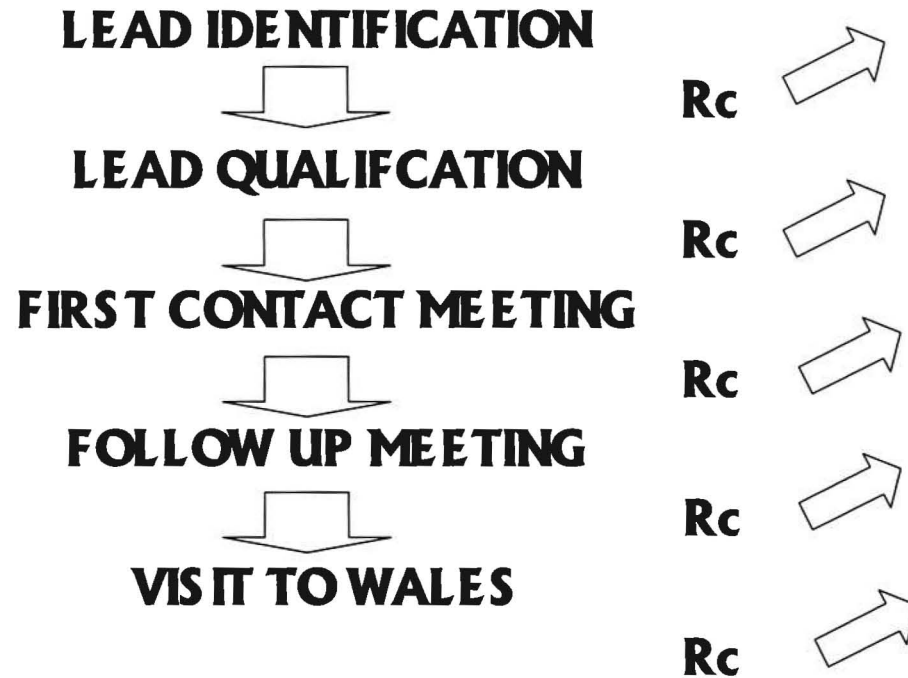


Sales – Targets & Performance Measurement

- **TARGETS**
- **Team will be asked to define a range of “traditional” outputs – projects, jobs supported, CAPEX for a three year period**
- **International UKTI targets will be based on this market information**
- **PERFORMANCE**
- **Based on activity flow**
- **Benchmark and continuous improvement**



Sales Performance Measurement



JOINT SALES CONVERSION RESPONSIBILITY AND ACCOUNTABILITY

Timelines

- **Present to International teams – early June**
- **Develop role profiles /job specs and JEGS for EDs direct reports and instigate HR process +complete first iteration of “new T&I” – end June**
- **Instigate HBS review of N American market – June**
- **Instigate global resource allocation exercise - June**
- **Complete global resource allocation exercise – 1.1.2006**
- **Make necessary changes – Q1 2006**
- **“New international” as part of “new T&I” operational – 1.1.2006**

