PARTNERING IN BUSINESS WITH GERMANY

Formerly *FIT FOR PARTNERSHIP WITH GERMANY*

Report for the Steering Committee Germany – Chile 2023

"Less quality, more market"

Based on the "Report on the period 2017-2021 in Chile", 2021.

November 2023

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Content

Disclaimer

All the data collected are analysed with the only purpose of retrieving statistical information. We strictly respected the law on statistical confidentiality[1] and we do not explicitly refer to persons or companies.

Some data are available only since the second semester of 2020, when additional queries were introduced in the application form. Moreover, despite the effort to clean the database from inconsistencies, there may still be some data that introduce some minimal degree of incoherence in the observations. Anyway, statistical quantities given in this report are assumed to be representative of the universe of applicants. Unless otherwise stated, all statistical quantities are approximated to integer numbers.

Data relating to the last call in September 2023, for the first programme of 2024, have been aggregated with the data of the year 2023, for the purposes of this report only.

This document is intended to be read preferably in digital format, as many figures could not be produced in a user-friendly format without the use of colours, making them difficult to be read in black and white printouts.

[1] www.ine.gob.cl/institucional/nuestra-institucion/secreto-estadistico

Abbreviations and acronyms

(in alphabetical order)

B2B	Business-to-business
BMWK	German Federal Ministry for Economic Affairs and Climate Action
Corfo	Corporación de Fomento de la Producción, Chilean economic development agency
EIRL	Individual limited liability company, for its acronym in Spanish
EU	European Union
F4P	Fit for Partnership programme, the name in use in Chile
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH, the German Corporation for International Cooperation
MP	Manager Training Programme, name of the programme until 2023
PG	Partnering in Business with Germany, new name of the programme
Province	All regions of Chile but the metropolitan region (RM)
R&D	Research and development
RM	Metropolitan region, for its acronym in Spanish
SA	Limited company, for its acronym in Spanish
SGR	Mutual guarantee company, for its acronym in Spanish
SME / SMEs	Small and mid-size enterprise / enterprises
SpA	Joint stock company, for its acronym in Spanish
SRL	Limited liability company, for its acronym in Spanish
UAT	Territorial Analysis Unit, part of the Networks and Territories Division of Corfo, in charge of the coordination of the programme in Chile
UF	Unit of account used in Chile as a non-circulating currency that is adjusted for inflation on a daily basis
Unit	Refers to UAT

Nomenclature

(by steps of the programme)

Registrations	Refers to the records (data) that people have saved in the application platform, regardless of whether they submitted their application form
Applicants	People who submitted their application form
Participants	Applicants selected to participate in MP
Alumni	Participants who have successfully completed the programme
Generation	All the alumni of a given programme year. For instance, generation 2019

Highlights

This document analyses the changes that possibly occurred since the five-yearly report released in November 2021, Report on the period 2017-2021 in Chile, hereinafter referred to as the main report[2]. This document is not intended to replace the main report, but to supplement it with updated or new information from the follow-up surveys conducted in September 2022 and 2023. Consequently, the structure of the document is the same as the main report, with additions or corrections where appropriate.

Who's applying

Until October 2023 the programme has assessed 949 applications, interviewed 481 applicants (51% applications), accepted 310 participants, 41 (13%) of whom dropped out, resulting in 269 alumni, 20% women.
Since the release of the main report, the characterisation of the typical applicant has not changed much. Over the pandemic, we observed an increase of applicants with technical education in business administration, while most applicants used to be graduated in engineering from the university. They have little or no international experience. Yet a novelty is the participation of more regions. Since 2022, there is a slight majority of applications from the Province. This trend is more pronounced when considering the location of the applicants rather than their companies. Indeed, inter-regional commuting is mainly observed in the central zone of the country close to the metropolitan region.

On the applicants' companies

Companies are still mainly of micro or small size in terms of turnover and employees, and 2/3 of them were founded in the last 5 to 10 years.
Germany is confirming its second position within the business partners of our applicants, far before the United States of America and China, and second to Chile (national business partners). On the other hand, the competitors are still mainly located in Chile. The first competitor country remains the United States. Germany ranks third after Spain. International and national competitors were unknown few years ago. In 2023 applications exhibit much better knowledge of foreign and national competitors (up to 92% for international business competitors).

We need the programme to emphasize and raise awareness on this peculiar point, market watching.

On the projects of cooperation

Manufacturing and Industry 4.0 are the leading topics of the proposals. Manufacturing is also the main sector of interest when looking for German companies. Chilean SMEs are still looking for technology in Germany. However, since the pandemic, quality is no more at the top of their interests. Our alumni are favouring new markets, in addition to getting access to new or standard technologies.

On the programme

The general perception of the training programme is following a good path with more than 90% of approval since it started. The introduction of new or improved products or services is the all-time top change in the alumni's companies after their participation to the programme. The possibility to visit companies in Germany and the business-to-business meetings is a peculiarity that clearly stands out within the alumni, making the programme unique. On the other hand, the first barrier to closing deals reported by our alumni is a lack of interest from

[2] Download https://repositoriodigital.corfo.cl/xmlui/bitstream/handle/11373/716350/F4P%20Chile%202017-2021.pdf

German companies. This apparent contradiction will have to be evaluated. It may be related to the lack of support in establishing contacts with German companies, a recurring complaint since 2020.

Alumni business and network growth

Encouraging enough, most alumni are hiring and plan to do so in the near future. At the same time, we see many of them making investments, prevailingly in software solutions.

The share of alumni doing new business every year, with companies know through the programme, is roughly constant. This means that the gross number is increasing with the alumni population growing every year. Every year, one in five alumni concludes a business deal with a new German company. The share grows to 30% with Chilean companies. The analysis of the surveys shows that these minorities of alumni achieve to get many new German partners every year, as well as national partners. This opens new questions on the improvement of the selection of applicants, and the identification of future successful alumni. Year after year, fewer and fewer alumni are looking for technologies, while more and more are looking to represent German companies in Chile. This points to the need to sell more, in line with the relevance of *new markets* within the cooperation projects. The same conclusion follows from the nature of the alumni networks, which shifted from direct sales services to supply activities.

Encouraging results were found about the knowledge of competitors, and the collaboration with competitors, within the applicants and the alumni, respectively. This is particularly true in Chile.

Management in Chile

1. Promotion

Three years after the creation of the Fit for Partnership group in LinkedIn, it has become as efficient as the digital and traditional media. Figure 1 shows the most effective channels which are the website and the mass mailing sent to all Corfo beneficiaries. Other channels need reinforcement.

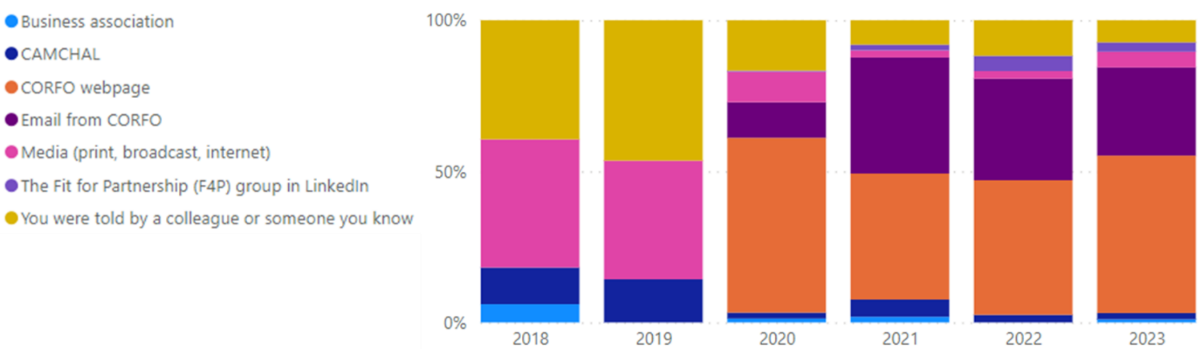

Figure 1. How do people find out about the programme. Data from 849 registrations.

2. Application phase

Figure 2 shows overall numbers since 2017 to date.

Figure 2. Global figures of the application process, from registration in Corfo's application platform to the end of the programme.

We remind the reader that since 2019 we are utilising a digital online platform to register all applications. People can enter and start filing the application form. Some of them decide not to send the form. This is what we define as the application rate, which tends to slow down since the beginning, as shown in Figure 3 (a) and (b), while the number of people entering the application platform does not show any peculiar behaviour over time (c). This is apparently not related with the pandemic period.

The question that came up in the main report was *Why do these people end up not applying?*

Based on very few feedback (to date), the content of the programme requires more dedication than applicants initially believe. Moreover, many very small companies start filling the application until they fully understand the target of the programme and leave it unsent.

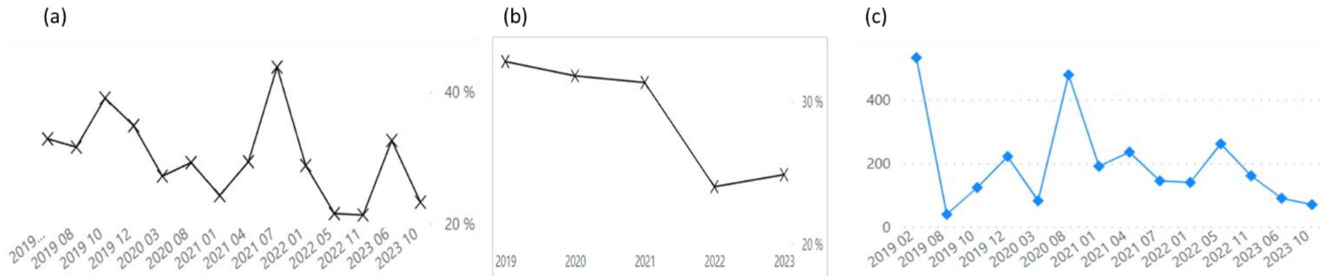

Figure 3. Application rate. Percentage of applications with respect to registered people. (a) on a call basis. Axis shows year and end month of the calls. (b) on a yearly basis. (c) Number of people entering the platform.

The conclusions we presented in the main report on how long a call should be open have not changed. Indeed, the curve of Graphic 4 of the main report has been enriched with many points and has not changed: 80% of the applicants send their application in the last two weeks of the call. This allows us to make decisions on the planning.

3. Selection phase

Since the beginning of the programme[3], usually about 5% of applicants selected for an interview do not show up, do not register, or just decline. The number doubled in 2023. Moreover, between 5% and 25% drop out of the programme at the beginning or before it starts. The peak of dropouts in 2022, Figure 4, is mainly due to participants who did not travel to Germany for economic reasons. To date, there are 269 alumni in Chile, and 41 who resigned with no pattern to identify them beforehand.

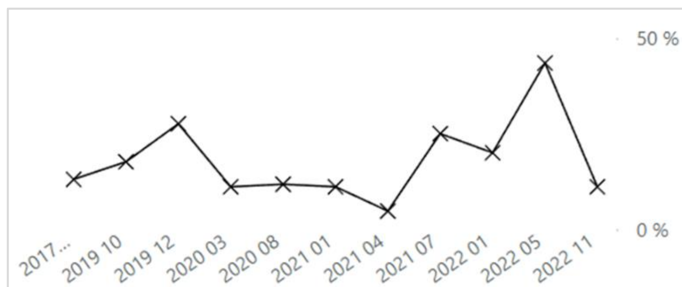

Figure 4. Dropout rate.

[3] At least since we have records, in 2019.

Part A – The universe of applicants

To date, 2884 people registered in the application platform, and 1/3 (949) applied in 16 calls. There are 269 alumni who participated in 23 groups distributed in 12 training centres. In addition, 41 selected applicants left the programme. With very few exceptions, we received between 20 and 80 applications per call.

Women's share

Participation of women has been fluctuating around 20%, Figure 5, with 184 applications since 2017, 98 (53%) selected for interview, and 89 (91%) accepted to the programme. Only 7 (8%) quit, which is half less than men. The same trend of Figure 5 is observed for the share of women within the alumni.

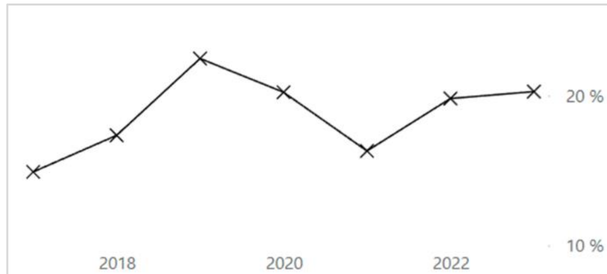

Figure 5. Women's participation.

4. Territorial participation

Growing interest in the programme

Applications cover 86% of the territory, in terms of provinces (48 out of 56), 17% more than a year ago. Since 2022, we are receiving a bit more applications from the Province. However, there is still a strong concentration in few capitol municipalities. Green business and Industry 4.0[4] are the most diffused project topics over the country, while food industry is highly concentrated in the central zone.

Selection rates

Here we focus on the success rate in the selection process, and we consider the location of the companies, not the applicants. Although the metropolitan region provides much more alumni, less populated regions like Los Ríos and Biobío have been much successful and progressing in the very last years.

The distinction between the location of the applicants and companies can be quite relevant due to commuting.

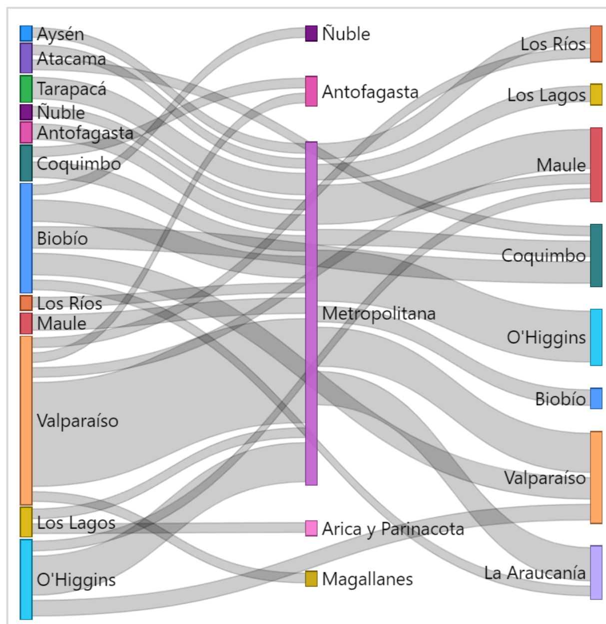

Figure 6. Inter-regional commuting, from home to the company region. All registrations are considered, sent and unsent. The thickest relation, from Valparaíso to RM, weighs 17 commuters, the thinnest is 1.

Commuters

Figure 6 gives an overview of the inter-regional commuting. Although all regions appear in the graph, with at least a commuter, the phenomenon is mainly limited to the central zone of the country and involves the metropolitan region.

[4] Industry 4.0 here defined as automatization, optimisation, artificial intelligence, big data, internet of things, cloud computing, and similar.

5. Applicants profile

The increase of applicants over 50 reported in the main report is stable around 20% since few years. We are observing an opposite trend with young women. Figure 7 (a) shows a slowly but continuously vanishing participation of women below 30 since the beginning of the programme in 2017, while applications of women in their 30s have been increasing.

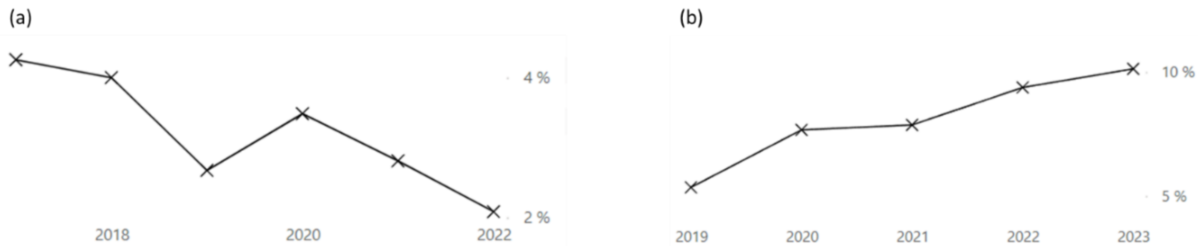

Figure 7. Applications from women (a) under 30 years old, (b) between 30 and 39 years old, with respect to all male and female applicants of all ages. In 2023, we received no applications from women younger than 30.

The distribution of applicants by experience with international projects (Graphic 13 in the main report) has not changed since 2021, Figure 8, with most applicants having little or no international experience. On the other hand, the selection of applicants with no or some international experience has increased in the last two years, in particular those with no experience. We remind the reader that this is not a selection criterion.

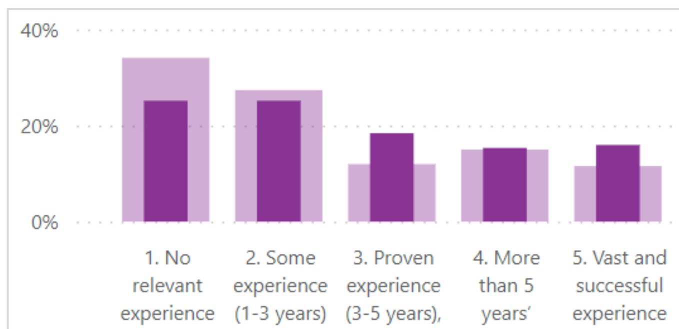

Figure 8. Experience with international projects. Light coloured columns show the distribution for all applicants, while dark-coloured columns focus on selected applicants only.

6. Characterisation of the companies

Since the beginning of the programme, micro and small companies are dominating, whatever is the criterion to determine the size of the company, Figure 9[5]. While the programme is focused on small and medium sized companies, this is a challenge we still have to face in Chile.

The parameters used to characterise the companies (size, business activity, economic sector, diversification level, technology, medium term vision) have not significantly changed since 2021 and we refer to the main report.

[5] For more information on the size of companies, as defined in Chile, see tables 2 and 3 of the main report.

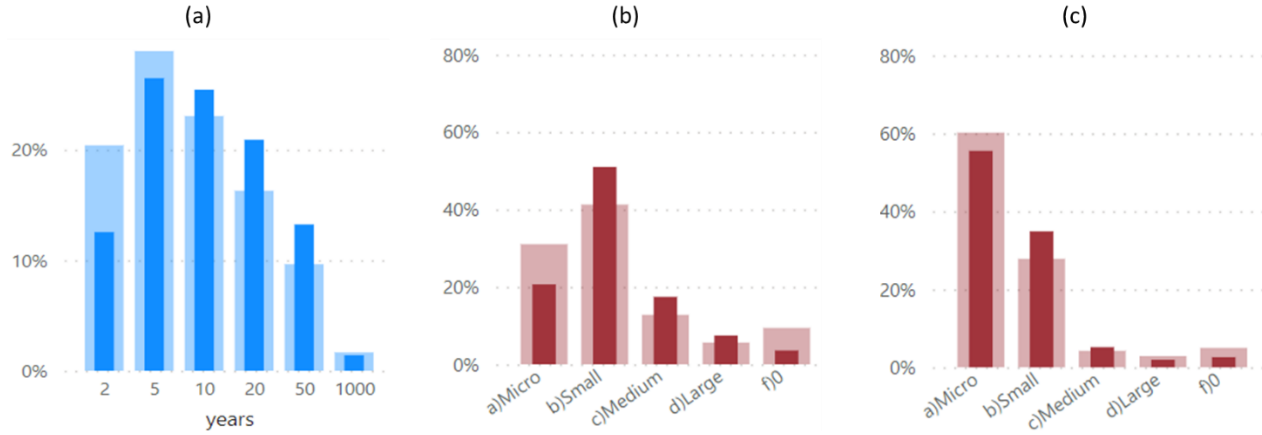

Figure 9. Distribution of companies (a) by age at the year of participation, (b) by sales, (c) by number of employees. Light coloured columns show applicants, dark-coloured columns are selected applicants only.

7. Business networks

Business relations

The main figures of this section have not changed. We can nevertheless comment on the nature of the business relations of our applicants, and alumni. We observe a constant increase of applicants who have relations with clients, Figure 10. In other words, we see more and more companies that sell to other companies. This can be seen as a proxy indicator of sales. The same trend applies for selected applicants. Ukraine and Argentina are two new additional countries where our applicants have business relations since the last survey of 2022. The main partner countries are still Chile and Germany, with 39% and 23% of the business partners respectively, followed by United States, China and Spain with 4%.

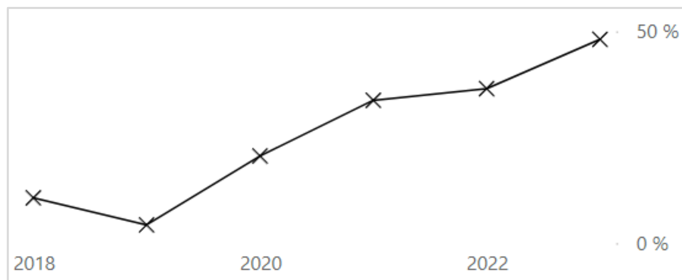

Figure 10. Percentage of applicants that sell to other companies (business relations with client companies).

Competitors

Competitors knowledge was very low within the applicants in 2020, with only 28% able to name a competitor in Chile, and 39% worldwide, Figure 11. This year exhibits much higher numbers and a very encouraging trend, although at this stage it is not yet attributed to the programme, as these figures refer to applicants. However, the trend is confirmed by our alumni (see section 11. Alumni business networks).

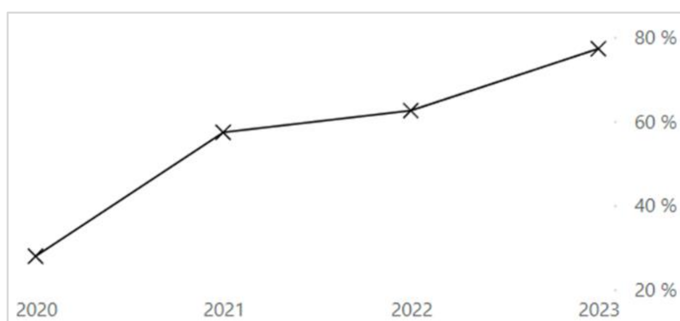

Figure 11. Applicants who know at least one competitor in the Chilean market. The trend is the same for the international market.

In 2021 and 2022, the leading competitors were the United States of America, Spain, and Germany in 3rd position. Thailand and Japan are two new competitor countries since 2022.

Part B – Cooperation projects

8. Programme projects and German companies

When the programme started in Chile, and for a limited number of calls, there were few specific topics. These were green business, food industry, health, and recently industry *4.0*. Any other application was classified as *open*. In recent years, there have been almost no focused calls. In 2022 we generalised the concept by adding more categories and asking the applicants to choose only the one that best characterises their business projects with German companies. Figure 12 shows the distribution of topics for the 175 applications of 2022 and 2023.

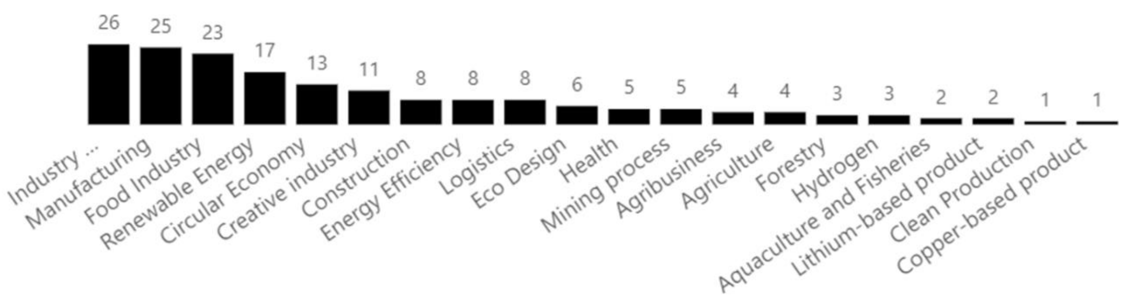

Figure 12. Topics of business projects with German companies, year 2022 and 2023, 175 applications.

Agriculture, forestry and fishing were traditionally within the major sectors of interest. Since 2021, these sectors have moved to third or fourth place after service activities and manufacturing sectors. When analysing the proposals, one can see that the popularity of the term "quality", which is traditionally associated with German companies, has been outpaced by "market" since the pandemic (see comparison in Figure 13).

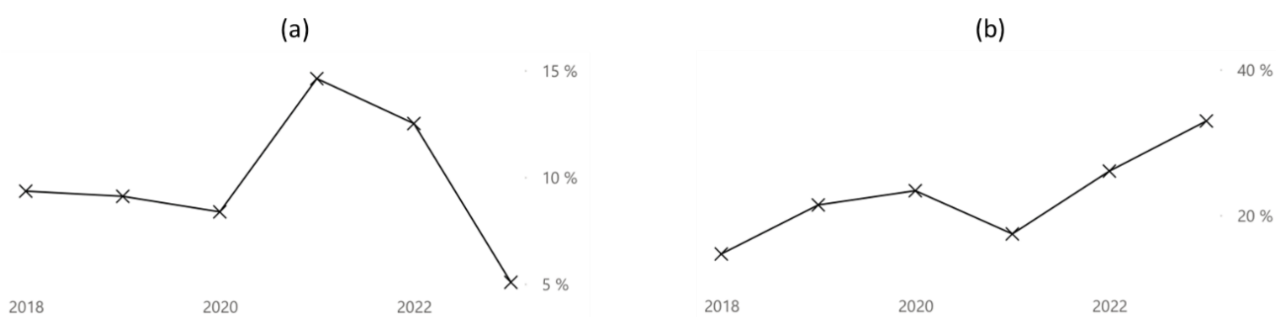

Figure 13. Popularity of the words (a) "quality" and (b) "market" in the proposals.

These recent observations introduce some corrections to the scenario anticipated in the main report. Since the beginning of the programme, the main objectives are still pointing to acquire new products from German companies, with an increasing interest for services since 2020. Nevertheless, Chilean participants are no more looking for quality as something specific they thought German companies could offer. Applicants seem to be more actively looking for new markets.

Part C – Follow-up and Results

This last part of the report focuses on the alumni. The inset of Figure 14 exhibits the progress in the participation to the annual survey since we implemented the monitoring model in 2020. The participation has continuously increased until last year, while the number of alumni is increasing year by year. The main figure shows the annual participation by generation. As expected, the older the generation, the fewer the responses, with exception of 2023 survey point. However, this dynamics assumes some inputs from our side. Indeed, in 2023 the survey was open for one month, as previous years, but with no weekly reminders. As a direct consequence, the participation reduced to a base line of around 25%. Only the very last generation was more prone to participate. This reveals the efficiency of reminders. Having said that, Figure 14 shows a slight trend of almost all generations to increase their participation over time.

The attempt to use the survey as a measure of the alumni activity within the programme (see main report) fails because of this year lack of participation, with only three valuable points.

On the alumni association, we are glad to see how fast the alumni get to know www.asogich.org, from 36% in 2021 to 56% in 2023. Feedback from the surveys show a lot of interest. The alumni are looking forward to the association.

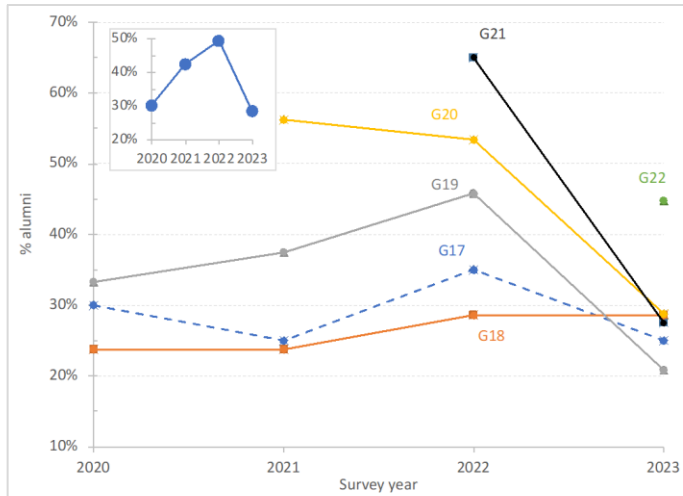

Figure 14. Participation of alumni in annual survey. Main figure shows the participation of each generation, 2017 (G17) to 2022 (G22). Inset: overall participation.

9. On the training programme

Only the alumni who completed the programme the year prior the survey are asked about the content of the programme.

The feeling on the intensity of the programme has not really changed since 2020, with 75% of the alumni having no issue with it. The same is true for teamworking. Less than 10% found teamwork with other participants ineffective.

The preferred training format is again *company visits*, as it was in 2020 (70% of responses in 2023 survey), well ahead of *class teaching*, *group counselling* and *workshops*. The pandemic shifted the choice towards more usual formats, but having a trip to Germany again proves to be the biggest attraction of the programme.

Among the possible benefits of the programme, *networking* is the only one that is being more and more appreciated year after year, while other usual benefits such as *doing new business* or *accessing new technologies* have not changed their ranking.

A waste majority of alumni have made changes in their companies, or intend to do so, with *new or improved products or services*, *business focus and negotiation*, and more recently, *changes in the management* and *organizational practices*.

When looking at the barriers to closing deals, during the stay in Germany and the following year, the *lack of interest from German companies* is the most cited and is increasing since 2021. This barrier is mentioned by more than half of the alumni, by far more cited than *projects size and investment* or *incipient markets*.
The alumni complain about some lack of support and, in particular, little follow-up when it comes to establish contacts with German companies. This is a recurring comment since 2020. The alumni may need a stronger initial input to help starting the network in Germany.
Finally, since 2020 the number of participants who recommend the programme has never been less than nine out of ten, which is a great result.

10. Activities and business results

Only one in ten alumni is leaving his company each year[6]. With very few exceptions, these alumni were owner of the company and moved to another one. This section and the following refer only to the alumni who are still working in the same company, since they participated to the programme. Thus, in the following, statistical values refer to those alumni as a sampling of all the alumni.

Employment

A large majority is still working in the same company and is hiring. Since 2021, around 2/3 of the alumni hired new employees. Moreover, since 2020, 80% of the alumni (whose number is increasing year after year) is planning to hire the year following the survey. Roughly speaking, one can deduce that 3/4 of them managed to do it, in particular those who were planning to open to the international market[7]. Figure 15 shows the extent to which planning for the recruitment of new employees is carried out in the following year. Note that we do not observe any difference when looking at the generations separately.
The premise to hire is quite constant since 2020, with more than 75% of the alumni.

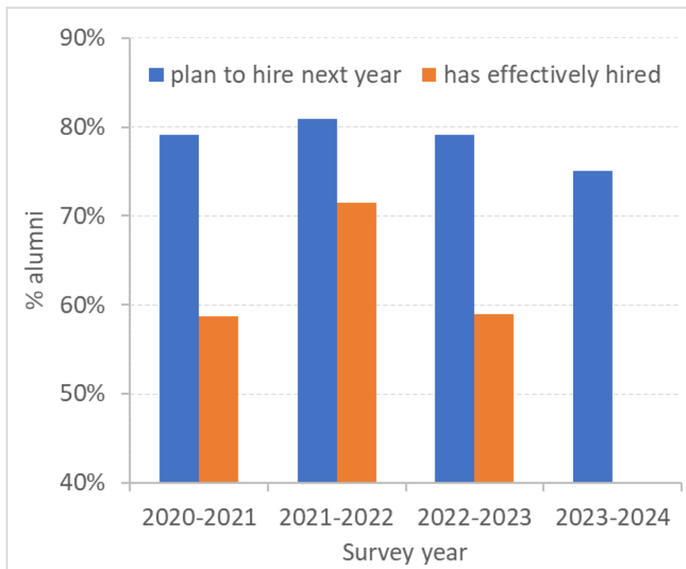

Figure 15. Employment outlook and effective job creation.

[6] Only men.
[7] Vision for the company in 3 more years, when applying.

Investments

We remind the reader that in this section we do not ask about amounts of money, but whether the alumni are investing and the nature of their investment. The percentage of alumni who made some investment, in the year before the survey, is quite high since 2020, as illustrated in Figure 16. More than 80% of the alumni who are still working in the same company when participating to the survey have invested in one or more area[8]. Software products stand out from the alternatives[9].

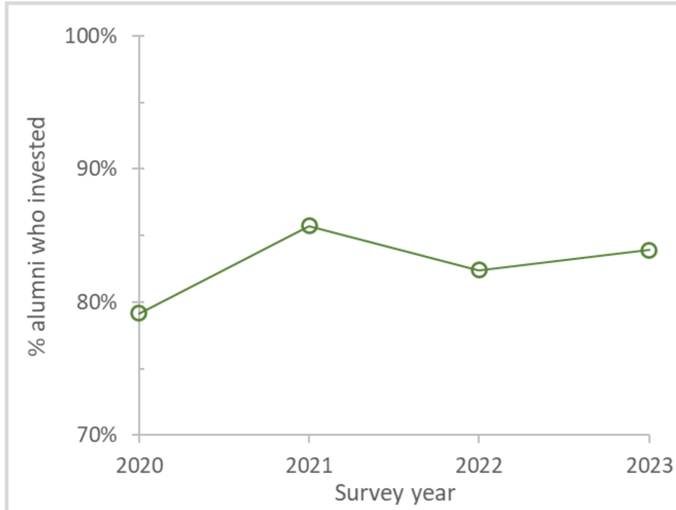

Figure 16. Investments. Alumni who invested in any of the proposed area (see text) the year before the survey, with respect to all alumni who are still working in the same company when participating to the survey.

Business results

This section focuses on the business done with companies known through the programme, and more generally through the alumni network. Although the number of alumni who have concluded at least one new business deal has been increasing until 2022, in terms of percentage it is constant between 40% and 50%, Figure 17. Interestingly, on average, the worldwide number of new business partners has not changed much over time. Figure 18 (a) shows the number of new partners per alumni. The graphic may be interpreted as follows, multiplying the numbers by 100. If you were to select a hundred alumni in 2023, they would be accompanied by 57 Chilean partner companies, 30 German partners and 9 companies of other countries. The latter are most likely from Mexico due to mixed groups. Worldwide new partners are close to 1 per alumni since 2020, but the distribution through countries shows large variations. It seems that lost partners are balanced by new ones from other countries. The combination of this information with the share of alumni who effectively concluded some business (Figure 17) delivers deep insight into the results of the programme. In the previous illustrative example with 100 alumni randomly selected in 2023, 20 of them have new German partners, and 30 new Chilean partners. There appear to be only few alumni getting many new partners. Gross numbers of new partners are shown in Figure 18 (b). The programme points to create long term business relations with German SMEs. If so, the numbers in Figure 18 (b) could add up, approaching a hundred companies in Germany.

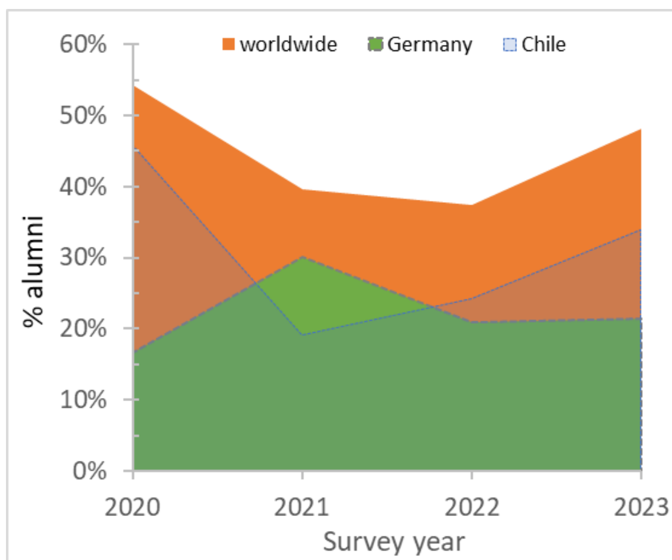

Figure 17. New business made through the programme. Alumni who concluded at least one new business deal with companies known through the programme, of any country (worldwide), in Germany and in Chile. The alumni may have made many deals with different countries. The curve 'worldwide' covers both Germany and Chile.

[8] The alumni who have left the company are not asked about investments and more generally about results.

[9] Responses are *Advanced technology equipment*, *Infrastructure (not furniture)*, *New standard machinery*, and S*oftware*.

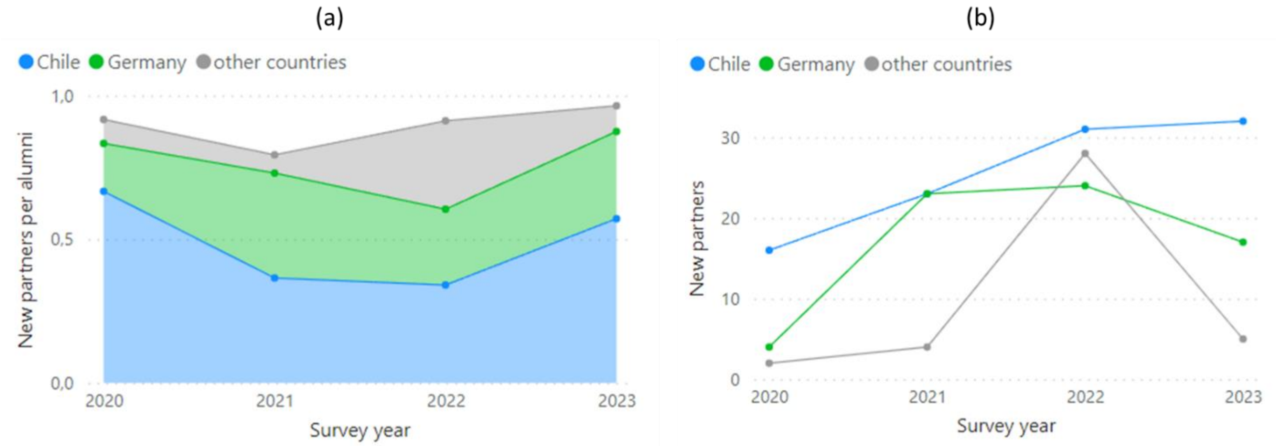

Figure 18. New business partners known through the programme in Chile, Germany, and other countries. (a) per alumni, (b) gross numbers.

Nature of new business with German partners

Here we explore the nature of the business done with German companies according to four categories, looking for significant and sustained trends. Two categories haven't changed since 2020: *selling product or service to other companies* and *development of product or service with other company*, as illustrated in Figure 19. On the other side, the *representation of German companies in Chile* increased, mostly from 2020 and 2021, in concomitance with a rapid drop in *purchases of technologies to modernise the alumni company*.

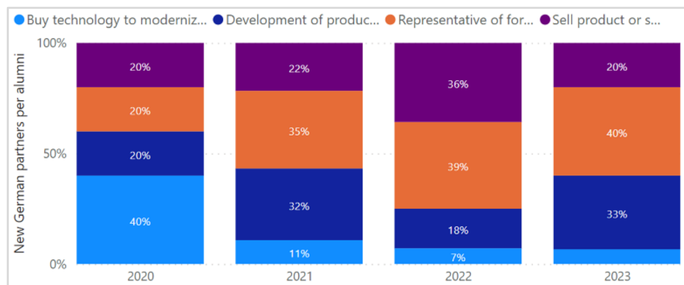

Figure 19. Nature of business with German partners. Distribution of the 4 categories: buy technology from German companies to modernise the alumni company, development of (new) product or service with German companies, representation of German companies in Chile, selling product or service to German companies.

11. Alumni business networks

The distributions of clients and suppliers shown in the main report, section 11, have not significantly changed, with an exception. The share of alumni who do not supply other companies decreased by 1/3 each year, from 33% in 2020 to 11% in 2023. These companies are selling directly to final consumers, individuals. Consequently, the share of alumni being providers increased, as well as their clients, confirming the observations on the nature of new business in the previous section.

Collaborating with competitors

This kind of collaboration is continuously improving, from 50% of the alumni in 2020 to 68% in 2023. Half of the alumni have some sort of collaboration with Chilean competitors, while a 1/4 with German competitors. This should be compared with the knowledge of competitors at the time of application, section 7 above. Surprisingly, the level of collaboration is not much lower than the level of knowledge.

This trend needs to be sustained over time and we would expect the programme to contribute to this, possibly with modules dedicated to technology and market intelligence. The participants should be made aware of the importance of knowing their competitors and, beyond that, threats and opportunities.