

Exploring strategies for European SMEs to do business abroad

WORKSHOP

**Tailor-made support for SMEs towards effective implementation of the EU's
trade and investment strategy**

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Aim of the presentation

- Analyse SME *routes* to internationalisation
 - Models and experiences of internationalisation
- Identify the *needs* of SMEs to internationalise
 - What are their challenges?
- *Implications* for support from SME perspective
 - What do SMEs need?
 - Identify *gaps* = a *demand informed* approach
- *Support structures, content* and *delivery* methods
 - EU and member state levels
 - Effectiveness and evaluations
- Draw upon theory, research base and evidence

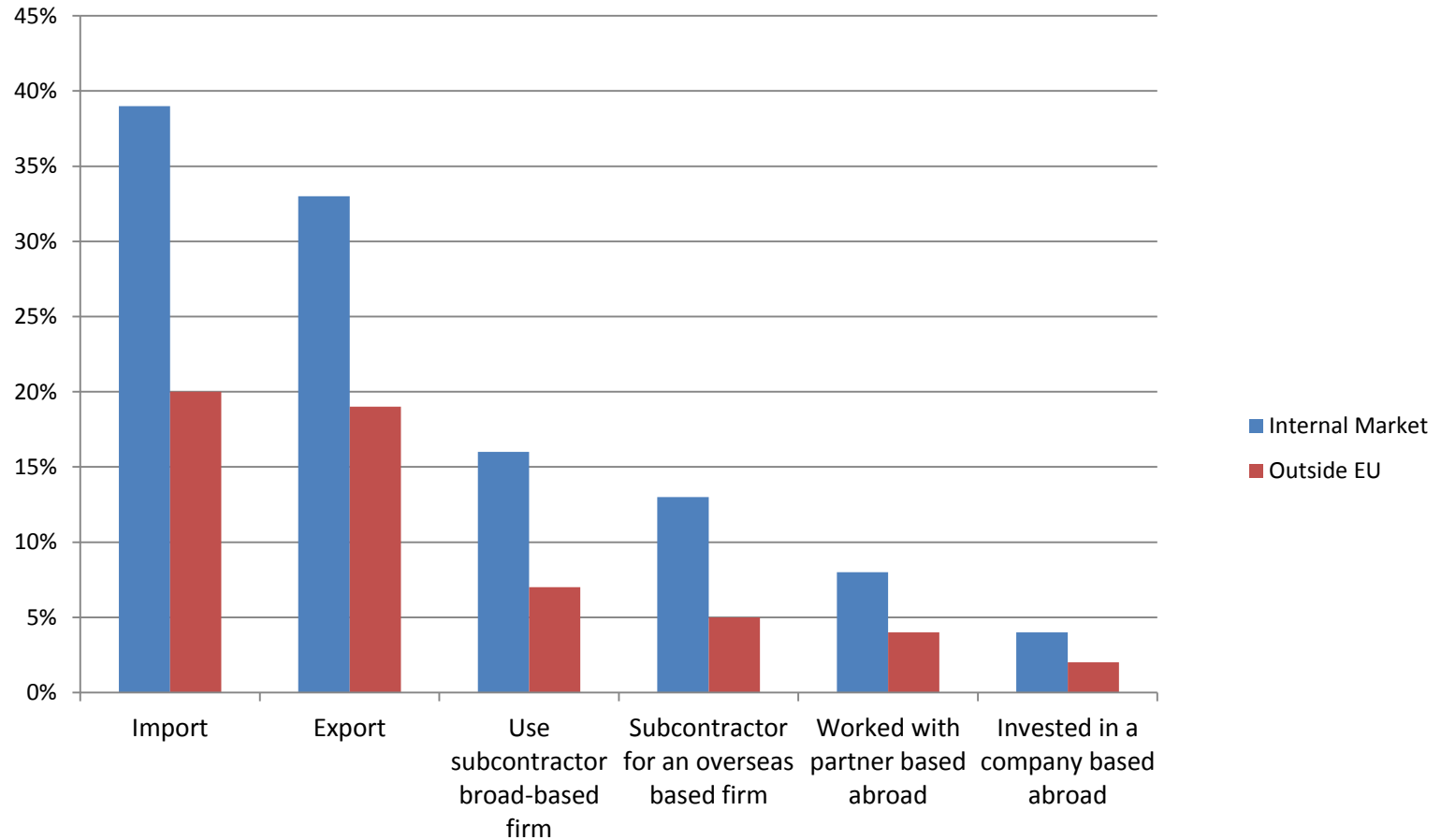
Context: SMEs in the EU economy

- 22 million SMES in the EU28 (2014)
 - 99% all businesses; 58% of value; 60% of total employment
- Heterogeneity of SME population
 - Size, sector, location, innovation
 - Entrepreneurs aspirations, commitment and capabilities
- *Do not expect all SMEs* to trade international
 - But a lot of potential for improvement

What is the issue?

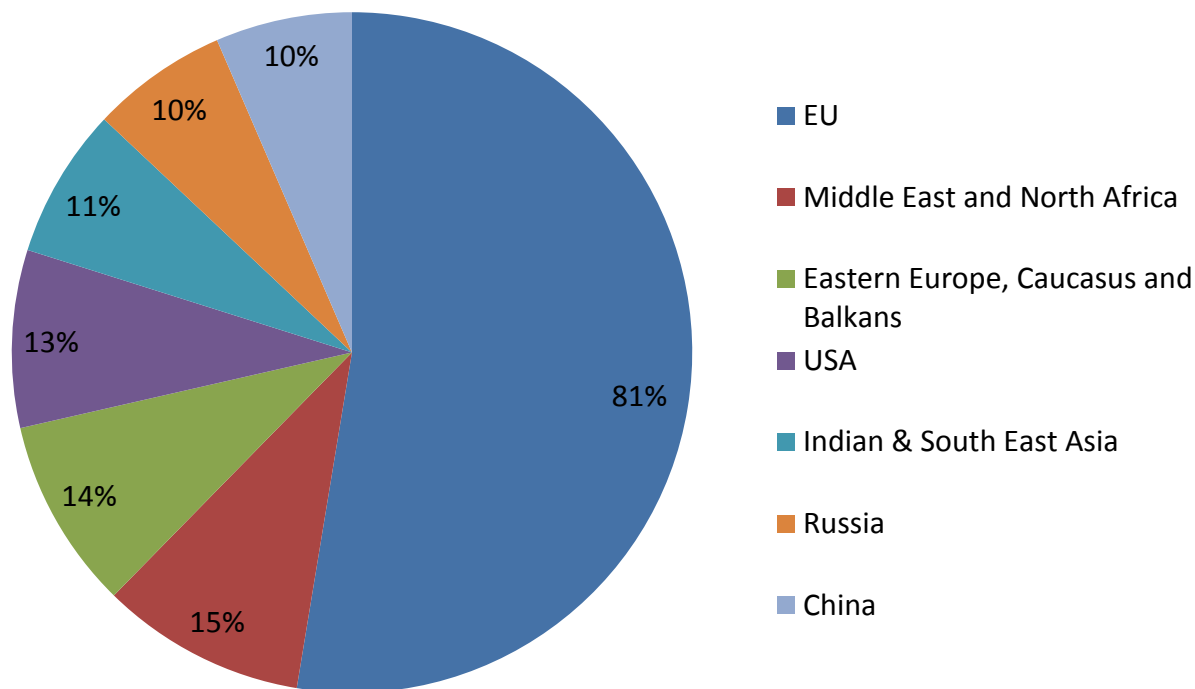
- SMEs share of trade: *mixed success*
 - 52% engaged in trade (including cross-border)
 - 33% exporters; 39% importers
 - 600k exporting *outside* EU (13% all SMEs)
 - 81% of all exporters; 1/3 value all EU
 - Positive effects of trade at firm-level: the '*happy few*'
- Is support structure *accessible* and its content *relevant*?
 - Why is take-up or support not higher?

Types of international activity of EU SMEs



Source: European Commission, Eurobarometer survey 2015

SMEs share of export destinations 2014



Source: European Commission, Flash Eurobarometer 421, 2015

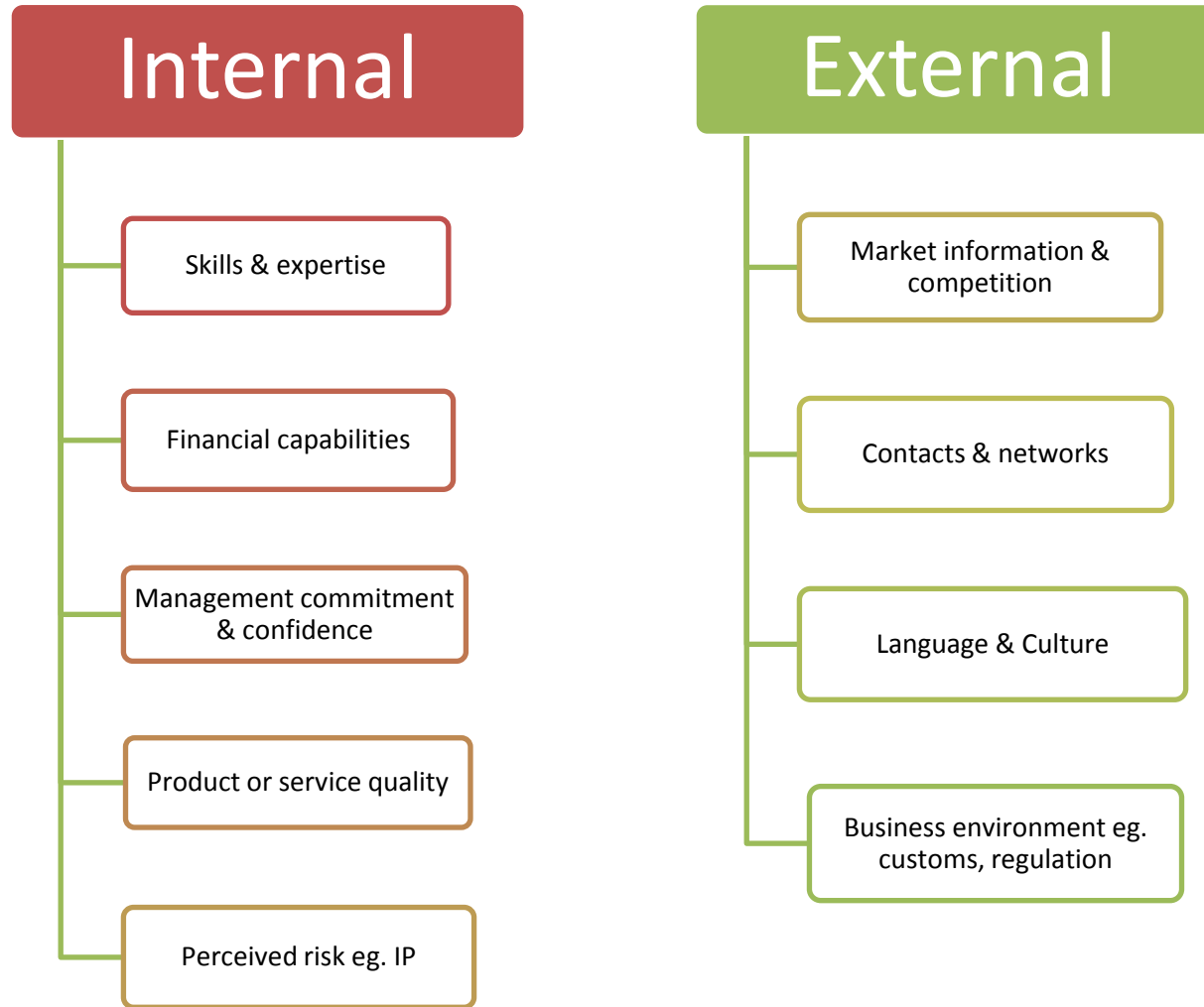
SMEs routes internationalisation

- Models of SME internationalisation
 - *Stage models*: incremental and evolutionary
 - Start 'soft landing' then further afield
 - *Born global*; Established / Later stage
- Internationalisation= importing and exporting
 - Relationship between importing and exporting
 - Role in *networking, culture and contacts development*
- Differences *new* and *experienced* SMEs
 - Naïve exporters; experience exporter
- Implications for intervention

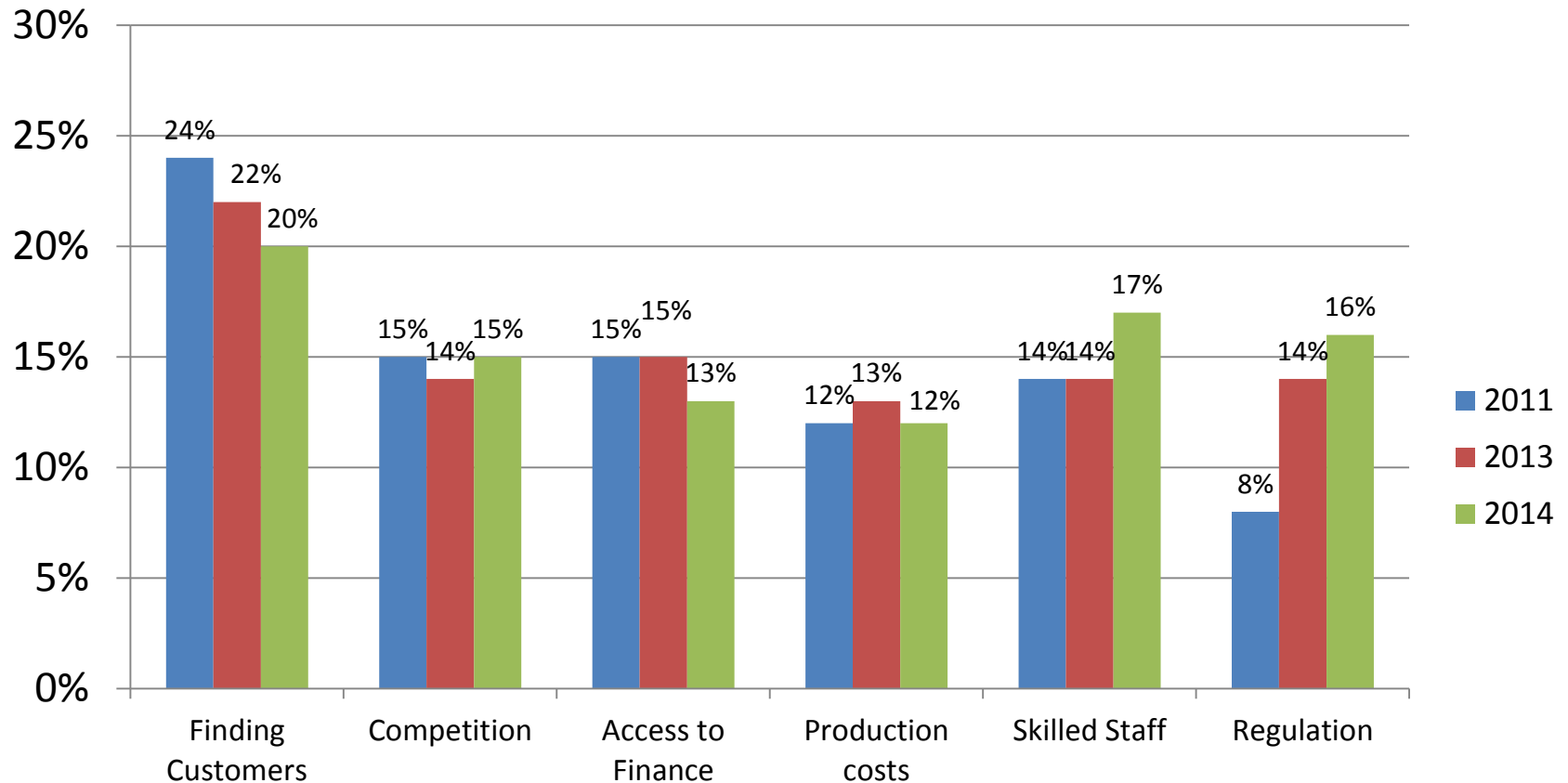
Characteristics of 'internationalised' SMEs

- Managerial *orientation and commitment*
 - Desire, competence and awareness of international markets
- *Larger* SMEs (micro less likely)
 - Resource base: human, financial; social
 - Though some suggest *quality* rather than size
- More likely to be *innovative*
 - Focus on manufacturing
- But, many SMEs report *passive* role in international market exploitation

SMEs challenges to internationalisation



Main recent challenges to SMEs internationalising (EU)

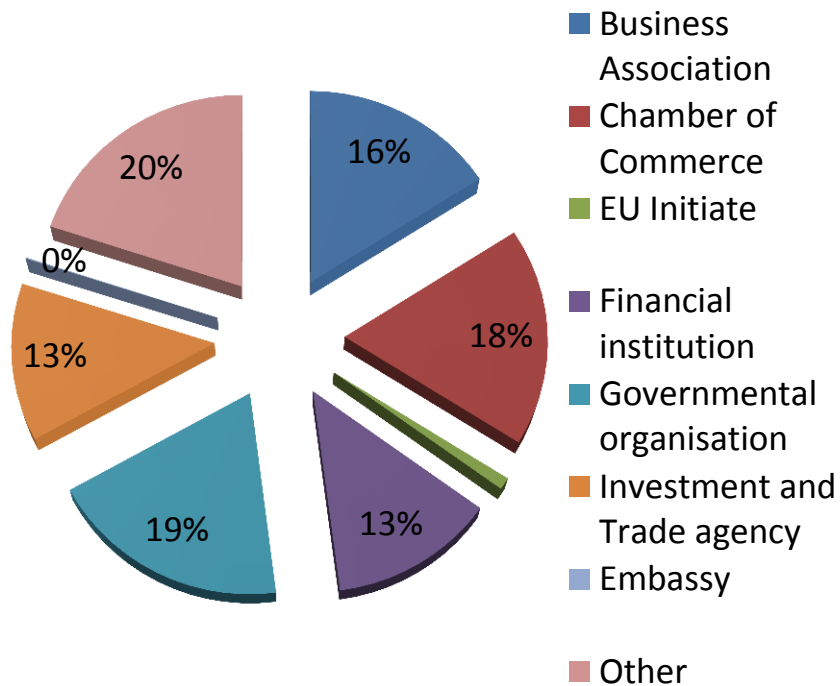


Source: European Commission, 2015

Number of organisations and support services

% of organisations in EU-27

Number of support services/org



	Support Services	Organisations
EU-27	993	658
Third Country	549	539
Total	1542	1197

Source: Wymenga et al., ECSIP report, 2013

Member States examples of intervention

Cases	• UKTI (UK)	Bayer Innovativ GmbH (Germany)	<i>Compagnia delle Opere</i> (Italy)
Facts	<ul style="list-style-type: none"> UK Trade and Investment - Leading UK government body Aligning with more than 170 organisation/associations 	<ul style="list-style-type: none"> Founded by the State of Bavaria in 1995, Hub for innovation and knowledge transfer, align with 500 institutes & 80 organisations 	<ul style="list-style-type: none"> Non profit organisation Founded in 1986 38 local and 17 foreign based branches
Main Initiatives	<ul style="list-style-type: none"> International Trade Advisers, Passport to export (new exporters) Gateway to global growth (experienced exporters) Overseas marketing introduction services (both new + experienced) Open to export (digital) 	<ul style="list-style-type: none"> Bavarian Cluster Initiative Project BAIKA (automotive) Project BAIKEM (electronics and microelectronics) Network life science (biotechnology, food and pharma) 	<ul style="list-style-type: none"> Matching 2.0 (online B2B networking) Digital technologies in 4 areas: Inter-firm networks, internationalisation, relationship with large firms and clusters
Results & Impact	<ul style="list-style-type: none"> Over 20,000 visits monthly (online) 53% of users -new markets (2012-2014), 52% improved skills 28% improved innovation 47% improved access to contacts 43% gained confidence, 23% improved resources 14% overcame difficulties of regulations 	<ul style="list-style-type: none"> Over 70,000 customers Great Publicity (E-Letters, Internet portals, Congress TV and the Bayern Innovativ Journal) Generated > €150 ml/ year from Bayern Innovativ Congresses 	<ul style="list-style-type: none"> Attracted > 34,000 users The first “Matching 2.0” platform in 2005, was ‘successful’, resulting in the re-launching of e-Matching in 2010, and 2013 Limited evaluation data
Strengths	<ul style="list-style-type: none"> Offer tailor-made services to different types of international SMEs Aligns services to SMEs challenges 	<ul style="list-style-type: none"> Create activities and programmes cross clusters and sectors Customer-orientated services Long-term financial funding 	<ul style="list-style-type: none"> Cross-sectoral services Help its members to have discounts on suppliers’ costs in a number of sectors

Support need gaps: what do SMEs need?

- **Abundance** of organisations and services
 - Originate from EU and members states
 - But some *confusion* in the marketplace
- Overall **low take-up** govt. agency support
 - Preferred ways of engagement: '*when necessary*'
 - Local, trusted, accessible, *relevant* relationships
 - Digital platforms alone (eg portal) *not sufficient* for SME engagement
- Research shows issues for SME's of
 - **awareness; relevance; accessibility**

Implications for SME support

- Recognise *variations* in type of support needs
 - New/experienced; sector; size; SME capabilities
- Build on *existing* networks
 - Connect with local, regional member state efforts
 - Raise awareness of support
- Case studies
 - Demonstrates variations in engagement
- Need for *monitoring and evaluation* data
 - Evidence base is partial (non-existent to detailed eg UK PIMs)
 - Permanent improvement and relevance to SMEs

Summary

- SMEs crucial **role** in economy and society
 - Internationalisation integral to development of EU
 - SMEs important but their resource scarcity necessitates intervention
- Recognise SMEs **heterogeneity**
 - Firm and entrepreneur characteristics; experience
- Most SMEs **do not engage** with government
 - Preference for ‘known agencies’, normally at member state level
- Support for internationalisation **in abundance** but...
 - SMEs awareness, access, relevance and quality issues continue
- Need to provide enhanced service
 - EU and member states **collaboration** needed
 - Avoid duplication; **closer matching of needs**;
 - Fit-for-purpose **monitoring** system

Thank you

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