

Work Stream 6: SME Export Readiness Assessment Tool

ETHIOPIA

Capacity building of public institutions
for improved business enabling environment (Output 1)

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1. Introduction

Familiarizing EED staff with export readiness assessment procedure for SMEs in different sectors and on how to best select appropriate participants is a critical component in the effort to increase Ethiopia's exports to international markets. This guide provides the necessary tools and framework to help staff choose the right small or medium-sized enterprises (SMEs) to participate in selected trade shows or any given market access outside Ethiopia.

2.Objectives

The Ethiopian Enterprise Development (EED) Manual serves as a guide to enable SMEs to navigate the services and support available, empowering them to thrive and contribute to Ethiopia's industrial development. By leveraging these services, SMEs can create jobs, reduce unemployment, and build a robust manufacturing sector that drives economic growth and prosperity for the country. The objectives of EED's Special Services are as follows:

- Foster the growth and expansion of Manufacturing SMEs in Ethiopia.
- Promote job creation and employment opportunities within the manufacturing sector.
- Enhance the competitiveness of Manufacturing SMEs in domestic and international markets.
- Provide tailored support to facilitate access to finance, technology, and markets.
- Strengthen the capacity and skills of SME owners and their workforce.
- Encourage innovation, research, and development within the manufacturing sector.
- Foster collaboration and networking among SMEs, government agencies, and other stakeholders.

2. The Need for a Standardized Process

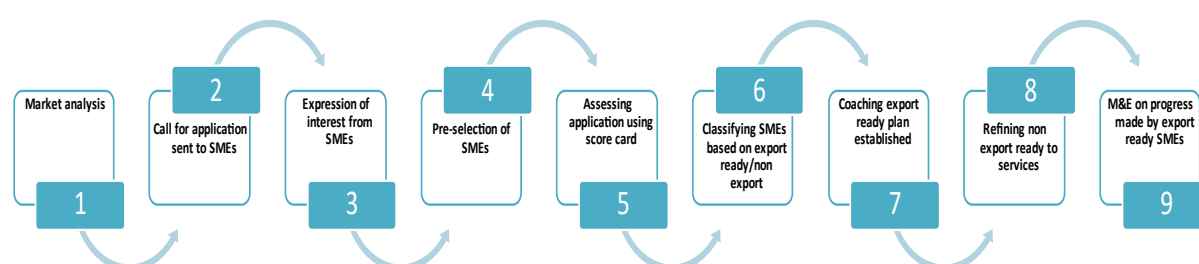
Why is a standardized process needed? In Ethiopia, the activity of selecting SMEs for foreign trade shows is not restricted to a single division within the Ministry or other key institutions; it is undertaken by various divisions, often working independently from each other. To compete with other exporting nations, Ethiopia must have a standardized image it portrays abroad, for example through the trade exposure banner. For that export to portray a consistent image, its products must be showcased and marketed consistently as well. The strategy behind the scenes must always comprise the same elements and methodology in order to convey a product offer that is truly Ethiopian and different from the competition. And to do so, it must select its best enterprises to showcase the best the country has to offer.

Once a process is in place, it can not only be used for one trade shows, but also for shows in other priority countries and sectors where Ethiopia wants to play an active role in export promotion. Some of the variables within the process may change slightly,

but the overall process can certainly be applied throughout. The process can also be used by other institutions who organize trade show participants abroad.

3.1 Process Map

Based on the graph below, it is important to follow the process for assessing SMEs with same criteria, EED should put in place the process of advertising the opportunity for exporting to a given country or market using different channels, to assess the application, there should be a committee that will have to assess applications received and to compare their scores for transparency purposes. For those SMEs that are export ready should be matched with coaches to be supported in few areas where they might still need to improve while those who are not export ready should be referred to the BDS for training and support to become export ready.



3. Assessment Criteria

There are certain steps that must be followed in organizing any export readiness assessment. These steps are:

Dimension	Questions
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I. Competitive capabilities	<ol style="list-style-type: none"> 1. Does your company have an established and profitable domestic market for your product or service? 2. How many years of export experience do your company have? 3. Does the company have experience exporting to the target market? If yes: how many years exporting to the target market? 4. Does the company have financial capacity to afford the different stages of the exporting process from product adaptation until delivering the product in the market? 5. Do your product lines offer a unique selling proposition that provides significant competitive advantage in the target market? 6. Do your products benefit from preferential treatment in the target market (FTAs-tariff)? How much do you know about your target market on trade facilitation (Free Trade, preferential treatment, Rules of Origin)?
II. Motivation for going international	<ol style="list-style-type: none"> 7. Is exporting part of your company's long-term business strategy? 8. Does your company have a formal documented export plan with defined goals and strategies (including environment/CC and CSR section)? 9. Have you conducted any market research to identify or confirm high potential foreign markets for your products or services (market demand)?
III. Good Business Practices in exporting	<ol style="list-style-type: none"> 10. Does your company have CSR programs/practices? 11. Has your company conducted an environment/Climate Change assessment and develop a mitigation strategy? 12. Is your company committed to implement Gender Equality and Social Inclusion (GESI) practices (generate employment for women)?
IV. Commitment of owners and top management	<ol style="list-style-type: none"> 13. Are your company's owners and top management committed to dedicate staff (for example a dedicated person whose primary responsibility will be the export operations), time and resources to the process? 14. Is your company's management willing to wait long enough to achieve acceptable export results on their initial foreign market investment?
V. Product readiness for foreign markets	<ol style="list-style-type: none"> 15. Does your company have production capacity with a reliable supply chain that can meet large orders from foreign buyers? 16. Are you aware of the target market trade and safety regulations (admissibility, packaging and labeling, other regulations)? 17. Does your company have adequate knowledge and capability to customize your product and its packaging in order to meet foreign market demands and cultural preferences?

	18. Does the company have a local representative? If you answer is yes: What services can you offer in the target market?
VI. Skill, knowledge, and resources	19. Does your company have experience participating in international tradeshow? Do the company's representatives speak English or any other foreign language? 20. Does your company have knowledge in shipping its product overseas, such as identifying and selecting international freight forwarders and freight costing? 21. How familiar are you with international payment methods (such as securing letters of credit) and other concerns that come with international transactions (such as impact of currency fluctuations)? 22. Does your company have a visible presence on the Internet (through a professional website, international trade directories, facebook/Instagram page, registered at TFO Canada website, e-commerce capability) and promotional material in English?

The above steps need to be followed when assessing SMEs so that the best ones are selected and coached to attend international fairs outside country.

Based on their scores, some SMEs might fit with regional markets, continental markets or international, markets, depending on their export readiness level and quality of the product.

4. Export Readiness Process

4.1 Steps in exporting

The practical application of the various steps in exporting can make your endeavors profitable and, at the same time, offer new opportunity for growth. It is therefore essential that companies wishing to export are totally committed to their export drive.

The present way in which you conduct business locally, will determine how well equipped your company is to export, these include:

- Local market presence, although marketing experience gained locally is not always pertinent to international markets, companies with a local market presence are likely to be in a better position to adapt to the demands of international markets.
- Financial demands, marketing internationally requires additional funding in order to carry out activities such as; market research, in-market visits, trade fair participation, dispatching of samples and setting up distribution channels.
- Capacity, your company should be in a position to supply your local

market and still have additional capacity to supply international markets.

- Technical expertise, it is important that your company is in a position to develop the necessary technical capabilities in order to adapt your products to meet international technical requirements.
- Management's commitment, exporting requires additional resources in the form of time, capital, technical expertise, understanding the export process and most importantly total commitment to the export endeavour.
- Product readiness, product benefits in the local market can be transferred to the export market. If your products are selling well in the local market, are competitively priced, have a current design and are appealing to a selected market segment, your products are most likely to succeed internationally.

In order to establish if your company and the products you produce, are export ready, in order to establish this, you need to identify the strengths, weaknesses, opportunities and threats you face.

The Export Readiness Checker examines:

- Business Readiness
- Product and Production capabilities
- Marketing
- Export Development

After assessing the organisational readiness and product readiness for export, you should be best equipped to decide whether or not to export. Once you decide to go for exports, you must formulate an export plan.

When you consider exporting, it is understandable that you would draw on past knowledge and expertise/experience gained in the domestic market.

Experience would expose the hidden pitfalls and would teach you about best business practice

Basic business principles that you apply to the domestic market would be applied to the international market too.

No company with less than three - five year's experience in the domestic market, should consider venturing into the international market place.

If you have not had a successful track record of more than three - five years in your own market, then surely you would not be able to successfully develop an international presence.

Entering into an international market means dealing with different kinds of customers, environment, legal systems, economic and international regulations, which may be very different from those in the domestic market.

International market development is a costly exercise. Apart from the infrastructure costs of setting up an export department, companies need to invest in appropriate market research, suitable promotional material, product and or trademark registration, increased production costs and means, etc. Certain products may need to be modified to meet the requirements of a particular market, and labelling and/or packaging may need to be adapted to conform to foreign government regulations or foreign buyer preferences. In addition, the pipeline between expenditure on raw materials, production, marketing and distribution, and the receipt of proceeds is much longer for international sales than for the domestic sales, financing of the operation may be required for much longer periods of time.

Companies therefore need to have a sound financial base to be able to cope with the additional demands on resources that comes with exporting.

The efficiency of a company's communication system is a vital factor in determining the degree of success an international marketing drive is likely to have. If you do not have an effective communication system such as Internet, e- mail, fax and telephone facilities then these must be purchased in order to ensure that your company responds promptly to enquiries received.

In addition, exporters have to remain in constant contact with bankers, freight forwarders, transporters and insurers, etc.

Attention should also be given to the time differences between your country and foreign markets. This may require additional telephone answering facilities that operate outside normal working hours.

In addition, an up-to-date interactive web site, which customers can visit to find out more about the company, its products/services, and through which they can contact, your company using email, is essential.

The most central risk in international trade is that of non-payment. Exporters should approach their local bank in order to obtain additional information pertaining to international methods of payment, the transferring of funds and the rules and regulations pertaining to international payment procedures as laid down by the your Central/Reserve bank.

Access to adequate finance expands an exporter's range of potential customers through ability, when necessary, to offer extended credit terms. All exporters must investigate what financial options are available.

Each international payment options has different risk. It is essential that exporters understand the risks and the costs involved with each method of payment. The four main methods of payment are: Cash in advance, Documentary credits (also called Letters of credit), Bank collections and Open account.

Payment ranges from the least amount of risk for the exporter, such as cash in advance, to the most amount of risk for the exporter such as: open account.

All potential clients should be investigated for creditworthiness. Your Chamber of Commerce and Industry and commercial banks can assist exporters with creditworthiness checks.

Exporters should consider export credit insurance particularly if the exporter is selling on a bank collection or open account basis.

The major distinction between domestic and international sales is that the latter involves a higher risk.

Exporting is far more costly than most companies envisage. The marketing component is extremely expensive as most of the costs are incurred in the intended target market. Packaging and transportation costs are also expensive. The cost of production could also be higher as in some instances additional staff may have to be employed in order to meet the greater number of orders received. Larger quantities of raw materials would have to be purchased to meet the increased demand and this could serious effect cash flow.

It is most likely that SMEs will be competing on a basis of cost. Therefore, knowledge of your production costs and the ability to estimate the production costs of your competitors can be vital for your success. To know your own costs you will need a cost accounting systems and procedures that will give you an accurate estimate of both direct and indirect materials, labour and expense costs.

It is advantageous to have information on your competitors' costs per unit. Once these estimates are available, you must take planned steps to ensure that you are on par with your competitors, or your only option would be to charge a higher price and justify this increase to your buyer on the basis of an appropriate positioning strategy.

Incoterms or the International Commercial terms define the precise point at which the seller of the goods in international trade "delivers" the goods to the buyer. It is at this point at which the responsibility for the costs of transportation and consequent charges are relinquished by the seller and must thereafter be borne by the buyer. In addition to the costs, there is a point in the movement of the goods at which the liability for the risks of loss or damage to the goods also passes from the seller to the buyer. The Incoterms clearly define these points.

Incoterms range from the least amount of risk for the seller namely EX WORKS - EXW to the most amount of risk for the seller namely DELIVERED DUTY PAID - DDP

The Incoterms have been drawn up by the International Chamber of Commerce as early as 1936 and have been updated to include INCOTERMS 2000

Visit the ICC Website: www.incoterms.org.com

For a comprehensive list of all the Incoterms refer to the section on INCOTERMS in the ACCESS workbook

5.2 SME Application Form

Note: This information is solely intended for EED internal use and will only be shared with external parties such as buyers with the expressed consent of the exporter. Please make sure you respond to each question.

Is your company registered on the Mini website? Yes ☐ No ☐

What is your industry sector? _____

A. Contact Information

Company Name: _____	
Year the company was founded: _____	
Representative Name(s): _____	
Title(s): _____	Gender: <input type="checkbox"/> Male <input type="checkbox"/> Female
Address: _____ Country: - _____	
Phone: _____	Mobile: _____
Email: _____	Website: _____
Social media presence: <input type="checkbox"/> Facebook <input type="checkbox"/> LinkedIn <input type="checkbox"/> Instagram <input type="checkbox"/> Twitter <input type="checkbox"/>	
Other: _____	
Preferred communication: <input type="checkbox"/> Skype <input type="checkbox"/> WhatsApp <input type="checkbox"/> Other: _____ Address: _____ _____ _____	

B. Company Information

Please indicate the type of Company (for example, established as Manufacturer/Producer, Trading House...) and provide a brief description:

Is your company officially registered as a corporation? Yes ☐ No ☐ Will be ☐

If so, registration number _____

1. Ownership structure of the company:

- Private ownership ☐ Publicly traded ☐ Co-Operative ☐ State-owned ☐ NGO ☐

Foreign owned ☐ Other: _____

- Male-owned/managed ☐ Female-owned/managed ☐ Mixed ownership ☐

☐ Other ownership; please specify: _____

2. Full-time and part-time employment (please provide approximate figures)

- Full-time: Number of Males _____ Number of Females _____
- Other employment (e.g., part-time, seasonal & via suppliers):
Males _____ Females _____
- Location of most of this Employment: _____

3. Financial overview of your company – please use USD \$

- Size of the company's assets (USD \$): _____
- Turnover in xxxx: _____
- Do you currently get bank financing for export form your local bank? Yes ☐ No ☐

If yes, please specify purpose (e.g. equipment financing, cash flow)

- If you export, under what terms are you working for payments (Ex Works, FOB, CIF...)? _____
- What is the size of your budget for export promotion on the Canadian market? _____

4. Standards (e.g., ISO, HACCP, Organic, health, Global GAP etc.) - Please list the standards you are currently certified for:

Are there other standards you plan on become accredited to in the coming months?
Yes ☐ No ☐ If yes, which ones? _____

5. Corporate Social Responsibility (CSR)/Environmental standards – Please select all activities you are involved in:

- ☐ Fair-trade certification ☐ Charities

¹ Company owned by women by at least 51% or company in which women occupy decision making levels (general manager, sales manager, export manager, etc.)

- ☐ Environmental protection
☐ Community support

- ☐ Education programs
☐ Others: Please specify.

6. Do you have an export plan document? NO ☐ YES ☐

7. Are you willing to develop/improve your export plan with the support of TSI?
 NO ☐ YES ☐

If "No", please explain why?

C. Exporting experience

1. Do you have export experience? NO ☐ YES ☐

If “Yes”, do you export ☐ Directly or ☐ Through a third-party?

and in which year the company started to export: _____

2. Please list the main products available for export:

Top of Form Product	Per Unit Price (In USD)	HS Code 6 digits	Production Capacity (Monthly, in units)	Export Capacity (Monthly, in units)	Target Countries

3. Describe recent exports below (including to Canada) and indicate export sales in recent years:

Top of Form Product Name	HS Code 6 digits	Exports Value (USD)	Exports Value (ETB)	Year

Please include additional product related information in separate documents: photos, catalogues, prices, company presentations, valid certifications. These are necessary for the company and product evaluation.

IMPORTANT: PLEASE INCLUDE THE FOB PRICE LIST OF YOUR PRODUCTS IN US\$

8. Any additional information on your company, products and export objectives:

Date: _____

Signed by: _____

Name: _____

Once the assessment is completed, technical staff will assess the readiness of each application submitted against standard criteria and will be ranked based on their scores. Based on scores, EED should establish training program to support SMEs in areas they scored or showed less capacity.

As in any selection process, all parties should use the same criteria to choose SMEs to participate in trade shows to be consistent and portray the same image regardless of where Ethiopia is exhibiting. This allows the country to enhance its image as a reliable supplier in a uniform manner. Consequently, the criteria must be determined beforehand and communicated to all parties involved within EED. In theory, the criteria for participating in trade shows in North America should be the same, regardless of the show. However, the criteria should be reviewed for every country considered to ensure they are meaningful and realistic. For instance, having organic products may not be a criterion if an SME is to exhibit at SIAL Canada, but it would be if the intent was to participate in BIOFACH America. Some discretionary measures may be required for different countries and shows.

The essential criteria for selecting SMEs to participate in any given trade shows are identified below:

The SME must have a good product mix to showcase in any given country. Unless the product is revolutionary, the company must produce different varieties, colours, models, and types to provide tangible options for the potential buyer. For instance, if an SME produces cinnamon in sticks only, it is highly possible that he/she will not be able to attract a buyer's attention.

Once again, it is best to develop a cinnamon-based product line as opposed to offering basic raw cinnamon.

Packaging may need to be modified because of the SME's participation. Nevertheless, the original packaging must have a basic appeal and be presentable. The SME must have production capacity for export.

The company must have prior export experience. Prior export experience is essential as Canada is not a "natural" for new exporters to begin their export training. It is likely best for new exporters to look to neighbouring countries first. This may not apply to specific government hand-held initiatives, where technical assistance can assist new exporters.

The company must have excellent communication skills and be able to respond in a concise and timely manner. This can be easily tested between EED and the applicant before the selection process. Much of how the SME communicates with EDD will be repeated later when the SME deals with buyer requests both at the show and as follow-up to the show. Prompt and clear communication between EED and the SME will likely mean the same type of communication between the SME and the buyer.

There must be proficiency in English within the SME, at least with the representative to be selected to travel and exhibit. This can easily be tested by officials via Skype, FaceTime, or similar communication program. English is not only necessary at the show, but once the show is over and follow-up is required, the use of English will be essential to ensure business requests are met and clearly understood within the SME.

There must be promotional material in place that can be submitted with the application form that will be brought to the show. This includes product information (first in importance), company information (second in importance), website, social media presence, printed material, and business cards. Note: CD ROMs are being phased out as promotional material in many countries and are seldom used.

The SME must demonstrate some financial commitment for both exporting in general and for participating in the trade show and must want to develop the target country as a priority market.

The above criteria are considered essential, which means that if an SME does not have even one of these criteria, then it should not be chosen to participate in a trade show in any given country. In addition to the essential criteria, there are other, less essential but "good to have" criteria. These good-to-have criteria can help determine who ends up being selected to participate:

- Product or company certification—such as HACCP, ISO, Organic, Halal, and Kosher—are, at this point, considered non-essential. However, as world food safety trends are moving toward global standardization, it is possible that in the near future HACCP certification will become a requirement in many countries.

- Individual product technical evaluations (pre-show) would also be considered non-essential information, particularly if it is not feasible for these to be done for all applicants.
- CSR/gender equality involvement are important, but non-essential, criteria.
- While prior trade show experience is not an essential requirement, it is desirable and should be considered if all other things are equal.

5. Evaluation Scorecard

Staff Name:

Woman led-owned:

Yes _____

No _____

Mixed _____

Region:

Company Name:

Representative Name:

Title: _____

Gender: ☐ Male ☐ Female

Website:

Instagram/FB: _____

Email: _____

CRITERIA	SCORE* (from 1 – poor to 5 – excellent)	COMMENTS
1. Product offer / Product Mix		
2. Relevant export experience		
3. Certifications for export markets (company and product); current or in progress		
4. Packaging & Labelling (If no samples, pictures)		
5. Pricing		

6. Promotional Materials/Marketing/Social Media presence		
7. Communication capacity & Level of English/Mandarin		
8. CSR		
9. Environmental Considerations		
10. Representative skill Set		
TOTAL (add all scores together)	/50	Reason(s):
Recommended for project? (yes/no/maybe; indicate reason)		

6. Coaching/Training

Coaching for the expert ready SMEs is still a very critical step towards exporting. This is different capacity building compared to normal training provided to SMEs on BSD. The coaching focuses on specific areas where SMEs need to improve based on export readiness assessment results. The coaching is more hands on and is customer-based need whereas the training focuses on general needs for participants. Coaching is a journey that both EED and SMEs should agree upon and set timeframe to implement it as it can not be done in just couple days.

A. Set objectives of the coaching/training

There are basically three types of objectives, all of which should be part of any training program. These are:

- Cognitive or those which aim to provide knowledge or theory.
- Affective or those which aim to change thinking or attitude towards something.
- Practical objectives, which transfer actual skills resulting in the ability to do something.

To be effective, learning objectives should state what behavior or action is required.

Rules for formulating training objectives:

1. Have the participants as the subject of the sentence.
2. Include an action verb that is observable and measurable.

3. Describe what participants will be able to do at the end of the session and therefore be realistic.
4. The objective you set must be proved by asking questions or recapitulating at the end of the session.

There are three kinds of objectives. These are knowledge-based objectives, skills related objectives and attitude related objectives. The types of words we use when we set objectives differ depending on the type of objective we want to achieve.

B. Determining the structure and content of the training

After identifying the gap that must be filled in through TNA and formulating the objective of the course, the trainer should give due emphasis for the selection of the contents that are useful to meet the objective of the program.

C. Selection of appropriate coaching methods

Coaching is something that needs careful approach and method to ensure the transfer of knowledge and skill effectively and up to the desired standard.

There are different methods in delivering coaching. Action oriented and participatory methods are highly effective in addressing adult learners' needs.

D. Selecting coaching/training Aids and necessary materials

Appropriate coaching aids are tools and resources trainers use to enhance the learning experience and facilitate effective communication with participants. When preparing coaching aids, coaches should consider the status and needs of adults, keeping in mind their preferences, experiences, and learning styles. Here are some examples of appropriate training aids:

Visual aids: Visual aids such as slideshows, presentations, charts, diagrams, and infographics can help convey information and concepts in a clear and visually appealing manner. They provide a visual reference that supports learners' understanding and retention of key points.

Handouts and printed materials: Providing handouts, worksheets, or reference materials allows learners to have tangible resources to follow along, take notes, and refer back to after the training. These materials can summarize key information, provide additional resources or exercises, and serve as a reference for further learning.

Interactive exercises and activities: Incorporating interactive exercises, group discussions, role plays, and case studies engages learners actively in the learning process. These activities encourage participation, collaboration, critical thinking, and application of knowledge and skills in a practical context.

Technology-based aids: Depending on the training setting and resources available, trainers can utilize technology-based aids such as multimedia presentations, online resources, videos, and interactive online platforms. These aids can enhance engagement, provide real-life examples, and offer opportunities for self-paced learning or remote training.

Demonstrations and simulations: For certain types of training, hands-on demonstrations, simulations, or practical exercises can be effective training aids. These aids allow learners to observe and experience the application of skills or procedures in a controlled environment, facilitating comprehension and mastery.

Props and physical objects: Incorporating props or physical objects relevant to the training topic can make the learning experience more tangible and memorable. Props can be used to illustrate concepts, demonstrate procedures, or enhance understanding through a multi-sensory approach.

Multimedia and audiovisual resources: Utilizing multimedia resources such as videos, audio recordings, or animations can help convey complex information, provide real-life examples, or stimulate discussions and reflections.

When selecting training aids, trainers should consider the learners' preferences, cultural context, accessibility needs, and training objectives. It's essential to strike a balance between various aids to create an engaging, inclusive, and effective learning environment that caters to the unique needs of adult learners.

E. Follow up/ impact assessment.

Follow up is a post coaching service that is critical to knowing how effectively the participants have been applying the knowledge and skills gained during the coaching program. A coaching program that was rated as excellent during evaluation might fail to bring tangible change in the performance of the trainees. Follow up service is essential to see and identify the impact of the training on the behavior of the participant.

Follow up service and impact study will help identifying new training/participants needs and areas that need special attention in future similar interventions.

7. Annexes



Chart Edit - Export
Readiness Appicatio



Score Card.pdf



MSMEs Export
Readiness Assessmen



SME Exporter Profile
Form.pdf