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*The case study was developed by John Doddrell, Director at John Doddrell Consulting Ltd. Copy-editing was done by Jennifer Freedman, ITC Communications consultant. With thanks to the UK Trade & Investment teams in Atlanta and New York for sharing their experience with ITC*

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## Contents

1.	Introduction: The purpose of the case study .....	1
2.	International context: Brief review of the trend to merge trade promotion and investment organizations .....	2
3.	UK Trade and Investment: An overview.....	4
4.	UKTI's US network .....	6
5.	The origins of double-hatting of trade and investment roles in the US .....	7
6.	Extent of double-hatting .....	7
7.	What are the benefits and challenges of double-hatting? .....	7
	7.1. Sector knowledge.....	8
	7.2. Synergies .....	8
	7.3. Efficiencies .....	10
	7.4. Risk of investment or trade work being squeezed out.....	10
	7.5. Different skill sets .....	10
	7.6. How far should double-hatting be applied? .....	12
8.	Cultural issues .....	12
9.	Training and upskilling requirements .....	12
10.	Measurements of the results / impact on performance.....	13
11.	The customer experience.....	14
12.	Views of staff .....	15
13.	Lessons learned .....	15
14.	Applicability of double-hatting to other markets and other agencies .....	16
15.	Conclusion.....	16
	Bibliography .....	18
	Figure 1: TPOs from high-income countries .....	2
	Figure 2: TPOs from medium-sized / small countries .....	2
	Figure 3: Top 10 target countries for FDI .....	5
	Figure 4: Market segmentation for exporters .....	11
	Figure 5: FDI projects in the UK .....	13
	Figure 6: FDI projects in the UK .....	13



## 1. Introduction: The purpose of the case study

There is an increasing trend to merge trade and investment promotion organizations (TPOs or TIPOs). This was a central topic at the World TPO conference in Dubai in November 2014. A recurrent message from the discussion, however, was that the required skillsets of trade and investment staff differed, and that agencies needed to consider and adjust accordingly.

It has been more than 10 years since separate national trade and inward investment organizations in the United Kingdom were brought together as UK Trade & Investment (UKTI). The new organization encountered and addressed the barriers that are typical in this kind of merger, including the pervading challenge of overcoming the cultural differences between the two organizations.

The International Trade Centre in Geneva (ITC) commissioned John Doddrell, a former director of strategy at UKTI (2002–2006) and head of UKTI's Brazil network (2010–2014), to develop a case study about UKTI's experience in managing dual trade and investment roles.

This case study is focused on the dual roles of 'double-hatting' (i.e. staff work on both trade and inward investment issues within their sector) that has been adopted by UKTI trade and investment staff, in their American network, and examines how effective this is in practice using the experience of UKTI's New York and Atlanta offices. It will explore:

- The benefits and challenges of double-hatting in terms of sector knowledge, synergies, efficiencies and risks
- Differences in skill sets required
- Extent of double-hatting in the organization
- How the culture change was handled
- The training and upskilling that was required
- Impact on performance
- The overall customer experience
- Views of staff
- Lessons learned
- Applicability to other markets / other agencies

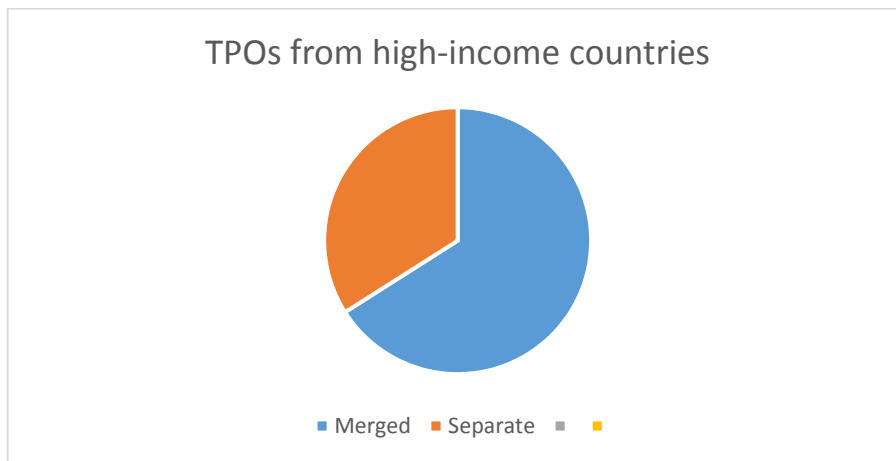
The information has been collected through interviews, observation and document review in UKTI's New York and Atlanta offices, supported by desk-based research and further interviews in London. A range of key UKTI directors (and former directors), sector leads, staff, business representatives, customers and key stakeholders have been interviewed to ensure a well-rounded perspective of the successes, challenges and lessons learned.

The enthusiastic contribution to this study of UKTI and their stakeholders is acknowledged with gratitude.

## 2. International context: Brief review of the trend to merge trade promotion and investment organizations

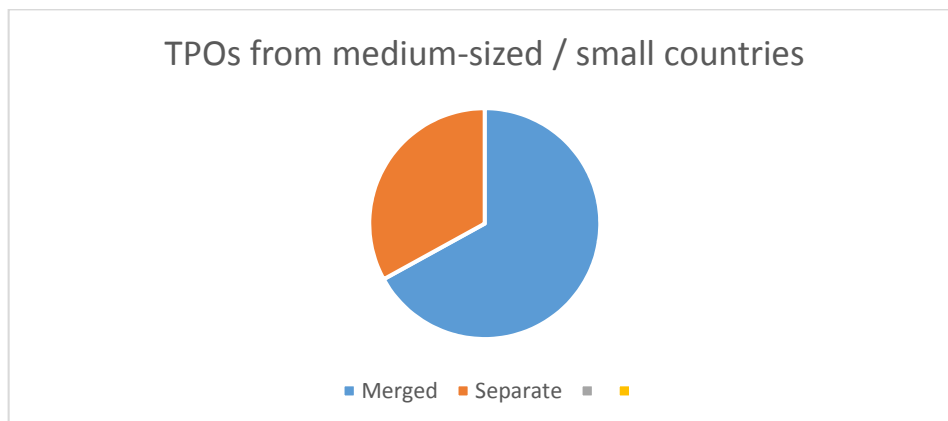
As highlighted in a paper recently published by the ITC, there has been an undeniable trend in recent years of merger between Trade Promotion Organizations (TPOs) and Investment Promotion Agencies (IPAs). The paper identifies that this trend is more present in high-income countries and in small-population countries. Out of 50 TPOs coming from high-income countries, 66% are merged while 67% of TPOs from medium-sized and small countries are merged.

**Figure 1: TPOs from high-income countries**



Source: Trade Promotion Organizations and Investment Promotion Agencies: are they merging? – White paper – ITC 2014

**Figure 2: TPOs from medium-sized / small countries**



Source: Trade Promotion Organizations and Investment Promotion Agencies: are they merging? – White paper – ITC 2014

Mergers are seen as a way to rationalize resources while maximizing trade promotion and inward investment efforts. However, the paper notes that there is a key challenge in unifying the 'diverse mentalities' of the two types of organizations. For this reason, most mergers take the form of an umbrella structure with technical teams continuing to function separately. The ITC paper cites a view from the World Bank that 'trade and investment promotion have different functions and demand therefore staff with

different qualifications.<sup>1</sup> The World Bank has also expressed concern that combining functions into a dual agency can dilute the IPA's focus, while commenting that the techniques, timeframes, businesses and individuals targeted are generally different. The United Nations Conference on Trade and Development (UNCTAD) is cited as identifying possible pros and cons of merger, with the major advantages seen as cost saving, creation of synergies particularly in overseas offices and image building.<sup>2</sup>

The ITC paper does not comment extensively on the business community's perception of the benefits of merger except to note, in the context of the Swedish Trade and Invest Council, that merger is seen as an opportunity for Swedish companies to benefit from new forms of foreign direct investment (FDI) through international partnerships, strategic alliances and other forms of cross-border business cooperation.



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<sup>1</sup> World Bank, [https://www.wbginvestmentclimate.org/toolkits/investmentgeneration-toolkit/module2-step2\\_select-an-appropriate-agencystructure.cfm](https://www.wbginvestmentclimate.org/toolkits/investmentgeneration-toolkit/module2-step2_select-an-appropriate-agencystructure.cfm)

<sup>2</sup> UNCTAD (2013), Optimizing government services: A Case for Joint Investment and Trade Promotion?

### 3. UK Trade and Investment: An overview

UKTI is a government department working with businesses based in the United Kingdom to ensure their success in international markets, and also encouraging the best overseas companies to look to the United Kingdom as an investment destination. UKTI was formerly known as British Trade International, launched in May 1999 and comprising two parts:

- Trade Partners UK (for export) and
- Invest UK (for inward investment – FDI)

In October 2003, British Trade International became UK Trade & Investment.

UKTI uses a network of international trade advisers to provide support and assistance to new and existing exporters of goods and services, while staff in more than 100 markets overseas are available to support businesses in-market. It also leads an inward investment network, supported by strong private sector expertise with sector specialists, to help overseas-owned firms locate and build their business in and from the United Kingdom.

Although the United Kingdom is the sixth-largest exporter in the world and the second-largest exporter of services, UKTI operates in a complex and challenging economic environment. Global trade has remained weak since the economic crisis of 2008–2009, which has affected many of the UK's traditional developed-market partners. According to the International Monetary Fund (IMF), the annual rate of growth of global trade volumes slowed from 6.2% in 2011 to 2.8% in 2012 and remained almost flat in 2013 at 3%.

Against this challenging backdrop, the United Kingdom Government has set out to achieve ambitious trade targets that are seen as key to economic recovery. These include:

- Doubling the value of exports to GBP1 trillion.
- Getting 100,000 more United Kingdom companies exporting by 2020; and
- Developing an economic roadmap for 20 priority markets.

UKTI plays a central role in helping the Government to realize these goals. It works across government, together with strong regional and overseas networks and external partners, to provide companies with the help and support they need to enter new markets and aid them once they are there.

The Government's plans to double exports go hand-in-hand with a push to increase inward investment. UKTI aims to contribute towards increasing the value of the United Kingdom's inward FDI stock to GBP1.5 trillion by 2020. This includes export-focused investment to strengthen supply chains and create a virtuous circle in which FDI is translated into export activity. Its goal is to ensure that the UK remains the leading FDI location in Europe and becomes the leading FDI location in Europe for high-growth markets.

UKTI attracts, creates and sustains a pipeline of high-quality inward investment projects in business sectors key to the United Kingdom's long-term competitiveness, and helps win investment for major domestic infrastructure and regeneration projects. Like export promotion, attracting FDI is critically important to the strength of the British economy. According to UNCTAD, the United Kingdom is the top country for inward FDI stock in Europe, with the value of inward FDI stock estimated to have passed the GBP1 trillion level in 2014. FDI stock is a stable measure of FDI, and demonstrates the long-term interest of foreign investors, and their confidence and commitment to the British economy. The United Kingdom rose in the 2015 AT Kearney FDI Confidence Index to become the third most sought-after country in the world for investment. This is the third consecutive year in which the United Kingdom has improved its ranking, further confirming the confidence and trust that the global business community places in the country, and signalling that this strong performance will continue in 2015–2016.

**Figure 3: Top 10 Target Countries for FDI**

Top 10 Target Countries for FDI				
Country ranking	2013	2014	2015	
 United States	1	1	1	
 China	2	2	2	
 United Kingdom	8	4	3	▲
 Canada	4	3	4	▼
 Germany	7	6	5	▲
 Brazil	3	5	6	▼
 Japan	13	9	7	▲
 France	12	10	8	▲
 Mexico	9	12	9	▲
 Australia	6	8	10	▼

Source: 2015 AT Kearney FDI Confidence Index

UKTI is working to combine the previously separate trade and investment teams in headquarters. All sector teams now cover both trade and investment, while joint teams have been in place for some time in the financial and professional business services and automotive sectors.

UKTI's Strategic Relationship Management (SRM) programme, was created in 2011 to improve the coherence and focus of the United Kingdom's relationship with both major investors and exporters that are crucial to the British economy. The SRM approach recognizes the complex and diffuse relationships that large companies have with government ranging across trade, investment, innovation and regulatory issues. It has, for the first time, brought together teams of officials from across Whitehall to form networks, led by a designated contact minister, that work with each company. These networks help to consider the interests and priorities of the individual companies involved, and to agree on a long-term strategy for generating continued economic benefit, regardless of whether that is achieved through further inward investment or trade.

UKTI directors in different countries around the world have been left to their own discretion as to how far and how quickly they wish to bring trade and investment operations together. Most teams are double-hatted at the top, i.e. director and deputy director level, but beyond that, and with the major exceptions of the United States of America and China, have not moved forward on this agenda.



## 4. UKTI's US network

UKTI has one of its largest overseas networks in the United States, reflecting the size and sophistication of the economic relationship between the United Kingdom and the United States. Both countries are each other's single largest foreign investors, and the United States is the United Kingdom's top export destination.

The UKTI team in the United States comprises a joined-up trade and investment operation based on a matrix of geography and sectors. Nominally, there are around 60 FTE (full time equivalent) staff allocated to FDI and a similar number to trade. But for any one individual, the split in time spent on trade or investment work varies – some are 50/50 while others are 70/30 – and a small number focus solely on trade or investment.

There are nine geographic trade and investment delivery teams based in the following posts:

- Atlanta
- Boston
- Chicago
- Houston
- Los Angeles
- Miami
- New York
- San Francisco
- Washington DC

There are also trade and investment sector teams covering:

- Advanced engineering and manufacturing (AEM)
- Biopharma
- Infrastructure
- Healthcare
- Information economy (IE)
- Financial professional and business services (FPBS)
- Creative and media (CM)
- Environment energy and infrastructure (EEI)

Additionally there is a catch-all Consumer and Industrial Trade Team and a Network Management Team.

Each individual who works for UKTI in the United States belongs to a geographical region and one or more sector teams.

On the trade side, they are measured by business wins (contracts won by British exporters that UKTI helped to facilitate measured in pounds sterling), and on service deliveries (number of services provided to British exporters). Business wins is by far the most important of these measures. Each sector team is given a target that is then divided between the posts. They also have targets on inward investment successes, again divided between sectors and regional teams.

On the inward investment side, UKTI Headquarters in London sets targets for the United States network broken down by sector. It has recently moved to the same approach for the trade side. At the start of the

planning cycle, there is an initial discussion between London and the UKTI management in New York leading to agreement on overall sector targets. It is then up to the sector leads within the United States network to figure out how those targets are achieved for both trade and inward investment. This involves a discussion with each of the regions in the American network to carve up the targets between the regions. Essentially, the regions provide a bottom-up offer designed to deliver the targets for each sector. Any shortfall between the bottom-up offer and the London target is resolved through a process of iteration. Overall, it is felt that the balance of this process is about right, and it seems to work. The key to a successful outcome is seen as involving the sector leads early, so they feel ownership of the process.

UKTI's American network consistently delivers on both trade and investment targets. An example of an inward investment success story, supported by UKTI, is American technology company Nvidia, which opened its British mobile technology-engineering facility in Bristol last year. This is where Nvidia designs and develops its modem technology for smartphones and tablets. The company has been investing in research and development and highly skilled engineering jobs in the area since 2011. The Bristol-based team has doubled in size to nearly 200 people, with plans to recruit dozens more in 2015.

The UKTI team in the United States is headed by a director general, Danny Lopez, who is also British consul general in New York. In practical terms, the operation is managed by the UKTI director, Martin Cook, also based in New York. He is supported by two regional directors, one covering the West Coast and the other the East Coast, with heads of trade and investment (HOTIs) in each of the nine posts. Trade and investment officers (TIOs) report to the HOTIs, and are in turn supported by business development managers (BDMs) or business development associates (BDAs). Some of the TIOs are also sector leads, who coordinate the activity within their sector across the country and are responsible for delivery of sector targets and for dividing up sector targets between members of their sector team. While UKTI retains a separate leadership structure at managing director level in its London headquarters (there are still a managing director for trade and a managing director for investment), the sector teams in headquarters have recently moved to a merged, double-hatted structure. This merger has helped to simplify reporting lines between overseas networks and the London headquarters.

## **5. The origins of double-hatting of trade and investment roles in the US**

The trade and investment teams were separate until 2006–2007. Staff who were there at the time commented that the two teams 'never spoke to each other and did not know what each other was doing'. Synergies between trade and investment activities were neither recognized nor exploited. The first step in the change process was to merge the two director posts and then the HOTIs. This was followed by the creation of sector teams for a limited number of priority sectors, comprising one trade and investment officer and one business development associate. Trade and investment teams were thus brought together through a process of rationalization, with officers able to apply for the merged posts.

Some staff who experienced the change considered double-hatting as a way to spread the limited UKTI resource further in the context of a very large economy with a lot of interest on both trade and investment activities.

## **6. Extent of double-hatting**

Most staff in UKTI's American network are double-hatted. There is some debate within UKTI, and different approaches among sector teams, as to whether double-hatting should be rolled out though all grades to include junior staff. In some sectors, such as financial services, the more senior trade and investment officers are double-hatted. However, they are supported by two business development associates – one for trade and one for investment. The CM and information and communications technology (ICT) teams work closely together and have three business development associates. One is double-hatted in the ICT sector, one is trade only for the CM sector and the other is investment only for Creative and ICT.

## **7. What are the benefits and challenges of double-hatting?**

The following sections examine the potential benefits and challenges of double-hatting, in the context of the experience of UKTI's American network.

When the policy of double-hatting in the American network was reviewed in August 2012, staff argued strongly for its retention, stressing:

- the enhanced sector knowledge derived from covering both activities
- synergies between trade and investment work that created opportunities which might otherwise not have emerged
- efficiencies derived
- benefits for the client and job satisfaction

### 7.1. Sector knowledge

Staff say double-hatting has deepened sector knowledge, which has served to increase professionalism and credibility with both trade and investment clients.

By looking at a sector from both the investment and trade perspectives, staff generally felt that they had a broader understanding of the issues. The energy sector was quoted as an example. Because it is a policy-driven sector, up-to-date knowledge and understanding of policy developments on both sides of the Atlantic were key to being able to help investment and trade clients. Arguably, policy developments in one country make more sense when considered in the context of policy in the home country. So, for example, the inward investment proposition to invest in renewable energy in the United Kingdom is greatly enhanced when the UKTI representative is able to explain British energy policy not only on its own terms, but also in terms of how it differs from the United States with the consequent commercial implications that such differences might have.

### 7.2. Synergies

There is synergy in that the judges who assess the various potential investors are also used by UKTI to advise British companies entering the American market. Arguably, without the contact with the judges on an investment matter (i.e. competition), the relationship would not have developed to the point where such people would be willing to brief an incoming British trade delegation about opportunities in the American market. Other examples have been cited where a senior investment contact has been willing to take part in mission briefings, including in the energy and ICT sectors.



Another example is how trade missions are increasingly used to raise the profile of the United Kingdom as an inward investment destination. A reception held for a trade mission, at the Consul General's residence, would include potential and current inward investors on the guest list. Such guests can be readily identified and welcome the invitation because the UKTI staffer organizing the trade mission is already known to the investor through investment work. One specific example was quoted about an American company, and potential inward investor, who was so impressed by how UKTI used a reception to promote British exports that he is now talking about investing in the United Kingdom himself to take advantage of that trade support from UKTI in entering third markets. The argument here is that, because the UKTI officer is

responsible for both trade and investment services, the potential investor has become more aware of the trade services benefits that will benefit him if he invests in the United Kingdom.

Examples were given of how major American companies investing in the United Kingdom offered supply-chain opportunities to British small and medium-sized enterprises (SMEs). Having a strong relationship with American companies as investors in the United Kingdom has enabled UKTI to make introductions to them as clients for British exporters. Wall Street banks, for example, are large investors in the UK, but are also important customers for British financial-tech companies.

Arguably, UKTI would have struggled to get British fin-tech companies into these banks without the close relationships built up through inward investment work. American cyber companies offer a similar example. Here again, UKTI has built up relationships in the context of inward investment opportunities, but then turned this to advantage on the trade side when a mission of British cyber companies visited the United States and UKTI was able to obtain access to major American companies in the field because of its relationship with them as investors or potential investors in the United Kingdom. Examples were cited from the energy sector, too. Of course, the UKTI officer making the introduction needs to do some due diligence on the exporter before making the introduction to avoid introducing anyone who might jeopardize the relationship with the investor.

Sometimes a business win for an exporter can lead directly to an inward investment success. This can be the case with the London Stock Exchange, for example, which ‘exports’ the service of a listing in London, while the company that becomes listed is then highly likely to establish a British office.

Arguably, this kind of win-win outcome is much easier to achieve when the same individual within UKTI is handling both trade and investment aspects.

The fact that the same officer was responsible for both trade and investment in the space sector enabled him to put together an opportunity that combined inward investment and trade. The timing of NASA’s decision to close the shuttle programme, and the consequent launch by the governor of Florida of his ‘Space Florida’ initiative to save jobs, happened to coincide with a British announcement that it would set up an International Space Innovation Centre at Harwell.



Space Florida and UKTI signed a Memorandum of Understanding (MOU) to promote next-generation technologies for space. UKTI undertook a mission to Florida to present British expertise, while also hearing presentations from Florida about the opportunities there. Space Florida companies returned to the UK, resulting in investments in both directions. For example, British company CELLA Energy, received a US\$1 million investment by Space Florida to open a new hydrogen-storage facility at the NASA Kennedy Space Center in Florida. At the same time, American company Florida Turbine Technologies announced its decision to open a facility in Derby in the United Kingdom in July 2014.

Another example of this is Atlanta-based company UPS, a significant investor in the United Kingdom that is working with UKTI on possible expansion. UPS worked with The Guardian newspaper to sponsor 10 British SMEs on a trade mission to Atlanta in March 2015. The initiative was designed to help SMEs that are looking to export overcome the challenges of the American market.

Synergies are particularly strong in the creative sector, selling British creative skills internationally while at the same time persuading Disney and others to use British studios.

Involved UKTI staff believe that few, if any, of these initiatives would have been identified had they not been double-hatted. Being double-hatted means that all conversations can be win-win, of benefit to both American and British companies.

### **7.3. Efficiencies**

The rationalization of resources is a principal benefit of double-hatting. Interviewees are convinced that it made no sense for trade and investment organizations to maintain separate centres of sector expertise, saying such duplication was unnecessary and a waste of resources.

It is also argued that double-hatting helps officers build more contacts within their sector and simplifies the communication process. Staff reported that, by wearing both hats, all their conversations with clients automatically covered both messages. The people they spoke to often covered both trade and investment within their companies. Previously, the need to deal with two separate people, at two separate meetings, on trade and investment had been confusing for the client as well as an inefficient use of time.

### **7.4. Risk of investment or trade work being squeezed out**

One anxiety, captured in the 2012 review of the American network, was the risk that slower-burn FDI work could potentially get squeezed because of the more reactive nature of trade work at that time, particularly in sectors with a high volume of mission/exhibition work. The fact that trade customers often pay fees for their services might mean that they took priority. And it was felt that in some investment-rich sectors, the potential was not fully tapped because of the trade focus.

The review concluded that double-hatting should be retained on the basis that the front-line knows best. However, pressure points were identified by sector and geography, where trade work, due to high demand and/or peaks of work, crowded out FDI work. Energy, clean tech, life sciences, creative and media, financial services and ICT are investment-rich sectors and are also high volume on the trade side. The conclusion was taken to reinforce these teams to enable an enhanced focus on FDI.

The view of senior management in the American network is that this danger of one work stream squeezing out the other is reduced because of the roughly equal balance between trade and investment work in the American market. The risk may be greater in countries like Brazil, where UKTI's trade effort is much bigger than its inward investment activity.

In a similar vein, it has been argued that the timelines are longer for investment work, again making investment work easier to postpone because of tighter deadlines on the trade side. There was no evidence of this. But staff commented that they naturally gravitated to their preferred area of work. Sometimes this was investment work where they felt that they had particularly good training and strong support from headquarters and private sector contractors such as PA Consulting.

### **7.5. Different skill sets**

An argument voiced against merging trade and investment work is that the skill sets are different: a more transactional, service-delivery role on the trade side compared to more of a marketing/sales approach on inward investment. There is a strong research element to a trade role, which contrasts with the selling skills needed on investment.

And it is argued further that investment staff need to be able to operate with companies at chief executive/board level, while trade counterparts often deal with export managers, for example, as their point of contact. This latter point was disputed by some UKTI teams in the United States, which argued that they always sought to engage at a senior level on both trade and investment issues.

The traditional approach to combining trade and investment roles is that they are too different to be combined successfully in one individual. On the trade side, we have 'farmers', while on the investment side we need 'hunters'.

While the traditional model of delivery of trade services is very different from the proactive, marketing role of inward investment colleagues, recent developments on the trade side within UKTI have served to make

trade work much more strategic and more closely aligned with investment work. For example, routine service delivery, including basic market reports, market research and finding agents etc., is increasingly being outsourced to British Chambers of Commerce around the world or, as in the case of the United States, private sector providers. This frees up UKTI staff to focus on high-value campaigns and opportunities (HVOs) and target business wins.

Work on HVOs consists of identifying large-scale supply-chain opportunities for British companies, then proactively engaging with those companies at a senior level about their strategy for engagement in relation to those opportunities. This high-level, proactive, strategic work is more akin to investment work, being much more demanding and less of a routine service-delivery sort of role. However, it should be noted that while the United States has 10 HVOs, not all markets have them; France, for example, has none.

A few years ago, inward investment and trade promotion were very different types of activity in the American network. Investment was proactive and strategic, while trade promotion was reactive and transactional. The activities required different types of behaviours by different types of people. As made clear by UKTI leadership in the United States, this has changed because the nature of the work has changed. The targets are driving different behaviours. UKTI on the trade side needs to achieve 'business wins', measured in terms of the value of the orders that they helped companies win. This requires UKTI to seek out opportunities and focus on the customers with the most potential rather than simply responding to a high volume of customers. There is no doubt that this change of strategy has both supported, and been helped by, double-hatting. If UKTI had been driven by targets relating only to number of clients assisted, the double-hatting policy might have been less relevant and the 'hunter/farmer' distinction would have remained.

The current UKTI director in the United States has introduced a policy of market segmentation for exporters, which identifies three basic segments:

- a) 'Explorers' with fewer than two years of export experience
- b) 'Market ready'
- c) 'Market present'

**Figure 4: Market segmentation for exporters**



UKTI in the United States has basically outsourced – under strict quality-control arrangements – elements of the work with explorers, and is likely to move to outsource more of that. This works well where the need of the customer is to understand the logistics of market entry, cultural differences and how they sit in the competitive landscape. The work with the other two segments is more bespoke, involves strategic analysis of the opportunities and developing relationships with clients. There is a big overlap between the nature of this type of trade work and inward investment.

## **7.6. How far should double-hatting be applied?**

A key question is how far down the staff grades double-hatting should be applied.

In most UKTI teams across the world, directors and deputy directors cover both trade and investment. In the American network, UKTI has taken the view that sector leads and trade and investment officers should also be double-hatted because their conversations are similarly strategic/relationship-building on both channels. At a level below, business development associates, officers are sometimes single-hatted because their roles are more focused, but in other sectors have been given a double-hatted role. This issue is also addressed in the section below on 'Views of Staff'. There does not seem to be a right or wrong answer here. Much depends on the type of work being done in different sectors, how much resource is available in the sector or the geographic team, and on what works well for the types of client served.

In the event, UKTI directors in overseas markets have been left with discretion on whether to adopt double-hatting and, if they did, how far they rolled it out within their teams. They are contracted by headquarters to deliver against targets, without any rigid instructions as to how they organize their teams.

## **8. Cultural issues**

Some American network staff have adapted more easily than others to the double-hatted roles. Team managers had the important responsibility of ensuring that staff gave the right amount of attention to each function, against a background of concern in the early days that the investment activity would get squeezed out. In the event, that issue was well managed and the fear did not materialize.

One observation was that it can be easier to position the merger of trade and investment as part of a wider shift in approach. In the case of UKTI, the move is to a matrix model around campaigns, with much more flexibility, rather than simply trying to weld together separate trade and investment teams.

However, it is clear that in a double-hatted environment, staff right through the grades need a different mindset that embraces the concept of client relationship management. The UKTI officer becomes client driven, without any preconceived agenda favouring either trade or investment.

Double-hatting can therefore be viewed in the context of the changing nature of UKTI. Trade work has become more strategic and teams are targeted in different ways, all of which has supported the double-hatted model and made it easier than it might have been under more traditional models of trade and investment work.

## **9. Training and upskilling requirements**

Training had a vitally important role to play in the transition of the American network to double-hatting. Staff involved in the transition reported that there was a steep learning curve for the first couple of years.

All members of staff taking on an inward investment role for the first time were sent back to the United Kingdom to fully understand the British proposition in their sector, including industrial strategies and incentives available, etc.

In the run-up to the introduction of double-hatting, staff working on trade or investment did job swaps to learn about the other activity. They sat in on each others' team meetings within their sector and held a joint annual conference.

UKTI has developed a tailored training programme to enable trade staff to take on investment work. This training was taken to post at the time of the transition to include training on the customer journey, identification of potential investment clients, managing FDI meetings with open-ended questioning, etc.

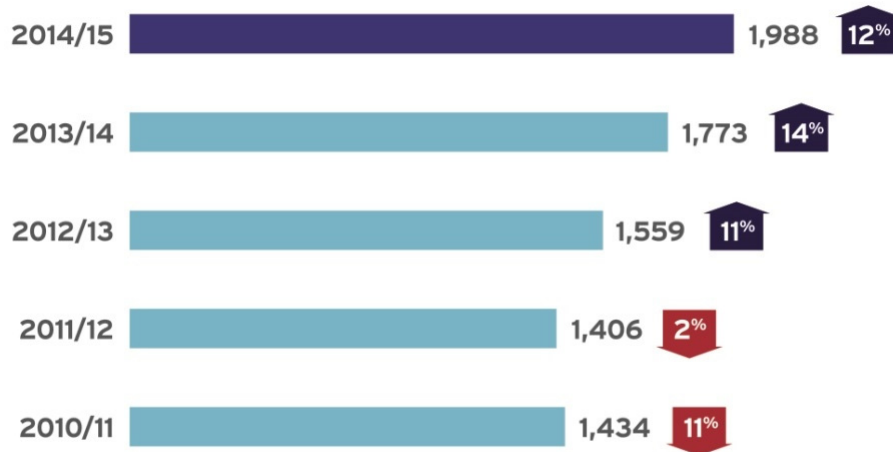
Staff said the investment training had been very good and now, with the contracted service provided by PA Consulting, staff are able to undertake external accreditation as well as on-line induction. It remains the objective of UKTI in the American network to send all staff back to the United Kingdom within their first six months as part of their induction training.

## 10. Measurements of the results / impact on performance

Globally, UKTI recorded 1,988 FDI projects landing in the United Kingdom in 2014–2015, up 12% from 1,773 in the previous record-breaking year of 2013–2014. These projects are estimated to bring with them over 85,000 new jobs, while UKTI and its partners supported 1,610 of those projects.<sup>3</sup>

**Figure 5: FDI projects in the UK**

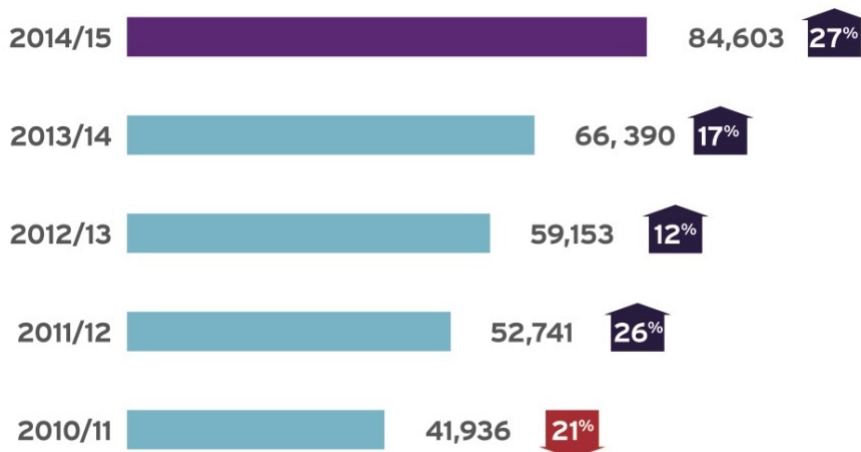
### FDI projects in the UK



Source: UKTI

**Figure 6: FDI projects in the UK**

### New jobs created in the UK



Source: UKTI

<sup>3</sup> UKTI Inward Investment Report (June 2015)



This achievement must be viewed in the context of a reduction in FDI globally, with UNCTAD figures showing a drop of 14% in developed countries.

As expected, the United States led the way as the largest source of FDI projects for the United Kingdom, generating 564 projects, up 12% from the previous year and signifying at the very least that double-hatting is not negatively affecting the delivery of FDI. This is consistent with the FDI stock figures, which also confirm the United States as the largest source of British inward FDI.

On the trade side, UKTI has also exceeded targets. So, there is no suggestion that double-hatting has in any way compromised UKTI's ability to hit targets in the American network.

In this context, it is worth noting, however, that a significant fear among UKTI directors in the field is that the introduction of double-hatting can lead to a dip in performance in the year of implementation. In a relentless, target-oriented environment, there is an understandable reluctance to take that risk.

## **11. The customer experience**

Results of UKTI's American customer feedback surveys do not show any significant difference, in terms of customer satisfaction, from UKTI's other large networks. It is therefore difficult to draw conclusions about double-hatting from the surveys themselves.

Clients are told at the start of any meeting that UKTI staff are double-hatted. Feedback suggests that the client likes this and values the ability of staff to have a comprehensive knowledge of their business and their sector from both a trade and an investment perspective. On the whole, they are therefore signed up to the policy of double-hatting. The head of international services at a British financial-services company commented that all his conversations with UKTI were about trade and investment in both directions, so it made perfect sense from his perspective to be able to speak to one person about both aspects. Other clients reinforced this. Companies the world over think about international business development and do not compartmentalize trade and investment into separate boxes. They wanted to talk about business without any pre-set trade or investment agenda.

The wider changes on the trade side are also appreciated by clients. UKTI tries harder to build relationships with trade clients, who now view UKTI more as a partner than a mere service provider. On the investment side, new investors generally have no background against which to compare the changes, while feedback from established investors such as GE show that they believe UKTI has a better understanding of their business by virtue of the relationship management activity.

Views were also sought from British American Business (BAB), the largest trans-Atlantic business association, which grew out of the British Chamber in New York and the US Chamber in London. The two merged in 2000 after recognizing that the same companies (e.g. KPMG, Santander) were often members on both sides of the Atlantic. BAB now has a membership of some 300 companies across 25 sectors and runs around 50 events in each city every year. Many members are clients of UKTI, and the view of BAB was that the double-hatting structure of UKTI worked well and served the interests of their members. BAB itself did not draw a distinction between trade and investment services, but engaged with its members across the whole spectrum of business activity. It was recognized that in many senses, including at a business level, there is a special relationship between London and New York. Many companies have a presence in both cities. There is a feeling of mutual trust between the two cities, and this provides a helpful backdrop against which the double-hatting of UKTI staff can work effectively.

A similar picture emerged from discussions with the Economic Development Agency of Savannah, a city in the state of Georgia. It does not distinguish between trade and investment roles, and valued the similarity of the UKTI approach. The alignment derived from double-hatting was seen as helpful in this respect.

By contrast, staff at the Georgia Department for Economic Development are generally not double-hatted, though the trade and investment teams work closely together.



Their perspective is that it is difficult to have the knowledge base to do both roles well.

A former senior executive from Atlanta-based media giant Turner Broadcasting provided a very useful case study to illustrate the benefits of double-hatting. Turner worked with UKTI to establish an office in the United Kingdom to seek new technologies. On the back of that investment-based relationship, UKTI worked with Turner to expose the company to British businesses. They organized three events with pitches from British entrepreneurs to executives from across the wider Turner Group and organized a competition to take a group of the most promising to Atlanta. The fact that the same person who had helped with the inward investment was also able to introduce Turner to British companies on the trade side was seen as greatly facilitating this seven-year partnership. From Turner's perspective, everyone to which the company was introduced was relevant and 'it was the understanding of both investment and trade that made the difference'.

## 12. Views of staff

Staff argued strongly to retain double-hatting in the American network when the policy was reviewed in August 2012. There is no doubt from interviews with UKTI staff in the American network that they still feel passionately that double-hatting is right in principle and certainly the right approach for the trade and investment officers. At that level, the ability to take a broad view of a sector and make connections is highly valued.

At the more junior business development manager and business development associate level, the argument is less clear-cut. Some BDAs in the American network are double-hatted while others are single-hatted. One BDA commented that double-hatting increased the interest and job satisfaction, but she felt that the broader spread of her work was at the expense of developing in-depth knowledge in either the trade or investment area. This issue is recognized by UKTI management in the network, which would ideally like to support each TIO with two BDAs, one covering trade and another covering investment. This model is also seen as helping to ensure that neither investment nor trade is neglected by the double-hatted TIO. Arguing in the other direction, one TIO commented that the main BDA role is to organize events, and events work best when trade and investment clients come together.

## 13. Lessons learned

A view was expressed that if a country were setting up a trade and investment operation from scratch, it should adopt double-hatting at the outset. Another comment was that there were benefits of making teams double-hatted, even if individuals were not. By co-locating and sharing information on their work, some synergies can be identified. As a minimum, staff need to understand both sets of issues and be on the lookout for synergies.

One former UKTI director in the United States said the synergies and the savings were massive, greatly exceeding his expectations. Although the UKTI director in the United States is allocated separate budgets for trade and for investment that he then allocates to sector leads, this has not led to any significant complications. Events can be funded from either or both budgets depending on whether they are designed to deliver results against trade or inward investment objectives or both. The process is facilitated by a significant degree of flexibility in the use of the trade and investment budgets, and there is also a third budget available in the form of a 'local budget' to supplement the separate trade and investment budgets where necessary. The local budget is allocated to geographic leads (the heads of trade and investment), who can use it to address any issues relating to the use of the other two budgets within their area of geographic responsibility.

## **14. Applicability of double-hatting to other markets and other agencies**

A former director of UKTI in the United States who is now a director in a smaller market said that in some ways, the arguments for integrating trade and investment teams in smaller – but still sizeable – networks are even greater. Smaller organizations cannot afford duplication when resources are scarce. This is, in itself, a powerful argument for double-hatting.

Another private sector stakeholder who works closely with UKTI said double-hatting is the right way to go, certainly for UKTI. He argued that the correlation between trade and investment has become very tight, with many inward investments linked to the potential to trade out of the United Kingdom. That said, his experience was that the model did not work well outside the United States. In his view, the scale of the American operation was a big advantage. It is also true that the even balance between trade and investment work helps to make sure that neither is squeezed out. If a network was 90% trade, for example, it is difficult to see how justice would be done to the much smaller investment effort without a dedicated team. On balance, it seems that moving to the full integration of teams makes most sense where there is a significant investment opportunity in a market that is reflected in the resources devoted to inward investment work.

While the American network generally seeks to recruit staff who have the right skills for both roles, it can be more difficult in some developing markets to recruit very commercially minded staff. The experience of the UKTI China network is that trade staff, particularly if they come from an administrative rather than a commercial background, can find it hard to make the shift from trade to investment work. By contrast, the shift from investment to trade is not seen as presenting the same challenges. More generally, openness to change is necessary for a successful switch to double-hatting.

A further consideration for agencies other than UKTI would be the type of trade work that they do. If they maintain a traditional reactive model of support for exporters, targeted around volume of companies helped, the case for double-hatting would be less convincing because of the different skills required for the different roles.

## **15. Conclusion**

Double-hatting clearly works well for UKTI in the United States network. The staff enjoy, and are motivated by, the two roles. Performance against targets is good and external stakeholders, including customers, are happy. Efficiencies and synergies are derived from double-hatting, while the changes in UKTI's approach to trade promotion mean that the work has become closer to investment work in the sense that it is more proactive and strategic.

Cultural and training needs were associated with the move to double-hatting, but these appeared to have been well managed. Fears that investment work (or potentially trade) would be squeezed out, turned out to be unfounded.

The fact that the United States and the United Kingdom are such close trade partners, combined with the even split between trade and investment and the overall strength of the UKTI team in the United States, have given significant advantages to a double-hatting model. The efficiency benefits may, however, be even more important for UKTI operations in other markets or indeed for other national agencies operating with less resource than is available to UKTI in its most important overseas market. Those national

agencies will need to consider carefully whether double-hatting works for them, taking particular account of the nature of their trade-promotion work. A more strategic, proactive trade agenda undoubtedly provides a better fit with inward investment work and minimizes the concerns about different cultures and skill sets, which have been expressed in the context of combining the traditional, reactive trade work with the challenges of actively seeking out and attracting inward investment.

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