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The NES Process

The Need for an NES

In order to take advantage of the opportunities provided by the new global trading environment, countries need to formulate policies and initiatives that focus on facilitating trade and improving competitiveness. The following elements are key in shaping a country's ability to compete in international markets:

- Formulation of pro-active policies that support trade;
- Lowering the costs of doing business inside the country; and,
- Creation of an incentives regime that ensures domestic resources are channelled to the most productive activities.

Sustained growth in export earnings is most effectively achieved where both the public and private sectors agree to co-ordinate activities around an ambitious, yet realistic, export development strategy. Such a strategy identifies constraints to export competitiveness, formulates key objectives that address these constraints, and prioritises sectors in line with the country's national development aspirations.

A national export strategy provides an institutional framework where many of the initiatives that support export competitiveness are brought together in a focused and prioritised manner.

The NES process is participatory. It is designed to:

- Assist countries to develop local capacity for strategic thinking and planning;
- Provide a platform for fruitful interaction between the country's stakeholders; and,
- Ensure that the country owns the process and the outcome.

Typical outputs include a fully elaborated national export strategy document, a strengthened public-private sector partnership and an increased capacity within the strategy development institutions to analyse and formulate strategy. Implementation of an NES would be expected to contribute to the improvement of the country's export performance in the medium to long term, and to the attainment of the country's vision in general.

Key Features

A National Export Strategy is both a vision and an action plan. It will have a clear purpose, be oriented towards action, and recognise the interrelationship between technological, economic, social, political and cultural aspects of society. An NES needs to be both realistic and challenging. It is worth noting that the perfect NES does not exist and the implementation of an imperfect strategy may be preferable to a total lack of action.

The specific details of a national export strategy will vary from country to country but each follows the same broad structure and incorporates similar features. An **introductory section** provides the background and rationale for the NES and reviews the current situation and any challenges in general terms. It highlights the desired vision of the strategy and explains how the strategy fits within the country's development objectives.

Elaboration of the **vision and objectives** of the strategy follows. The **overall objective** of a national export strategy is to improve the international competitiveness of a country and enhance export performance. The ultimate goal is higher incomes and standards of living. A **vision statement** is a vivid description of the desired outcome that inspires, energises and helps in creating a mental picture of your goal. It should therefore be crafted with the overall objective in mind.

The document then sets forth details of the strategy as per the following key features:

Situation analysis

The situation analysis requires the systematic collection and evaluation of economic, political, social and technology data, past as well as present. The aim is to identify the internal and external forces that could influence performance and strategy choices, and to assess the country's strengths, weaknesses, opportunities and threats.

The '5Cs' framework (Box 2) is a useful tool for performing a situation analysis. The premise here is one of 'looking into the future by building on the past'. This analysis provides the 'where we are' scenario, which forms the foundation of 'where we want to go' in line with the 'NES vision'.

Another tool consisting of an 'Eliminate-Reduce-Raise-Create' (E2RC) grid (Table 1), is helpful in identifying factors that can be eliminated from the prevailing situation, those that can be increased or reduced, and new areas that can be created within an economic area to increase a country's competitiveness (Chan Kim and Mauborgne 2005).

Box 2: The '5Cs' analysis

The '5Cs' analysis framework is a commonly used tool in the business sector. It comprises an environmental scan of five key areas in economic development. In brief these are as follows:

1. **Country* context** – Explains the country's basic parameters; state of development, demographics, size, resource endowments, culture, geographic location and so on.
2. **Collaborators** – Where are the main markets?
3. **Customers** – In which sectors and in which markets (countries)?
4. **Competitors** – Who are they and in what sectors?
5. **Climate** – Macro environmental factors including the political and regulatory environment, economic environment, social/cultural environment and technological environment.

* 'Company' in the original version

Source: NetMBA Business Knowledge Center, http://www.NetMBA.com/marketing/situation/

Some examples of what these factors could be:

- **Eliminating** airport tax payment at the time of departure and including it in the cost of the air ticket would speed up the process of checking in;
- **Increasing** the level of services delivery in the tourism sector has been identified as one area that would substantially improve the competitiveness of island states;
- **Reducing** the number of customs documents required in imports transactions would save a substantial amount of time and transaction costs;
- **Developing** new ways of doings things at all different levels. Innovation is critical to competitiveness.

Table 1: The E2RC grid

Eliminate	**Raise**
Identify factors that can be eliminated from the current situation.	Identify areas that can be raised to increase competitiveness.
Reduce	**Create**
Identify factors that can be reduced if they cannot be eliminated altogether.	Identify new areas that can be introduced within the current context to increase competitiveness

Source: 'Blue Ocean Strategy' (Chan Kim and Mauborgne 2005)

Cross-cutting issues

These are issues that affect the general competitiveness of countries. They can be classified in three categories: those beyond the countries border (demand side issues); those experienced at the border (facilitation issues); and those experienced behind the borders (supply side issues).

Beyond the border

An analysis of the various multilateral, regional and bilateral trade agreements should be undertaken and the extent to which the country is benefiting established. Potential for exploitation of these agreements should be assessed and should form part of the strategy.

At the border

Issues include customs and other border related matters such as customs documentation, compliance to standards, safety, and environmental and export inspections. Effective trade facilitation promotes the exports trade by reducing costs and delays in the movement of goods and services across borders.

Behind the border

The issues are those affecting the productive capacity in the country. A thorough assessment will be needed regarding availability of trade finance, capital finance for investment in productive capacities, and the required human resources to manage the various stages of the product value chain. This assessment must be followed by efforts to bridge any identified gaps in each priority sector.

Once the various cross cutting issues have been identified, then solutions to these issues must be found. The traditional approach is to use the SWOT analysis framework (Figure 1) to develop strategies that can optimise existing strengths within the particular area, overcome the weaknesses, exploit the opportunities presented and become aware of the threats posed.

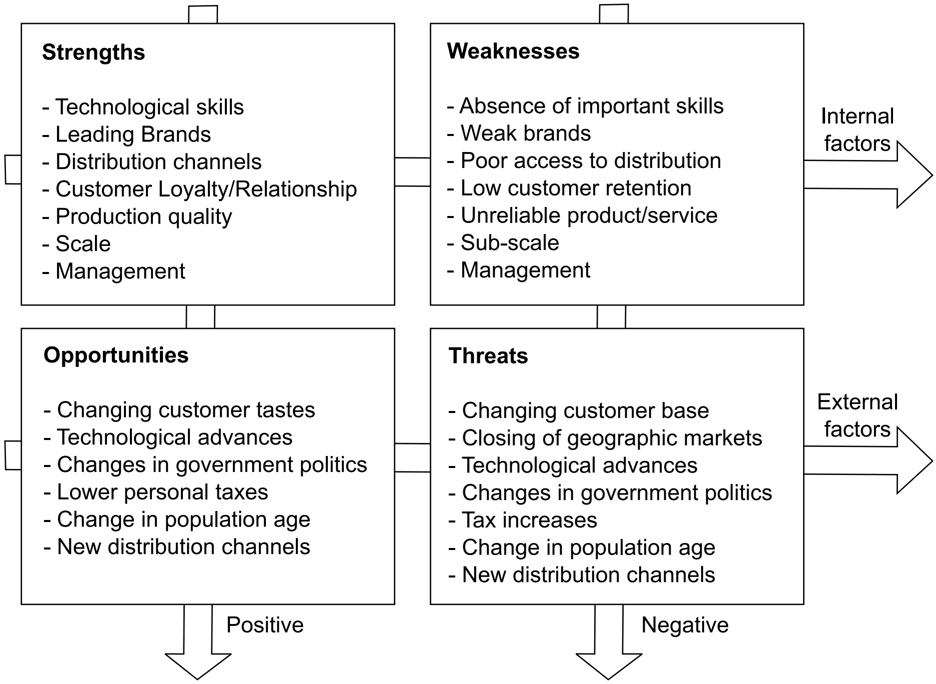

Figure 1: The SWOT analysis framework

Priority sectors

The prioritisation of sectors to be covered in the national export strategy should be in line with the country's development priorities as set out in various national documents. The NES is not a stand-alone project – activities and interventions must be supportive of the country's development vision. For example, South Africa's guidelines on priority setting follow the country's widely discussed budgetary priorities (Box 3). The number of sectors and sub-sectors to be included in the NES will be dependent on the country's overall state of development and the level of available resources within the country – financial, institutional and human – to cover export development activities.

In many Commonwealth developing countries few resources are available for development and the different sectors have to compete for these scarce resources. Many governments in developing countries have adopted the Medium Term Expenditure Framework (MTEF) and the Medium Term Strategic Framework (MTSF). Under the MTEF and the MTSF sectors are grouped into clusters and available national budgetary allocations made available to these clusters. Each sector is expected to bid for funds from the cluster basket to cover its own activities. The bidding process involves justifying each sector's contribution to the economy. The allocation is done on the basis of how persuasive each sector's case is towards contributing to the overall national development objectives. Those sectors seen to be contributing more will ordinarily be allocated a higher level of resources.

Box 3: South Africa's MTEF guidelines on priority setting

The 2008 South Africa MTEF provides that the priorities expressed in the budget reflect the outcomes of the various political engagements including meetings of the extended Cabinet and President's Co-ordinating Council. In broad terms, provincial and local budgets are encapsulated in the following priority actions:

- Accelerating the pace of economic growth and rate of investment in productive capacity;
- Advancing participation of the marginalised in economic activity through expanded job creation and the promotion of sustainable livelihoods. Investing in people and ensuring that skills development complements employment creation are critical platforms on which to build future prosperity;
- Maintaining and expanding a progressive social security net alongside investment in community services and human development;
- Improving the capacity and effectiveness of the State, including combating crime and creating a service oriented public administration;
- Building regional and international partnerships for growth and development.

The SWOT analysis model described above (Figure 1) would be useful in identifying the strengths, the weaknesses, the opportunities and the threats in each sector and in developing strategies to address them.

Financing the strategy

This handbook was developed against the backdrop of the worst economic slowdown in generations. What started in a few developed countries as a financial crisis in 2008 has spilled into the real economy resulting in contractions in consumer demand, rising unemployment and mounting protectionist pressures worldwide. Developing countries are facing a slump in demand for their export products, a fall in some commodity prices, significant reduction in foreign investments and remittances, and a more general liquidity shortage. Governments in developing countries are now struggling with ways of managing these economic challenges while preparing their economies to perform well in a future economic landscape characterised by growing uncertainty. In a difficult economic environment it is important that investments provide strong fundamentals that will promote growth and development in future years. Providing resources for the implementation of a country's national export strategy is one sure way of investing in the future prosperity of the country.

Implementing the Strategy

'We have completed the NES development process and we now have one of the few excellent tools produced in this country in a long time but we fear that this document might not be effectively implemented.' This is a sentiment often heard in strategy work. The process of developing a national export strategy is an easy task compared to the more difficult implementation phase. There are often many political and organisational obstacles that stand in the way. Yet, without effective execution, no strategy can succeed.

As for any strategy, the NES is not an unconnected management process. It is one step in a logical continuum that moves an organisation or country from a high-level vision statement to the work performed by frontline and back office employees. Successful implementation of the NES will be dependent on the following four pillars:

Strategic alignment of the lead agency

Strategy is about improvement in performance, about change. For the lead agency to get behind strategy implementation it must undergo some degree of change, which can be manifested in the following ways:

- Increased allocation of financial and human resources and programmes;
- Strategy implementation must be incorporated throughout the organisation – it should not be seen as a stand-alone project but rather as part of the overall organisation;
- Support from key management processes including budgeting and human resource development;
- Upgrading the skills and competencies of the key people in the organisation;
- Improved infrastructure;
- The organisation must embrace change management concepts regarding values and attitudes.

Communicating the Strategy

Research shows that only about 5 per cent of people in an organisation understand the organisation's strategy (Jones 2008), which implies that the other 95 per cent are communicating a different message. This is very worrying in the case of a national export strategy since it cuts across many sectors of a country. While the methodology adopted in all NES countries is a consultative one, there is the risk of losing the benefits of this extensive consultation process if the strategy is not well communicated across all sectors of the country's economy. Communication of the strategy can be undertaken through the following means:

- NES presentation to the country's leadership;
- Wide distribution of hard copies;
- Uploading the NES document to the government website with links to all private sector organisations;
- Running supplements in the national print and electronic media;
- Making public presentations in all regions of the country;
- Producing a concise version of the document and disseminating it widely through key outlets.

Operational learning: making it happen

Immediately after the official launch of the NES document, things must start happening. The implementation of the NES should be incorporated into all the activities of the organisations involved. There are many NES actions that can be implemented by organisations across the economy as part of their day-to-day activities. The organisations should then move on to those actions requiring moderate increases in resources by prioritising their activities to free up some resources from elsewhere. Actions requiring substantial resources should be covered through the normal budgetary allocations in the country.

Measurement

'You cannot control what you cannot measure' is a common statement in strategy work. This statement often gives the impression that everything with the label 'strategy' must be measureable. While this statement is partly true for business strategies, it poses some difficulties when applied to public sector strategies or a blend of public and private sector strategies, as is the case for an NES. But this does not make the statement less useful. However, the danger is that too much management time is spent exploring ways of measuring activities when such measurements add little value to the achievement of the overall vision of the strategy. It has also been recognised that different but equivalent headings would yield alternative sets of measures that could lead to questions as to why a particular set was chosen over another. If users are not confident that the measures are well chosen, they will have less confidence in the information provided. The guiding message should therefore be: 'Measure what you can and measure what you should.'

A commonly used methodology to measure performance is the 'Balanced Scorecard' developed by two leading economists, Robert S Kaplan and David P Norton (2004). The balanced scorecard suggests viewing strategy implementation from four perspectives – Customer, Internal Processes, Financial, and Learning and Growth – and develop metrics, and collect and analyse data relative to each of these perspectives (Table 2).

Table 2: The 'Balanced Scorecard' method

Perspective	*What is it*	*Key question*
1. Customer	Customer focus and satisfaction should be key in any business. If customers are not satisfied, they will eventually find other suppliers to meet their needs. Poor performance from this perspective is a leading indicator of future decline.	To achieve our vision, how should we appear to our customers?
2. Internal Processes	This is concerned with all the processes that create and deliver value to the customer. This will include how well the organisation is being managed and whether products and services conform to market requirements.	To satisfy our stakeholders and customers, what internal processes must we excel at?
3. Financial	This represents the long-term strategic objective of the project and thus incorporates the tangible outcomes of the strategy in traditional financial terms. Kaplan and Norton (1996) gave three possible stages: Rapid growth, Sustain and Harvest. 'Rapid growth' would lead to increased sales volumes, customer base and market share. The 'Sustain' stage is characterised by measures that evaluate the effectiveness of the organisations to manage the project. The 'Harvest' stage is based on cash flow analysis with measures such as increased foreign exchange and revenues.	To succeed financially, how should we appear to our shareholders?
4. Learning and Growth	This is the foundation of any strategy that focuses on the intangible assets of the organisations; the internal skills and capabilities required to support the value-creating processes. It is concerned with jobs (human capital), systems (information capital), and climate (organisational capital). This is the infrastructure that is needed to facilitate the achievement of the objectives of the other three perspectives.	To achieve our vision, how will we sustain our ability to change and improve?

The balanced scorecard helps to pinpoint the specific human, information, financial and organisational capital required for the effective implementation of an NES. It translates the objectives into measures and targets. It should be noted that objectives and targets will not be achieved simply because they have been identified – action programmes must be launched to enable the targets for all the measures to be achieved and resources made available for each action programme.