

Connections Newsletter

Edition 1 | 2016



Twelve months ago I announced the new venture Connect Malaysia, a consultancy dedicated to connecting Australian SMEs to commercial opportunities in Malaysia and I'm pleased to say that the interest has quite literally exceeded all expectations since the business officially opened its doors at the end of October.

Reflecting on the level of interest Connect Malaysia has received, I can attribute it to SMEs 'getting the message' that business owners must turn their attention to overseas markets for standing still in a dynamic global economy is simply not an option. However, it does demand that SMEs get out of their comfort zones and back their entrepreneurial skills.

Of the countries in the Asia Pacific region, Malaysia is perhaps the easiest for Australians to relate to and do business with as the two countries have similar legal and parliamentary frameworks based on the Westminster system and enjoy a deep and long standing political, diplomatic, bilateral trade and cultural / P2P relationships that have evolved, grown and depended over decades.

In addition, Malaysia has a very pro-business infrastructure, strategic

geographical position within Asia Pacific and the benefits of the Malaysia Australia Free Trade Agreement (MAFTA) that came into effect in January 2013 are the reasons for interest from Down Under.

Most importantly, Malaysia has a very strong and vibrant SME sector that is supported proactively by the Malaysian Government and its trade facilitation departments and organisations.

SMEs constitute over 97.3% of businesses operating in Malaysia and with government performance-based incentives, the sector is expected to contribute more and more to the nation's GDP as Malaysians respond and start their own commercial ventures.

It is for these reasons that the Malaysian economy is providing a beacon attracting Australian interest, but SMEs need to think quickly and realistically to

implement strategies that will capitalise on opportunities while time and the benefits of the low AUD are on their side.

However, for any SME seeking to expand into Malaysia, they need to have a deep understanding and awareness of Malaysian culture as it will be the all important foundation for commercial relationships.

Furthermore, with Asian countries, especially Malaysia it is vital to have the right connections for it's not only what you know, but also it's who you know.

With the first anniversary I'm very pleased to say that Connect Malaysia has quickly established itself as the 'go to organisation' for SMEs seeking to explore commercial opportunities in Malaysia.

The Connections Newsletter has been developed as an information resource dedicated to providing business owners with information and insights into the various sectors of the Malaysian economy – and hopefully it will inspire SMEs to broaden their horizons and consider Malaysia as their business destination of choice.

By Joe Perri
Principal Consultant – Connect Malaysia

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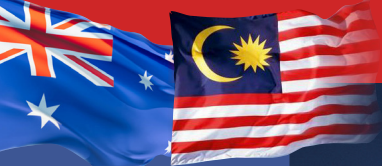


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Malaysian SMEs – the focus is definitely exports says MATRADE CEO



In September I visited MATRADE's HO and the pleasure of a meeting with CEO Dato Dzulkifli Mahmud who shared his thoughts on how the organisation is supporting SMEs to expand their businesses through exports.

Malaysian SMEs play a vital role within the Malaysian economy constituting nearly 97.3% of the country's businesses predominantly catering to the local market said Dato Dzulkifli in our meeting.

"A key objective for the Malaysian government is to increase exports from SMEs to 23% by 2020. To achieve this target, MATRADE has established a number of 'capacity building programs' to assist Malaysian SMEs gain market access and integrate into the global supply chain", affirmed Dato Dzulkifli.

For SMEs to flourish, there needs to be a conducive environment and this is MATRADE's key focus through training programs, seminars and workshops to equip Malaysian SMEs with the export ready skills required in the areas of marketing, branding, packaging, quality and compliance to international standards.

Dato Dzulkifli continued, "MATRADE acts as a one-stop centre for SMEs by providing consultancy, advisory and financial assistance – including links and connections to international buyers through numerous sector specific promotional activities each year that

include trade fairs, trade and investment missions, Export Acceleration Mission, promotion booths and international sourcing programs".

With only a few flying hours needed to reach any of the ASEAN capitals, Malaysia's strategic geographical position within ASEAN Economic Community (AEC) with a combined population of 625 million, the seventh largest global economy and the third largest in Asia is regarded as key advantage for Malaysian SMEs.

"International trade is certainly competitive but we are working diligently to encourage SMEs to continue their export-focussed activities by participating and taking advantage of MATRADE's many programs and initiatives," he said.

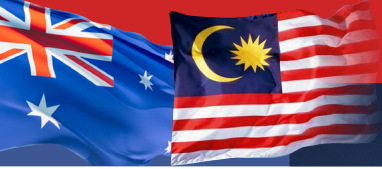
Malaysia is the twenty-third largest exporter in the world and has signed free trade agreements with many countries including Australia which provide a huge opportunity for the SMEs to spread their wings abroad.

Australia-Malaysia opportunities

Reflecting on Australia-Malaysia bilateral trade engagement, Dato Dzulkifli said that under MAFTA, the Malaysian and Australian governments have created a business-friendly environment, opening up opportunities for businesses – especially SMEs.

The Free Trade Agreement that began on 1 January 2013 provides Australian goods and services providers an avenue to enter into the dynamic Malaysian market – and Malaysian exporters have greater access to one of the world's most affluent top ten economies.

Dato Dzulkifli pointed to high value-added products and services driven by innovation, sustainability, productivity and technology as automation and increased productivity as the best 'connectors' for Australian and Malaysian SME engagement.



How to secure trust when procuring across borders

Trust is the foundation of all good relationships. When sourcing across borders and cultures, the key variable between a successful and unsuccessful procurement strategy is trust. Trust includes reliability, truth, honesty, credibility, competency and predictability. If it is absent, commitment wanes and frustrations, misunderstandings and missed opportunities ensue.

Procuring across borders: Do you have trust on your side?

All cultures value trust, the difference lies in how it is developed, sustained and repaired – or not. Although some of the strategies for building and maintaining trust are universal such as delivering on what you promise, there are others that are culturally specific; there is no 'one size fits all', particularly in terms of relationship-based cultures. There are both subtle and comprehensive differences between countries such as Australia and Malaysia for example.

The necessity for establishing trust when procuring across national borders include the following:

- Tap into and connect with new markets
- Increased reliability of people 'on the ground'
- Increased brand loyalty within new markets
- Increased speed and on-time delivery
- Greater sharing of knowledge and expertise
- Focus and commitment especially when things go wrong

We intuitively know the common beliefs and values that are held in our local markets; such as the appropriate balance of personal versus business conversations, appropriate and inappropriate behavior, how to address people and so on.

But the rules change instantaneously as we pick up the phone or engage

in meetings or teleconferences that involve crossing cultures and borders. In this moment we need a heightened level of awareness and flexibility in order to adapt our communication and behavioural styles to ensure that they are appropriate to that current cultural setting.

This new cultural setting may even occur without you leaving your office.

Strong, trusted relationships with local people provide many opportunities, one of which is a 'right-hand' person. They offer not only greater access to understanding your customer/client base, their needs, preferences and desires; but also can be a valuable sounding board for cultural knowledge and etiquette.

Local contacts can act as intermediaries, performing a significant role in establishing trust amongst local suppliers through introductions. They can open doors, offer connections within local networks and 'lend their reputation' to build trust with others.

Strategies for Building Trust across Cultures:

- Be open to new experiences and situations.
- Be prepared to have personal discussions about family etc; sometimes your conversations may not include work discussions at all.
- Provide as much data and information as possible when working in unfamiliar cultures.
- Spend some time learning about the culture. Read local newspapers, and make extra time for personal conversations.



By Tom Verghese,
Principal, Cultural Synergies

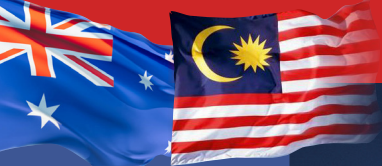
- Listen...especially to the tone of voice, to what is not being said and to the contexts of the conversations.
- Pay attention to the non-verbal communication such as eye gaze, postures, tone of voice etc.
- Consider finding an intermediary or go-between person. They can be valuable in terms of tapping into local networks, industries and introductions.
- Engage in some cultural intelligence training.

About Tom Verghese

I was born and raised in Malaysia and came to Australia as a foreign student where I have now lived for many years. My wife is English and we have 2 children, 1 dog and a cat. I have been an independent consultant for over two decades and my specialty is developing the ability of individuals, teams and organizations to work more effectively across different cultures. I travel frequently and enjoy sampling different cuisines as well as single malt whiskeys.

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Australian SMEs should look to Malaysia for succession & exit opportunities says Paul Tynan

The benefits of Malaysia Australia Free Trade Agreement (MAFTA) go far beyond the removal of tariffs on goods and services and Australian SMEs should consider the FTA as not only an export destination but as a source of prospective buyers or investors said Connect ASEAN's Paul Tynan.

Citing the Economic Transformation Program (ETP), Paul Tynan said Malaysia is propelling itself into a dynamic, modern, innovative and globally competitive nation through increased domestic wealth and consumption, as well as commercial success in international markets.

Australia is well positioned to capitalise on Malaysia's economic strategy and the extent to which Australian companies will be seen as a destination for Malaysian investors depends largely on our ability to engage with, and tailor opportunities for the Malaysian market affirmed Paul Tynan.

"Australian businesses have a well-deserved reputation for excellence, innovation, consistency and reliability and these factors underpin the attractiveness of local enterprises as a target for investment or acquisition", continued Paul Tynan.

The number of SME businesses that come onto the market for sale each year as Baby Boomers seek to give up work and sell their enterprises to fund retirement lifestyles is literally in the thousands. As the result of a lack of buyers, many mature age business owners are delaying retirement hoping their enterprises will regain lost value following the GFC.

"Unfortunately with supply exceeding demand in Australia for SME businesses, it makes sense for business owners to consider dual overseas strategies of 1) exporting their goods and services overseas and 2) promoting their businesses for sale or investment", continued Paul Tynan.

All national governments encourage companies to make strategic investments overseas and invest in industries that enhance their nation's economic capacity and capabilities. Most share a number of common sectors that include: Education, Healthcare, Technology, Building & Construction, Clean Energy, Tourism and Financial Services.

"Australia has proven expertise and capabilities in these sectors and thus represent excellent opportunities for SMEs position themselves for considerations – especially by HNWI seeking to migrate to Australia to satisfy long-term retirement, succession and quality of life objectives for themselves and their families" said Paul Tynan.



MAFTA is just another chapter in a long and fruitful relationship between Malaysia and Australia and for those Australian entrepreneurs that can capitalise on these opportunities – especially those seeking a prospective buyer or investor for their SME business – the potential can be immense.

Paul Tynan concluded, "However, Australian SMEs need to plan their business exit carefully and well in advance if they hope to maximise the potential of their business asset. The result of leaving exit planning and seeking a last minute buyer will only result in a fire sale price being offered for the business – and in the worst case scenarios, none at all!"

