



# EIS – Everywhere International SMEs

## GlobalEIS Tool – Concept Paper

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## 1. INTRODUCTION – THE EIS PROJECT

The Everywhere International SME (EIS) project was set up to help business support organisations (BSOs) develop the improved governance structures and support mechanisms needed to encourage and help SMEs to internationalise. This will, in turn, help to meet the objectives of the Europe 2020 Strategy for smart, sustainable and inclusive growth.

### Why are SMEs so important?

The importance of small and medium-sized enterprises cannot be over emphasised: “Small and medium-sized enterprises (SMEs) are the backbone of Europe's economy. They represent 99% of all businesses in the EU. In the past five years, they have created around 85% of new jobs and provided two-thirds of the total private sector employment in the EU. The European Commission considers SMEs and entrepreneurship as key to ensuring economic growth, innovation, job creation, and social integration in the EU.”<sup>1</sup>

Providing SMEs with support for their internationalisation activities is therefore a critical aspect of reinforcing the global competitive position of respective regions and countries. Current estimates show that just half of SMEs operate outside the EU's single market, missing huge growth possibilities in emerging markets like Asia and Latin America for EU companies.

In addition to the contribution that they can make to the economy SMEs involved in internationalisation are more likely to survive the globally competitive business climate. International SMEs are more innovative than their stay-at-home cousins and more resistant to local and national crises.

The EIS programme addresses Interreg Europe's second priority area; competitiveness of SMEs. Key players in driving economic growth in their respective EU regions, it is the responsibility of regional administrations and their stakeholders to ensure that the right policies and structures are in place to support SMEs. This gives SMEs the best chance of survival and development.

Understanding and learning more about the good practice used by European partners/regions, working with partners to identify the gaps and opportunities for implementing improved practices provides a tried and tested short cut to developing internationalisation support. Learning and discussing common challenges and practice with our peers rather than, for example, procuring expensive management consultancy solutions.

Providing the opportunity to work together, the EIS programme has enabled partners and regions to fast track the regional learning process. Partners have used collaborative thinking, sharing of experiences and joint working to develop better policy approaches and identify the key features necessary for internationalisation support outlined in the GlobalEIS Tool.

Operating in a globally competitive environment, SMEs need to benefit from the latest policy thinking. Ongoing continuous improvement through developing and refining a mix of approaches and regional policies that keep pace with the 21st Century will help to do that.

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<sup>1</sup> [http://ec.europa.eu/growth/smes\\_en](http://ec.europa.eu/growth/smes_en), December 2018 [EU 2018]

## 2. “SME INTERNATIONALISATION” IN THE EIS CONTEXT

### 2.1 Definition of internationalisation

The EU Guidebook defines internationalisation as “Supporting the Internationalisation of SMEs”, the term “internationalisation” encompasses all activities that put SMEs into a meaningful business relationship with a foreign partner: exports, imports, foreign direct investment (FDI) e.g. relocation, outsourcing, international subcontracting and international technical co-operation. In other words, business activities that respond to the opportunities and challenge that globalisation can bring. These activities may take place at cross-border level, at a transnational level inside the EU or at an international level beyond the EU<sup>2</sup>.

Expanding on this definition of internationalisation the GlobalEIS tool is not limited to exports, but to all those further activities that put SMEs into a meaningful business relationship when entering a new geographic market<sup>3</sup>. These activities include:

- direct export
- licensing
- franchising
- foreign direct investment/subsidiaries
- Joint Venture
- international subcontracting, as well as
- International B2B and B2C supply chains relationships i.e. including export through intermediaries/retailers.

It should also be noted that usually the result of a thorough preparation process undertaken by an SME, (whether with or without external support), internationalisation does not, in most cases, happen by accident. It is this crucial preparation stage needed before successful internationalisation and entering a new geographic that is included in the EIS context.

### 2.2 Definition of SMEs; project classifications used for internationalisation

The two main factors determining whether an enterprise is classified as an SME in accordance with EU recommendation 2003/361<sup>4</sup> are a company’s staff headcount and either their turnover or balance sheet total with the criteria as follows:

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<sup>2</sup> see European Commission, Unit D.2: SME Access to Markets Supporting the Internationalisation of SMEs, EU Guidebook Series 7, 2014, ISBN 978-92-79-36490 [EU 2014]

<sup>3</sup> Further information regarding foreign market entry modes can be found in Mohibul Islam Masum, Alejandra Fernandez: Internationalisation Process of SMEs: Strategies and Methods. (2008) [Masum Fernandez 2008]

Company Category	Staff Headcount	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

Figure 1: Classification of an SME

(Note that these ceilings apply to each individual firm. Firms forming part of a larger group may need to include staff headcount/turnover/balance sheet data from the total group).

The amount and stage of support required will also depend on the different levels of “internationalisation experience” each individual SME has had so far. (Descriptions illustrating the opportunities and challenges faced by two main SME internationalisation patterns; Internationalisation of Born Globals and Globalisation of Traditional SMEs can be viewed in Appendices A & B)

Providing a tailor made approach for these different categories of organisations at different stages of experience and potential is more likely to result in more effective and efficient support. Categories of SMEs include:

- SMEs with comprehensive international experiences
- SMEs with few experiences/’one time export’
- SMEs with no internationalisation experiences
- SMEs with some internationalisation potential
- SMEs with high internationalisation potential e.g. **High Growth** companies with significant positive cash flows or who have earnings at significantly faster rates of growth than the average economy
- **Born Global** companies specifically set up or able to operate on the global stage and so expand more rapidly than the average rate of economic growth
- Groups of SMEs already part of, or who plan to be part of, an international supply chain or cluster

Not limited to certain types and categories of companies, the GlobaleIS tool encompasses SMEs in all sectors with differing dispositions towards innovation at all stages of growth and maturity; from start-ups through to long established SMEs.

<sup>4</sup> For further details see [EU recommendation 2003/361](#) [EU2003] and the revised User Guide to the SME definition [EU2015]



### 3. SIX STEP MODEL OF INTERNATIONALISATION

Initial work undertaken by EIS partners for the GlobalEIS Tool drew on the original model of internationalisation developed by Moberg & Palm in 1995<sup>5</sup>. Describing the process of internationalisation in six steps for SMEs and larger firms these steps are:

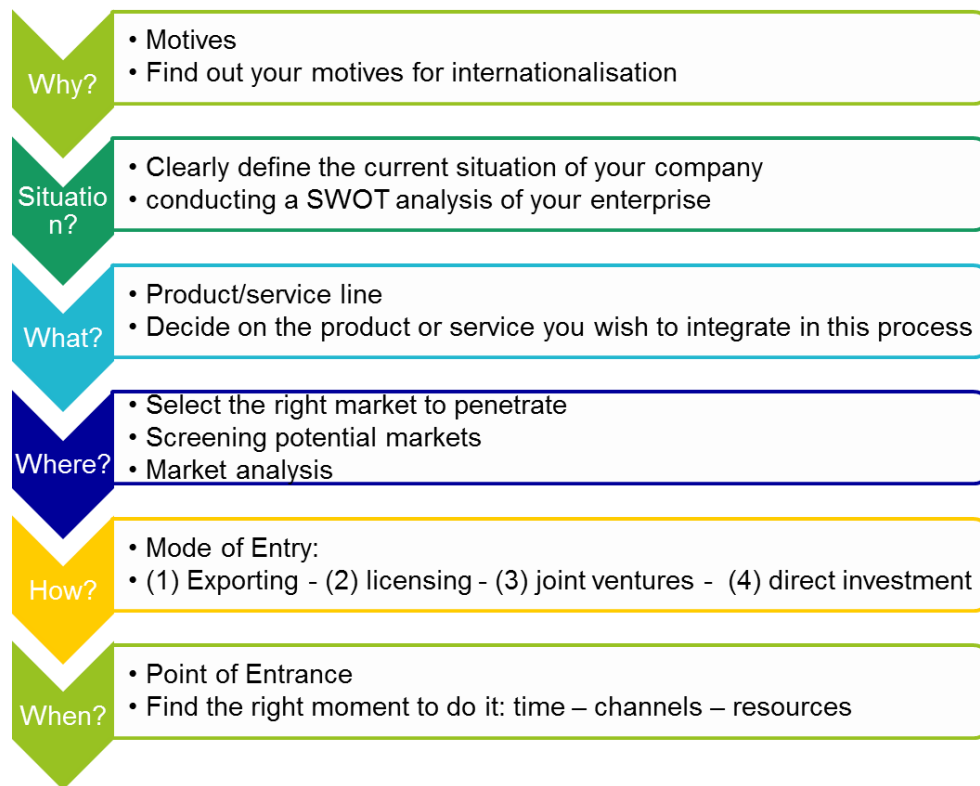


Figure 2: Six Step Model of Internationalisation (Source: Alteration of Moberg & Palm, 1995, in: [Bandi Bhatt 2008])

This Six Step Model of Internationalisation provided EIS partners with a very useful structure and basis for identification of relevant 'Good Practice' and helped partners to develop what they considered to be a more relevant, up to date model – i.e. the GlobalEIS Tool. Described in more detail below, steps used in the original Six Step model were:

#### 1. WHY? Find out the companies motives for internationalisation

When a company goes international it is often driven by certain stimuli or stimulus. This may be external and internal pressures such as competition, excess capacity of resources, or a downturn in their home market. Other firms go international because they want to; they may have a unique product not

<sup>5</sup> see Kishore Kumar Bandi & Kamlesh Bhatt: The process of Internationalization in Small and Medium Enterprises (SMEs) [Brandi Bhatt 2008]

widely available from international competitors or a technological advance in a specialised field<sup>6</sup>. Other companies termed ‘Born Global’ companies, some of whom may also be part of an international collaboration, are set up with the specific intention of trading internationally from the start.

## **2. SITUATION? Clearly define the current situation of the enterprise (via a SWOT analysis)**

Alongside the new opportunities that entering a foreign market may bring, companies will also need to take account of the totally new situation with new environment and cultures involved. A SWOT analysis will enable the company to assess its current situation<sup>7</sup> i.e. how ready it is to meet this new situation and what, if any, actions they need to take beforehand against a range of factors; economic factors, current production capacity and ability to scale up production, personnel, marketing, international experience, language, potential markets, most attractive marketing environments etc.

## **3. WHAT? Decide on the product or service they wish to integrate in this process**

Success will depend on the product/service offered and how well the firm is able to differentiate its own offer from its competitors, ideally testing the market with future or already established products/services and any particular USP e.g. quality of their products, to assess potential.

## **4. WHERE? Select the right market to penetrate.**

Overseas customers and market conditions may be quite different from the home market. Development of international marketing strategies building on the marketing mix; product, price, place/logistics, promotion for each different project and each different overseas market the company is considering will enable a company to assess whether to enter the new market, which product or service (current or specifically customised) is likely to be successful and what quality, packaging and labelling requirements may be needed.

The product strategy of the firm in international markets may also be influenced by cultural context<sup>8</sup> so it is vital that the manager/owner of the firm understands the taste and preferences of the customer in a target market, formulating a product strategy meeting market conditions. Colour, size, and packaging of the product can play a vital role in the success of the firm. Internet trading, opportunities & pitfalls are also a vital consideration of the marketing mix.

<sup>6</sup> see Michael R. Czincota & Ilkka A. Ronkainen: International Marketing [Czincota Ronkainen 1995]

<sup>7</sup>(Thompson & Strickland (1995) cite the need for a complete SWOT analysis to analyse the company's current situation and identify a firms readiness to meet and handle this new situation - or not. Jennie & Zetterwall (1995) list specific factors for analysis; economic, production, personnel, marketing, international experience and language capabilities that should be integrated into a SWOT analysis. Moberg & Palm, 1995 in Jennie & Zetterwall) advise analysis of potential markets and marketing environment to identify attractive opportunities and avoid environmental threats.

<sup>8</sup> Joshi, 2005

## 5. HOW? Decide on mode of entry.

Having selected their market the company will then need to decide on their approach i.e. whether selling directly to the end consumer, indirectly through distributors and/or agents, or to produce their product/service in the relevant country. Assessing their choice will depend on a range of factors; their resources; the characteristics of the product, the distribution culture in the overseas market, volumes/numbers i.e. customer demand alongside the firms original objectives and goals<sup>9</sup>.

## 6. WHEN? Find the right moment to do it.

Factors determining the best time for the firm to enter the foreign market will depend on their readiness<sup>10</sup>, i.e. that the market is ready, that the company has enough resources and has selected the right product/service and the right marketing channel for the specific market.

## 4. GLOBALEIS TOOL – DEVELOPMENT, PURPOSE & OPERATION

Building on an EIS Partner review of the Six Step Tool, the GlobalEIS Tool was developed by partners to help all European regions (not only EIS partner regions), to develop improved governance structures and support mechanisms amongst relevant business support organisations and stakeholders. Enabling public funds used for internationalisation support to be employed in a more efficient/effective way, the ultimate aim of the tool is to contribute to economic growth, (e.g. creation of new jobs, GVA etc) and the competitiveness of SMEs supported.

Proposing a process oriented approach for regional support mechanisms and SMEs supported by the internationalisation process, key features/benefits of the GlobalEIS Tool include:

- ✓ Use of the tool with local stakeholders to map current internationalisation support services, evaluate gaps and develop existing impact/activity and ensure transparency of services.
- ✓ Collaboration with local stakeholders on an ongoing basis to identify and respond to gaps in provision and ensure effective/efficient support.
- ✓ The use of mentoring from relevant BSOs throughout the entire internationalisation process.
- ✓ Application of a continuous improvement feedback loop that takes into account the experiences derived from all services (including mentoring) delivered, enabling BSOs to monitor results, identify any policy recommendations, make any necessary improvements and close any gaps in the support services available.
- ✓ Ultimately, a standardised SME internationalisation process that enables all stakeholders and businesses forming the different target groups for the GlobalEIS Tool, the opportunity to develop a common understanding of the internationalisation activities of SMEs and the required preparation steps for successful internationalisation.

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<sup>9</sup> Czinkota & Ronkainen, 1995 [Czinkota Ronkainen 1995]

<sup>10</sup> Moberg & Palm, 1995 in Jennie & Zetterwall

## 5. GLOBALEIS TOOL – KEY STAKEHOLDERS IN THE INTERNATIONALISATION TOOL.

Aimed at SMEs in all European regions, EIS partner regions or otherwise, the tool is a mechanism that can be used by all relevant business support organisations and public sector intermediaries, particularly those running services co-financed with public funds, to develop and ensure a fit for purpose business support infrastructure for SME internationalisation.

The application of the GlobalEIS Tool will therefore require the full backing and co-ordinated support of relevant policy makers and regional decision makers. This backing, in turn, will enable regional economic policy makers, funding and resource organisers to implement the Tool itself.

### 5.1 SMEs

Aimed at regional companies at any stage, in any sector, irrespective of any previous experiences, SMEs with internationalisation potential are the ultimate beneficiaries of the GlobalEIS Tool. Helping SMEs in two ways the tool will provide SMEs with:

- ✓ a standardised structure of the internationalisation process with checklists for single steps,
- ✓ an overview of available public support services (map of support services) in terms of internationalisation support for SMEs.

Providing a guideline for a structured standardised internationalisation process with easy to understand checklists for single activities and relevant milestones, the GlobalEIS tool will help stakeholders working with SMEs to develop a deeper understanding of the preparation required for successful export. Using key questions included at relevant stages of the tool will enable stakeholders to prompt discussion with SMEs helping them to assess their readiness and preparations needed for internationalisation e.g.

- Is entering new markets the right strategy for my company?
- How should I prepare for my intended internationalisation project?
- What do I have to do to become “fit for export”?
- Where do I find the right support?
- Are my internationalisation activities successful in terms of turnover and profitability?

### 5.2 Business Support Organisations (BSOs) providing public sector support

As direct users of the GlobalEIS Tool, the tool provides BSOs offering publically supported internationalisation services with:

- Advisory information and a method and opportunity to benchmark their service against the features of a good support system,

- From their initial and ongoing assessment the opportunity to inform current and future policy and resource recommendations,
- Access to useful support instruments, like the guidelines for screening interviews, included with the information pack,
- (From an assessment of services identified through the Global EIS Tool), a transparent and coordinated map of regional public support services improved information on who is doing what, the complimentary services available, more effective cooperation among the regional service providers improved signposting and a higher quality of support services. All crucial for a good internationalisation support infrastructure.

Undertaking these steps will enable client facing service providers to understand:

- How relevant BSO staff can mentor regional SMEs in development and implementation of their internationalisation activities in an effective and efficient way?
- Which support services they should offer for regional SMEs in terms of internationalisation?
- How best can they work with and collaborate with other service providers?
- Who is (or can) provide the resources or funding for their agency for the services provided?
- Review - Are their BSOs support services of value for the SMEs as beneficiaries?

#### Key steps for effective internationalisation support services

Minimum requirements identified by EIS partners needed by **BSO's/INTERMEDIARIES** for an effective internationalisation support service include:

- ✓ A standardised structure of the internationalisation process with checklist for single steps,
- ✓ A standardised process for mentoring/supporting regional SMEs in terms of internationalisation,
- ✓ A map with available public support services, provided for regional SMEs,
- ✓ Guidelines for collaboration among the members of the support system community (particularly those BSOs financed with public funds),
- ✓ Interview guidelines for a first screening of the SME in order to identify their potential for internationalisation and the support measures required
- ✓ Link with the EIS Good Practices and other Good Practices from INTERREG EUROPE.

### 5.3 Policy makers and public agencies responsible for internationalisation services

Tasked with ultimate responsibility for SMEs internationalisation services, relevant policy makers and public bodies have to ensure the most effective and efficient public support. This responsibility also includes professional co-ordination of the public support services and respective service providers - working to optimise the return from investment of public funds.

A ‘**where we are now**’ analysis reported by intermediaries through use of the GlobalEIS tool along with Good Practice examples from EIS partners and other INTERREG EUROPE projects can serve as a pool of ideas and examples, i.e. helping to inform continuous improvement of other regional support systems.

Key questions that the GlobalEIS tool can help policy makers and public bodies facilitate include:

- How best to co-ordinate public support services and relevant BSOs?
- How best to maintain and improve the quality of publically supported SME internationalisation services with the resources available?
- What is the current impact and return of internationalisation services supported by public funds?
- Which funds/budgets can be used to support SME internationalisation services?
- What good practice/case studies can we draw on to improve our regional support system?

Key steps for effective internationalisation support services

Minimum requirements identified by EIS partners needed by **POLICY MAKERS/PUBLIC ADMINISTRATION** for an effective internationalisation support service include:

- ✓ A map with available public support services, provided for regional SMEs,
- ✓ Standardised guidelines for co-ordination of services providers at local, regional and national level and based on that improvement of the regional support system
- ✓ Basic guidelines for in-process/ post monitoring of SME services. Using some standard indicators as inspiration and source for measuring the impact of the public services on SMEs beneficiaries, then used as input for improvement of regional policy for SME internationalisation.
- ✓ Link with the EIS Good Practices and other Good Practices from INTERREG EUROPE.

## 6. OVERALL STRUCTURE OF THE GLOBALEIS TOOL

Set at the core of the GlobalEIS Tool, the SME internationalisation process will help SMEs structure their internationalisation activities in a systematic way and act as reference point for support and mentoring services involved; whether public, private or both.

This standardised SME internationalisation process helps all players involved; SMEs, Business Support Organisations, Stakeholders and Policy Makers/Funders to develop a common understanding of the internationalisation activities of SMEs and the steps/preparation required for successful internationalisation.



Figure 3: The GlobalEIS tool's exporting process for SMEs

The GlobalEIS Tool and supporting narrative sets out the agreed process to support and mentor SMEs looking to export internationally. It **does not** claim either the complete description of the steps of the internationalisation process or the coverage of the full bandwidth of the support services for SME's internationalisation.

The GlobalEIS Tool **does** provide a guiding methodology, including checklists for an SME's exporting process. The Business Support system can also be mapped against the tool in order to establish a more



systematic and effective regional support system. The various steps are described in more detail in the following paragraphs.

## 7. THE INNER CIRCLE OF THE GLOBALEIS TOOL: GLOBALEIS EXPORTING PROCESS FOR SMES

The four steps that make up the inner circle focus on what the SMEs have to consider and spend time on in order to adequately prepare to internationalise their business.

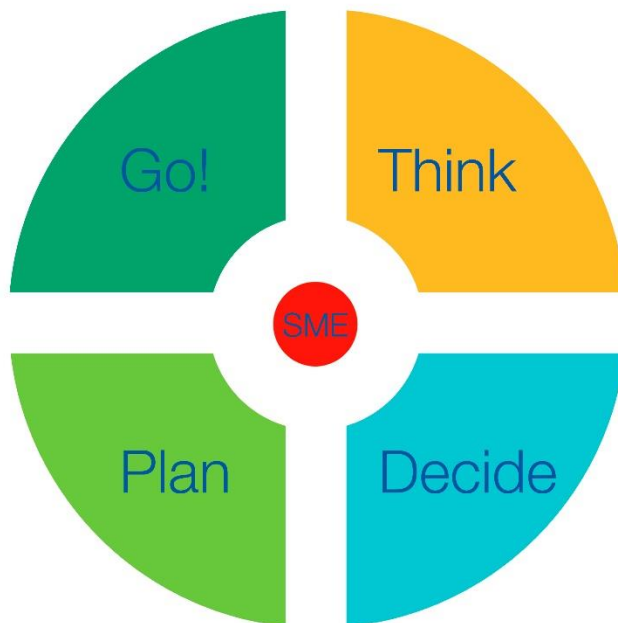


Figure 4: GlobaleIS exporting process for SMEs

The GlobaleIS exporting process for SMEs is observed from the viewpoint of SMEs as a target group. In the following paragraphs, the single steps are explained in more detail with checklists for both the SMEs and the Business Support Organisations supporting the SMEs.

### 7.1 THINK about the situation & why go international

The first step invites the SME to consider its own situation by thinking about its motivation for wanting to export, as well as reviewing its business and financial plan, available internal skills and competencies, resources and access to/knowledge of external networks.

Financial fitness and sustained profitability of the SME are crucial pre-conditions for successful exporting internationally. Companies need to have a clear picture of their overall business health, as this will influence the potential success of their exporting process. The company should therefore conduct a 360-degree review of its own situation and export potential, including, but not limited to:

- current products/services
- the level of own innovation and technologies



- other core competencies
- current markets and competitive situation/single competitors
- own business idea/model/strategy and stage of the business
- financial issues
- staff capacity and skills
- organisational structure
- production and logistics system
- supply chains with suppliers and customers
- networking with other companies and other organisations

### Why you want to export?

Helping SMEs to self-assess its motivations to export, the last bullet point is a particularly critical question. This analysis needs to be undertaken thoroughly to avoid wasting time and costs in future. If a company is not yet ready to export, but has the potential, it should either seek to close any identified gaps /weaknesses or take a different direction, - exporting is not a suitable or relevant goal for all businesses.

SMEs' motivation for exporting can be very diverse. There is often no single right reason for exporting, there are positive benefits in many cases, but it is critically important that SMEs are aware of the risks involved in exporting their business abroad.

Essential checklist for SMEs: THINKING it through - Why do you want to export?

- ✓ What is my motivation to export?
- ✓ Has my company the required competences for exporting?
- ✓ Am I willing to take the risk of exporting and if yes, to what extent?
- ✓ What are the approximate costs of preparing for exporting?
- ✓ Is the motivation to enter foreign markets already reflected in the business plan? If not, will it be reflected?

## 7.2 DECIDE: what, where and how to go international

After completing step one (**THINK**), the SME needs to invest time and resources in analysing and selecting the right market for their product(s) or services, establish business relationships with potential customers and market experts, and prepare their business for the selected market(s), then deciding how to approach the target market.

It is essential that the SMEs process of defining the right product(s)/service(s) and market(s) with the way of entering new markets is integrated. The GlobalEIS tool identifies two main activities for the **DECIDE** step: market analysis and market scanning.

### Market Analysis

A thorough analysis of the most promising countries is required to select the right target market for exporting. The market analysis for any specific product or service requires gathering information about each potential country as a target market.

#### Essential Checklist for SMEs – MARKET ANALYSIS

- ✓ Your competitive environment: who is offering competing similar products/services, what are they?
- ✓ Is a special registration or certification required for your product?  
Is an export license needed? Check legislation and required regulations to enter the market.
- ✓ Purchasing power and purchasing behaviour in the potential target market – are there specific cultural considerations to be aware of?
- ✓ Do any Free Trade Agreements exist with the potential target country which could make market entry of the product easier?
- ✓ Do you have to consider issues relating to Intellectual Property Rights (patents, trademarks, industrial design, etc)?
- ✓ Identify your customers in the potential target market: is it a business to business (B2B) (like wholesalers or retailers) or business to consumer (B2C) business (consumers, public sector) or both?
- ✓ What are the customer demands? Is a customisation of your product required in terms of functionality and/or branding for B2C, e. g. packaging and design?
- ✓ What are the appropriate distribution channels in the potential target market (HOW to enter the new market)?
- ✓ Is your product/service competitive in the target market in terms of the opportunity-cost, technical/technological functionality, innovation, design, branding?

The SME must also verify that the sources of the market analysis are reliable and that the analysis is relevant and up to date. All the information gathered can then be used to price its product and then a price for export with the fulfilment costs; registration and customisation requirements, production and distribution costs (shipping, marketing etc), customs duties, taxes and the cost of any finance required or implications on cash flow. The impact of fluctuations in exchange rates and the appropriateness of hedging also need to be considered.

## Market Scanning

Market Analysis to determine which market(s) to target, is followed by Market Scanning i.e. personal contact with market experts at home and in the target country to establish strong personal relationships and gather market intelligence. This may include identifying a suitable distributor and/or any other business partners such as investors. **Face to face meetings with people in the market closely related to the product or service are strongly recommended.**

Having gained a deeper insight into the target market, the SME needs to define its unique selling proposition not only in terms of the product/service, but also regarding the “personality” or profile of the company (company image, digital presentation of the company and the product, social media presence, etc.). The digital strategy for communication and marketing needs to reflect this and must be updated accordingly.

Market testing – listening to your (potential) customers’ to identify their needs and demand for product customisation (packaging, technological/technical, marketing, etc.), exploiting test opportunities with buyers from their target market before entering the new market officially may also help to establish additional knowledge about the target market.

#### Essential Checklist for SMEs – MARKET SCANNING

- ✓ What is the unique selling proposition (USP) of your product in relation to the target market?
- ✓ Have you exploited test opportunities with buyers from the target market before entering the new market officially?
- ✓ What are costs involved for exporting?  
What is the envisaged price of your product in the target market and the expected turnover/profit?
- ✓ Do you have reliable and personal relationships in the target market? (Personal contacts and networks are really important).
- ✓ Have you visited the target country and attended relevant events like international fairs, B2B missions or sector specific missions?
- ✓ Would it be helpful for your company to cooperate with other companies (joint branding, sharing market intelligence and contacts/networks, sharing exporting experiences)?
- ✓ Can you foresee a long-term engagement with clients and business partners in the target market?
- ✓ Have you checked to see if all the companies in your product/service supply chain are open for collaboration and able to do the required adjustments (change in design, increased production capacity)
- ✓ Are after sales services relevant for your products in the new market?
- ✓ Have you considered all options for entering the target market?
  - Export
  - Licensing
  - Joint Venture
  - International subcontracting
  - International supply chains covering B2B and B2C relationships
  - Any other routes to the target market?
- ✓ Have you got adequate finance to make contacts in the target market and to set up the necessary marketing and supply chain?

#### Market Readiness

Determining their market readiness for their product and target market is the last action suggested to close the DECIDE step. These checks should include:

- That the SME has the staff and management resources needed i.e. with the skills and language skills, knowledge and responsibilities required.
- That they are able to fulfil all regulations, norms, certifications.
- That the product/service has been adapted/customised to meet the regulatory requirements, styles and preferences of the target country.
- That the necessary IPR Intellectual Property Rights (patents, trademarks, industrial design, etc) have been clarified and are in place
- That they have established the distribution and marketing channels to the new market.
- That they have the required production capacity in place and the necessary internal/external logistical channels, personal and financial resources to meet demand, – and able to gear up if necessary.

Any gaps identified by the readiness checklist will then inform any actions needed for their Action Plan with the responsibility and a timetable for implementing the actions allocated to the company's internal or external lead appointed with the requisite role and responsibility, to lead on their export plan.

Engaging a professional mentor experienced in internationalisation, particularly for SMEs with no or limited internationalisation experience is strongly recommended.

Last but not least, calculating and reviewing the costs and allocating the necessary budget for pre internationalisation activities is also a vital part of the DECIDE step. This includes the financial resources needed to research the market, to make contacts in the target market, to improve required SMEs competencies and to set up the marketing and supply chain for the target market.

This budget may come from the companies own financial resources or from publically funded internationalisation grants/finance and/or advisory support that may be available for SMEs.

#### Essential Checklist for SMEs – MARKET READINESS

- ✓ Have you calculated the approximate resources/costs needed for the DECIDE step? Do you have the financial and HR resources?
- ✓ What is your time plan for the DECIDE step?
- ✓ Do you need external support for the DECIDE step e.g. professional services for specific activities/issues or mentoring for the full step? Where do you find the appropriate support?

### 7.3 PLAN to go international

Insights and knowledge gained in the first two steps, will enable the SME to draw up its plan of how to reach the market, these plans include finance and liquidity plans, product specifications, ability to scale-up production, internal resources (including staffing) and how to reach the intended market (e.g. B2B or B2C).

*“The purpose of an export plan is to assemble facts, constraints, and goals, and to create an action statement that takes these elements into account. The plan includes specific objectives, sets forth time schedules for implementation and marks milestones so that the degree of success can be measured and can motivate personnel.” [export.gov]*

The development of the strategic export plan during the **DECIDE** step is an iterative process. As detailed information and data about the target market gathered through the DECIDE step might be unavailable at the time, the first version of the export plan is usually a simple one. The more attention given to the working in the **DECIDE** step, the more knowledge is created by the SME (about the target market, its own competitive position, the way of entering the new market, financial issues etc) all of which will enable more operational decisions to be taken.

The export plan will become more detailed and complete as the SME works through each step. As an iterative, flexible management tool that should be used in the later “GO” step for comparison of the planned outcome against the actual results it will developed and modified, making the export plan more specific as additional information and experiences are gained.

#### Essential checklist for SMEs – PLAN to go international

- ✓ Does the market opportunity justify the investment required?
- ✓ Is the Return on Investment (ROI) adequate?
- ✓ Is the financial and liquidity planning realistic? Do you expect any liquidity issue, e. g. due to delayed payments by customers, higher initial set-up cost etc?
- ✓ Can the appropriate finance be raised to enter the market?
- ✓ Has due account been taken of all potential market risks (associated with political stability, economic stability, purchasing power the legal framework etc)?
- ✓ What about the recent trends in the target market?
- ✓ Is the export plan up-to-date and completed? Does the export plan reflect the latest information from the **DECIDE** step and fully meet all required operations to go international?
- ✓ Is there a clear timeline for going international with a completed project plan?
- ✓ Have tasks been allocated to people for all scheduled exporting activities?
- ✓ Do you have the right level of company resource mobilised?
- ✓ When should you scale-up the business/ramp up production?
- ✓ Do you or relevant staff/management have the required skills, language skills, knowledge needed for the target market?
- ✓ Are you able to fulfil all regulations, norms, certifications?
- ✓ Are products/services customised according to the specific target market's needs and regulations?
- ✓ Have you clarified IPR i.e. Intellectual Property Rights (patents, trademarks, industrial design, etc)?
- ✓ Have the distribution and marketing channels for the new market been established?
- ✓ Are the required production capabilities for selling abroad in place, are the logistic channels (including the supplier chain channels) established and ready?
- ✓ Are the personnel and financial resources available to meet the demand forecasted?

## 7.4 GO (international)

The fourth 'GO' step builds on all the knowledge gained in the previous three steps required for implementation.

It is critical that all SMEs monitor the impact of the exporting activities at this stage against indicators already defined in the DECIDE stage. Taking account of (actual) results and experience and using those results to improve the export process this includes checking whether the envisaged margin and profitability can be achieved, – whether additional measures are required, whether exporting activities might require a comprehensive review, if any adjustments e.g. marketing of further customisation of the product may be required, if any ineffective business relationships need to be improved or replaced etc.

All internationalisation activities must show a sufficient positive impact on the SME's overall business.

Essential checklist for SMEs – GO (INTERNATIONAL)

- ✓ Are the results of the exporting activities as expected?
- ✓ If not: is it necessary to take any counter measures
- ✓ Do you need to intensify/decrease your engagement in exporting?
- ✓ Are you fulfilling post market regulations?
- ✓ Are there steps that should be revisited to further strengthen the approach towards export and exporting?



## 8. GLOBALEIS TOOL (SUPPORT AND MENTORING SERVICE) – THE MIDDLE CIRCLE

The GlobalEIS Tool is also targeted at Business Support Organisations looking to offer a structured support and mentoring service for SME exporting activities.

The diagram below reflects second level features of an export support system: (i) the screening of export potential, (ii) the support and mentoring phase, following the structure of the SME exporting process, and (iii) the monitoring of the success of SME exporting. These are examined in turn.

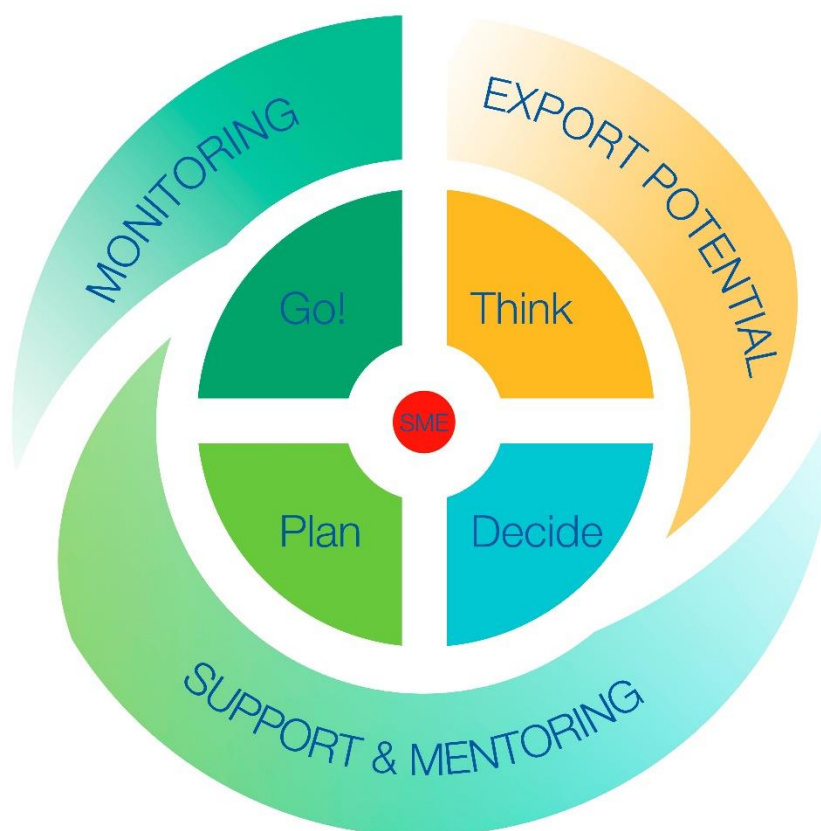


Figure 5: GlobalEIS Tool with support and mentoring level – the second shell

### 8.1 (Screening of) Export Potential

Building an understanding of a SME's current situation and future ambitions alongside their export plans will enable a Business Support Organisation (BSO) to assess their motivations and ambition for growth.

Screening, whether an online self-assessment or a face to face interview with a BSO adviser, will enable a full picture of the company's current situation (business model, products/services, competencies, competitiveness, innovation, organisation, finance etc), and a deeper insight into the firm's current activities and export potential

A face to face interview or screening enables the interviewer to advise on setting realistic expectations for the project and underline that exporting always carries some degree of risk. It also helps to match the SME's expectations concerning their actual situation, potential and profitability of entering new markets.

Personal screening interviews also provide a chance to develop a personal relationship between an SME and the external advisor, providing a good basis for more effective ongoing mentoring. External neutral assessments, rather than online self-assessments are also considered to provide a more realistic situational picture of the opportunity. (Further information, templates and guidelines for standardised interview can be found in Annex D and/or [www.interregeurope.eu/eis](http://www.interregeurope.eu/eis)).

The screening results enable a recommendation as to whether the company is suitable for exporting activities and which public and/or private service providers should be contacted for further professional support.

## 8.2 Support and Mentoring

Focusing on the **DECIDE** and **PLAN** stages, this section recognises that support and mentoring of an SME as they prepare to export, provides bespoke support, i.e. tailored support fitting the unique product-market combinations and existing competencies of the SME.

The SME should not only receive specific support services for one-off issues and ideally, accompanied by a mentor during the overall preparation process: "Accompanying the journey of supported SMEs" through all steps of the exporting process as a package, not just a single step. One-to-one mentoring can be very helpful when giving recommendations for the most appropriate support services or source of advice as any issues arise.

Support services range from group activities to individual support. Activities like group trade missions or B2B meetings in potential markets are considered to be most effective and efficient. Respective support programmes with calls for pre-selected markets help to identify SMEs interested in the same main target markets and facilitates the exchange among SMEs and experts also providing individual support.

National export support initiatives, EU level initiatives, economic development agencies at regional level, public sector bodies, universities and chambers of commerce have established contact points in foreign markets to provide information about the target market. Public service providers need to take these links and services fully into account.

Travelling as a group also helps to increase the visibility of each group member in the foreign marketplace.

Entering new markets successfully requires competitive products. Public support providers need to emphasise the importance of SMEs' innovation activities in conjunction with their exporting activities and promote their respective innovation support services for entrepreneurs. This may also include facilitating timely access to any relevant regional or national external R&D and technology services.

Undertaking an 'exporting readiness' check using questions/prompts in section 7.2 with the SME the mentor can then address and work through any weak points with them. They should also be ready to ask critical questions about all internal resources available and whether the financial resources for exporting are sufficiently robust.

### 8.3 Monitoring

A monitoring system tracking an SME's international growth path will help to create a long-term picture of the impact of support and mentoring on business development.

Despite established evidence of a very high positive impact on beneficiaries the lack of a monitoring system and subsequent information about the clear benefits of public support services for SMEs, will undermine the process. Undertaking surveys on a regular basis to establish a long-term picture of the evolution and effectiveness of a company's exporting activities and the whole support programme is a key monitoring activity of the overall BSO support package.

## 9. GlobaleIS Tool: COORDINATION & CONTINUOUS IMPROVEMENT of the REGIONAL SUPPORT SERVICES, INFORMING the TARGET GROUP – the outer circle

Provision of individual support and mentoring services for the whole international process for SMEs with exporting potential is complemented by the identification of the GlobaleIS target group; raising awareness about business opportunities through exporting amongst SMEs. This third level and outer circle is completed by integration of the continuous improvement of the support system i.e. arising from the monitoring of support services and the respective beneficiaries.

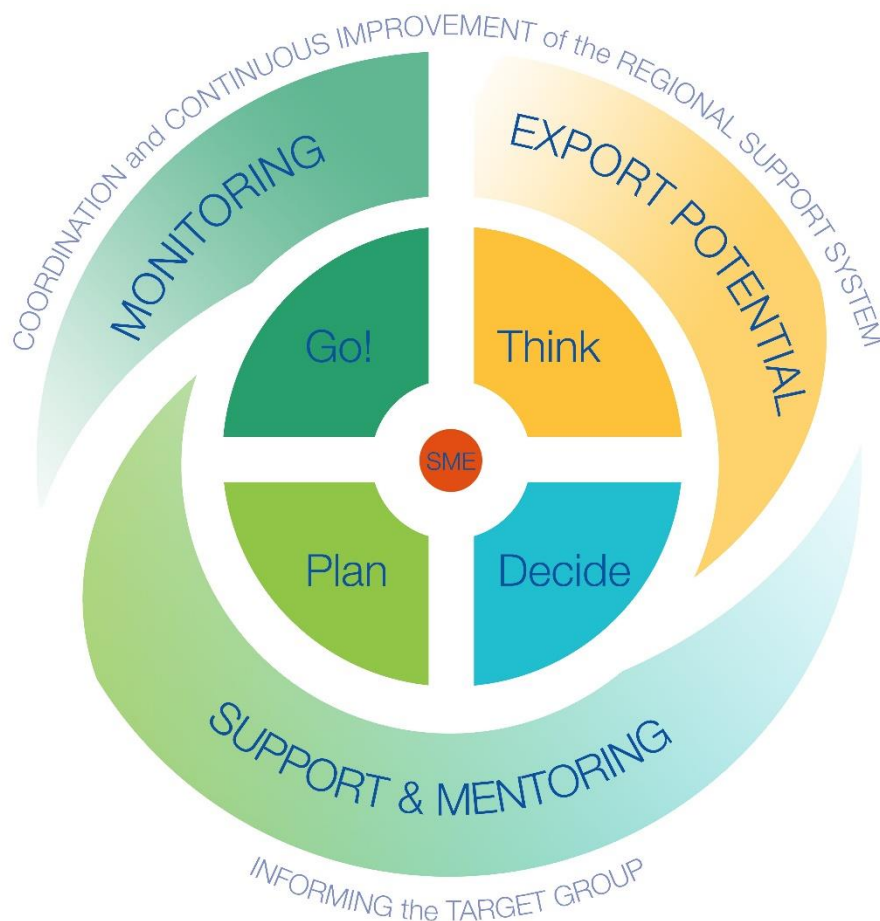


Figure 6: GlobaleIS Tool with Coordination of the support services and shaping the target group – the third level and outer shell

### 9.1 CO-ORDINATION and CONTINUOUS IMPROVEMENT of the Regional Support System

Public support systems should be characterised by a strong coordination of the relevant regional support services available for SMEs. This will avoid unnecessary duplication of services and help deliver the most effective service and efficient use of public money.

This comprehensive high-quality support will enable regional businesses to gain the necessary market intelligence, better understand the marketplace and so the opportunities for entering new markets. Effective collaboration by members of regional support agencies to ensure relevant information for regional SMEs is appropriate and not duplicated should include:

- Ensuring that the portfolio of services are transparent for both SMEs and service providers
- Ensuring that service portfolio mapped by BSOs identifies any gaps or overlaps in SME support and shows a clear pathway to exporting,

Assessing the “motivation and collective capability” of BSOs/Associations/Clusters, their roles and the range of services offered in the support system also means that their role/services must be defined very clearly. Not only does this include evaluation of the competencies and service quality of public BSOs, but also those of the private consultants and experts, certificates, competencies and procurement standards etc required for service delivery.

Integration of private service providers and experts’ support services to provide holistic service coverage is crucial; complementing private services rather than competing with them. (Arguably with the public sector overseeing the competence and quality of the private SME exporting services offered across the region).

This coordination going hand in hand with monitoring and evaluation of the regional support systems should provide a long-term picture of the evolvement of the exporting activities for individual SMEs and the whole support programme over 2 to 5 years or a longer timeframe.

An integrated approach for monitoring and evaluation of both individual BSOs/the services offered and the overall support system will ensure that the data/information collected can be used for both purposes.

## 9.2 INFORMING the Target Group

Three key challenges for service providers include:

- SMEs finding themselves in a situation where they are responding too, rather than actively seeking export opportunities
- low awareness among SMEs of the range of support services available
- those SMEs who aspire to start exporting but do not seek external support from organisations with the relevant skills and knowledge.

This means that the regional support system needs to take a **proactive approach** to providing basic information as a route to exporting: providing general ‘pre-support’ information with clear steps towards exporting, assessing their interest and motivation at the same time. This can be achieved by:

- creating and promoting events and platforms for SMEs to exchange knowledge and experiences between SMEs and service providers, (enabling a deeper knowledge of the target group and raising awareness among SMEs about exporting opportunities)

- inviting SMEs to such events where the tools, guidance and signposts advised can help them assess their suitability for exporting.
- providing virtual online platforms that can also serve the same purpose

A systematic approach to targeting business interest and take up of exporting could be achieved through regular contact with start-ups and early stage businesses. **If opportunities are introduced to businesses at an early stage of their lifecycle, they are more likely to become global businesses.** All platforms, events and other activities must contribute to the demystification of exporting and encourage SMEs to integrate exporting practice and strategy into their day-to-day work.

Promoting export activity amongst SMEs with success stories, testimonials from those who have used and benefitted from the support system, is a very effective way of encouraging other SMEs to get involved.

## 10. GLOBAL EIS TOOL:

**Recommended Practice, Guidelines & Toolkits, for Regional Business Support Organisations.**

**Policy Recommendations & Milestones**

**EXPORT POTENTIAL – Screening of SME Internationalisation Potential**

Relevant experiences and discussion by EIS partners led to a recommendation of strong engagement of public BSO from the very start i.e. the THINKING stage of an SMEs internationalisation journey.

Businesses enquiring about support are normally pro-actively thinking about exporting or reacting to a request received from another party. Whether reactive or proactive, even though they have internationalisation potential, many SMEs lack the skills and knowledge required regarding target markets and how to structure the internationalisation process.

Insufficiently prepared when the opportunity suddenly arises to enter a new market, entrepreneurs, in particular of small and micro companies, are often too slow in developing and responding to export opportunities due to their strong engagement in the day to day operations involved in running their business. These entrepreneurs are often lacking the full understanding of what is needed to go international. Other entrepreneurs may demand public support for their internationalisation activities even though they're not interested in growth or not open for collaboration with third parties.

Understanding of SME's overall situation and ambition – not just the internationalisation aspect – is important for a needs oriented, holistic support approach for the regional SMEs in entering new markets. An ambition for internationalisation and the willingness to grow, create new jobs and ultimately contribute to economic performance is a prerequisite for support. Inclusion in the target group cannot be justified without it.

A screening of the SME to identify their ambitions is crucial. This will enable a full picture of the company situation (business model, products/services, competencies, competitiveness, innovation, organisation, finance) as well as a deeper insight into the SMEs' current activities and potential. Whether conducted by interview or online platform, the results of the screening process will enable a recommendation; whether or not the company should start/extend internationalisation activities and which public and/or private service providers should be contacted for further professional support.

Different to the tailored support and mentoring provided in the following steps of the GlobalEIS tool, screening can be handled in a largely standardised way using different routes i.e. in the form of self-screening with an online application or as a face-to-face interview on site of the interviewed SME by an advisor.

Peer Reviews of relevant EIS partner regions' policy instruments identified that among the EIS partner regions only the Central Denmark Region conducts a face-to-face interview with entrepreneur for screening SME potentials.

The majority of EIS partners consider face-to-face screening as the most effective way to learn

Export Scorecard for Irish companies – A self-assessment online tool provided by ENTERPRISE IRELAND:

To support companies in assessing export capability, Enterprise Ireland have developed an online export preparedness scorecard to help companies to determine their capability to develop and implement an export led business plan. The scorecard tackles 6 exporter development pillars: Business Planning, People and Management, Sales and Marketing, Innovation, Operations and Finance. [ENTERPRISE IRELAND 2018]

Central Denmark Region undertake a screening of growth potential of all regional SMEs applying for public support, this includes support for internationalisation. The screening of growth potential covers growth ambition, scalability, organisational capacity, international market potential, funding, use of new technology as well as their potential as role model. Screening is an important step, which needs to be undertaken thoroughly to avoid wasting time in future and to concentrate more on the higher potential SMEs. The growth potential of the SME (A, B or C level) determines the level of access to different support services with different intensities. Thus the screening for growth potential acts as a door opener for regional public support and advice.



more about the overall situation and internationalisation potential of regional SMEs, viewing this as a point of departure for effective and efficient public support. They view that a face-to-face interview by a neutral external advisor enables the most realistic assessment of the entrepreneur; the screening will be more comprehensive and meaningful, with better results. It also allows for a change of mind-set of the entrepreneur if he/she shows no ambition for internationalisation at that moment (even though the SME has the potential required).

An interview also makes it possible to match the SME's expectations concerning their actual situation, potential and profitability of entering new markets and also enables the interviewer to advise on setting realistic expectations for the project and that exporting always carries some degree of risk.

At the end of the screening interview the entrepreneur should be able to describe the company's ideas for internationalisation including objectives, potential foreign markets and products for export. He/she need to prioritise the ideas for going international and to focus on the most relevant product-market combinations. Without this information the path for internationalisation will be too vague at this moment.

A personal exchange means that the interviewing advisor is in a better position to provide recommendations for building capacity and capability for the SME, - in a way that best fits the company. Both the entrepreneur and the interviewing advisor can then prepare a rough, but individual action plan identifying the tasks and capacity/resources needed.

Consensus on the outcome of the interview; the recommendation and an outline plan (ideally with SMART objectives) and any background notes can be documented through the signature of both entrepreneur and interviewer

Establishing a personal relationship between an entrepreneur and external advisor conducting the screening interview will provide a good basis for an effective mentoring of the SME throughout the full internationalisation process. An external and neutral assessment is much more likely to provide a more realistic situational picture of the SME than an online self-assessment

(This conclusion formed the basis for the development of a standardised interview guideline as a Joint Action for several EIS partners)

A standardised screening interview combined with the interviewers skills and knowledge of the support available provides a natural access route to regional support – but does depends, as in the Central Denmark case study above, on the way the individual region is handling the situation. A check of the current relevance, progress and implementation of the action plan at regular intervals e.g. every 3 to 6 months as part of the mentoring process, will also enable further signposting to most relevant forms of public and/or private support.

#### **10.1.1 Milestones – ideal 'qualifying' criteria for support arising from the screening process include**

- Motivation of screened SMEs: The motivation of the SME to internationalise is, (following experiences of EIS partners) the top priority.
- SMEs gaining 'access' to the target group of internationalisation support need to demonstrate:
  - A willingness to grow
  - Openness for collaboration with public support organisations



- A short report and/or evidence of their overall business situation and internationalisation potential in written or graphical form.
- A draft summary action plan that will assist the SME to become ‘fit for internationalisation’ which should capture:
  - the entrepreneur’s idea for internationalisation
  - brief description of required measures within the DECIDE step
  - a rough time line
  - signposting to relevant public support services and service providers
- A consensus on minutes and an outline timed and costed plan signed by the interviewer and interviewed entrepreneur,
- Optional: in case of allowing future public support for the screened SME: entrepreneur and interviewer, agreement regarding the monitoring and documentation of the impact of the internationalisation activities of SMEs on their business situation/profitability and the contribution of public support services to the outcome.

#### **10.1.2 Policy recommendations:**

- Establish a joint database that includes screening results
  - to analyse SME’s interests for potential target markets in order to identify; the most likely potential target markets for regional SME marketing, to create a new information service for these markets (if not already existing),
  - and also the other way around: to research relevant interesting/promising markets and suggest them to SMEs,
  - to issue targeted invitations to single information events of interest to relevant SMEs
  - from these events, to capture SME support requests and develop future services, e.g. identification of common activities (e.g. target markets), identification of needs for external support, invitation to events/information days etc. ,
- Offer a screening opportunity for regional SMEs, preferably via a personal interview,
- Use of a clear and transparent selection process for SMEs screening interviews,
- Select an interviewer/ responsible intermediary organisation with the relevant skills, knowledge and experience needed. This should include comprehensive interview experiences, general knowledge/ business development experience, and ideally but not essential an in-depth knowledge of internationalisation/foreign markets and as the interviewer role is to signpost the SME to the most relevant public/private services providers, a comprehensive overview of the relevant regional support schemes and public/private service providers.

They also need to adopt a totally independent neutral position and cooperate, but not compete, with all public/private service providers and stakeholders. Although Intermediary organisations could offer support unavailable from other competing services, they should pass on information regarding service

gaps/ complementary support services that may be needed e.g. training/workshops/programs. These should then be implemented and coordinated by those BSOs responsible for public support.

## 10.2 Support and Mentoring SMEs in DECIDE step

Provision of support and mentoring services is ‘not a one size fits all’ approach; both types of service will need to fit the unique needs of individual SMEs. Each SME internationalisation scenario; product market combinations and competencies etc will be different and so the frequency and intensity of support

Emilia Romagna Region collaborative approach: Emilia-Romagna Region issues an annual call for a proposal to contribute to the internationalisation of specific regional economic sectors, by supporting collective promotional actions proposed and implemented by promoters. Promoters can be business support organisations; entrepreneurial associations; single Chambers of Commerce and their regional level associations Unioncamere; Italian Chambers of Commerce established in the destination countries and acknowledged by Italian Government; Foundations.

SMEs benefit from assistance and support provided by promoters entering foreign markets at a reduced cost. Collective promotional and market scouting actions reduce the investments needed by single SMEs and the risks involved in accessing foreign markets

services required will vary. Accompanying the journey of supported SMEs” through ALL steps of the internationalisation process as a package, i.e. not just for each single issue, one-to-one mentoring will enable signposting as and when needed.

Ranging from group activities to individual support, EIS partners considered group activities like trade missions or B2B meetings in (potential) markets as very effective and efficient. Respective support programmes with calls for pre-selected markets will help to facilitate exchange amongst those SMEs interested in the same target market.

Sharing knowledge about overseas markets will also help the SME to select the ‘mode of entry’. EIS partners reported that specialised sectoral support programmes in general support schemes, e.g. in the food sector, tend to achieve greater impact, (encouraging collaboration, sharing of experiences) helping SMEs to develop their understanding of potential channels for the relevant sector e.g. for olive oils in

Export Broker Program Pomorskie: Regional agencies often take groups of businesses in the same sector to foreign market visits or trade missions. Initially businesses are reluctant as they see the other businesses as competitors, but travelling together helps them realise that potential customers view the group as a strong sector in the region and they then trade together as a group. Done on a regular basis this is an effective way of utilising public sector funds and resources.

Alentejo. Other EIS partner regions also use macro data/market analysis to pre-select main export markets

Many economic development agencies, public sector bodies and Chambers of Commerce have set up established contact points in overseas markets and are able to provide detailed market information. Public service providers need to take these services into account.

Bringing companies with the same target markets together also provides SMEs with an option to cooperate with similar SMEs and increase their visibility in the new market e.g. by increasing the ranges of products/services in their portfolio, combining their individual offers etc. Travelling as a group or cluster also helps to increase the visibility of each cluster member in the relevant overseas marketplace.

Starting internationalisation with a market that has fewer barriers e.g. language barriers, a market close to their home will make SMEs first project easier. Joining up with existing EU trade deals also provides opportunities to lower their administrative burden. Unfortunately EU trade deals are often misunderstood by businesses at a local and regional level leading to missed opportunities, public advisors can explain how they work. Established regional and countrywide networks like the EEN are also helpful contact points. They can provide relevant market information and help to set up any necessary personal business relationships.

Other success factors include having a competitive product and the importance of innovation. Public support providers should promote their respective innovation support services for entrepreneurs, facilitating access to regional or national external R&D and technology services that are available when relevant.

EIS partners revealed the limited availability of current public support services as a serious barrier and gap in public support systems. Often only available at certain times interlinked and dependent on funding calls, even in some cases, unavailable in spite of sufficient budget, resulting in delays for moving internationalisation activities forward. While some partners like Central Denmark Region have already open calls other EIS partners are planning to attend 'open calls' on an ongoing basis in the near future as part of their EIS Action Plan.

#### **10.2.1 Key Milestones – ‘must haves’ for the mentoring process includes**

- An Export Plan drafted by the relevant SME
- An entrepreneur with an open mind i.e. who is open to modifications to the existing overall business plan for their internationalisation project(s): Who is also willing and able to incorporate their export plan in their business organisation and strategy

#### **10.2.2 Policy recommendations for support and mentoring services**

- Accompany the journey of supported SMEs –i.e. don't restrict the support offer to single support services/interventions
- Work to understand each SMEs business and their motivation i.e. their customers' mindset,
- Match the scale of internationalisation support to each SME's potential. Match the offer of public services with SMEs needs: provide the right support at the right time,
- Build SME internationalisation capacity and capability in a way that fits the company.
- Focus support on the most relevant export markets first whenever possible. This will enable effective and efficient support: match market intelligence to the regions (SME) USP, to identify internationalisation opportunities.
- Provide micro-export companies with the specialist (capacity and capability support) they need particular help with e.g. technical assistance with small export grants

- Offer a mix of services
  - adopting the “from group activities to individual support” approach
  - covering the full internationalisation process
  - with a broad range of services : mentoring – financial – and other soft services
- Promote and emphasise innovation in relation to internationalisation,
- Use support/mentoring expertise to help SMEs who have difficulties in securing the right distributor – they normally require expert help for this activity in particular

### 10.3 Support and mentoring SMEs in PLAN step

SMEs, particularly those inexperienced in internationalisation, may have difficulty in defining a realistic, correct timeframe for their internationalisation activities and would benefit from a proactive guide through the process that will offset the risk of failure.

Guiding SMEs through the process these Mentors can provide timely reminders on crucial checks e.g. an up to date profitability check, the availability of internal resources and financial resources in place etc

Like the screening process at start of the internationalisation process, the mentor should go through a brief check with the entrepreneur to check their ‘internationalisation’ readiness, working with them to address and overcome any weak points identified in the assessment.

#### 10.3.1 Milestones

- The support provides results in the SMEs final readiness to enter the target market

#### 10.3.2 Policy recommendations

- Mentoring re the timing of internationalisation should be considered as an explicit public service i.e. a kind of “internationalisation readiness check”

### 10.4 Mentoring and monitoring SMEs in GO international

The EIS Peer Reviews also identified that there is little or in some cases, no public support available once the supported SME has started to export and enter the new market. At the point when open questions and problems are most likely to appear, this leaves SMEs feeling overburdened with the situation and without access to further external support. Businesses are not always flexible enough and may avoid any changes needed to their export plan during their implementation phase, delaying their response to problems that may appear.

Limited HR capacities of service providers and relevant government departments means that in many EIS partner regions, a feedback loop between the beneficiaries i.e. SMEs entering new markets and Business Support organisations are missing. This makes it very difficult to support SMEs and

EIS partners recommend that the mentoring process is extended, particularly for those SMEs new to exporting, supporting them through problems and required changes/adjustment of the internationalisation activities.

document their success throughout the internationalisation process.

The lack of information about clear benefits of public support services for these SMEs puts these support services into question (despite established evidence of a very high positive impact on their beneficiaries). Several EIS partners will improve their regional monitoring in the future with the respective actions and surveys elaborated in their Action Plans. Undertaking such surveys on a regular basis should be done on a regular basis, in order to establish a long term picture of the evolvement of the internationalisation activities of a single company and the whole support programme.

#### **10.4.1 Milestones**

- Internationalisation success of the beneficiaries involved.
- Impact of the support services on beneficiary internationalisation activities

#### **10.4.2 Policy recommendations**

- Establish a mentoring service for SMEs more recently engaging in internationalisation activity
- Allocate the required resources (HR and budget) in responsible government departments and BSOs for monitoring SMEs in GO international,
- Define and apply a standard set of SME monitoring indicators that can act as a basis for the continuous improvement of the regional support system for internationalisation (see section 9. 1).
  - the internationalisation activities of the beneficiaries of the regional public support system,
  - the contribution of the provided support services,
  - the satisfaction of beneficiaries with the full service portfolio
- Support agencies should put a minimum number of measures or indicators in place to measure the success of the supported SMEs and the contribution of their individual support/their support programme, examples are:
  - new clients in export markets
  - Increase in Turnover [€]
  - Increase in jobs created by supported SME [#]
  - Export share in relation to overall turnover [%]
  - Number of meetings/events
  - Satisfaction of beneficiaries with the service used

This information could be gathered through SME surveys or relevant national/regional statistics where available.

## 10.5 Coordination and Continuous Improvement of the Regional Support System

In an ideal world, the GlobalEIS Support System would be characterised by a strong coordination of the relevant regional support services. This would avoid unnecessary overlapping of services and enable the most effective service and most efficient use of public money.

This comprehensive high quality support would enable regional businesses to access up to date market intelligence and gain the necessary market intelligence to better understand the marketplace and the opportunities for entering new markets. Lack of collaboration and all information necessary will leave SMEs open to risk.

Public (and private) support services for regional SMEs must be transparent and communicated amongst BSOs with their role making sure that in turn, all relevant services are transparent and communicated to target SMEs. This would include mapping the service portfolio and the full pathway to internationalisation for SMEs, identifying any gaps in support and services.

Assessing the “motivation and collective capability” of BSOs/Associations/Clusters, their roles and the range of offered services in the support system means that their role/services will need to be defined very clearly. Not only does this include evaluation of the competencies and service quality of public BSOs, and ideally, private consultants and experts, the certificates, competencies and procurement standards etc. required for service delivery. (Arguably, with the public hand overseeing the competence and quality of the private SME internationalisation services offered in their region).

The integration of private service providers and experts is very important. Unless there is clear evidence of market failure and critical gaps in internationalisation services, competition of public services with private services should to be avoided.

Coordination of internationalisation services goes hand in hand with the monitoring and evaluation of the regional support system. Monitoring should provide a long term picture of the evolvement of internationalisation activities of a single company and the whole support programme over 2 to 5 years, or even over a longer timeframe. Without knowledge of the impact of the system service portfolio and its weaknesses an improvement of the regional support system is impossible.

An integrated approach for monitoring and evaluation of both single BSOs/the services they offer referred to in section 8, and the overall support system will ensure that the data/information gathered can be used for both purposes.

Central Denmark Region: The impact of receiving support from a public program is measured approx. every 5 years. Turnover, job creation and export are compared between businesses that participated in a public support program and similar businesses that did not participate in a public support programme.

### 10.5.1 Milestones

- High transparency of offered support services by public regional BSOs,
- High satisfaction of beneficiaries with received support and public support system for SME internationalisation,

- Documentation of the actual impact of public support system on the beneficiaries of provided services,
- Clear responsibilities for each service provider and clear position in the regional support system for SME internationalisation,
- Public service providers with stronger focus on their core competencies (clearly defined service profiles),
- Increased cooperation and less competition among public service providers,

### 10.5.2 Policy recommendations

- Map the current service portfolio and provide a transparent overview of all public (and ideally also most relevant private) services to facilitate
  - access of SMEs to external support service for their internationalisation activities,
  - collaboration of the public (and private) service providers,
  - the definition of the role and service portfolio of each BSO.
- Define and apply a standard set of indicators to monitor
  - the impact of the regional public support system on its beneficiaries and the target group,
  - the satisfaction of beneficiaries with the full service portfolio.

## 10.6 Shaping and informing the target group

Experience of EIS partners has shown that SMEs are more likely to be in a situation where they are responding to opportunities instead of actively seeking export opportunities. This reactive (rather than proactive) approach together with the lack of awareness of relevant internationalisation opportunities means that SMEs are missing out on business opportunities, - and consequently the creation of new jobs. Lack of awareness of the range of support and services available for SMEs is also a hurdle.

It is critical then that the regional support system is proactively communicated to SMEs and provides base level information that will open the door to internationalisation: providing general information on the specific steps needed and then gauging/checking their interest. Companies may have the aspiration to get involved in internationalisation, but may not ask for external help to acquire the skills and knowledge needed.

Hampshire DIT Activity at a local level: provided by the Department of International Trade (DIT), the online portal helps local SMEs in an interactive way to raise awareness for internationalisation opportunities and to find a route to market, with a limited but focused range

This can be achieved through creation and promotion of SME events and online & offline platforms that enable the exchange of experience among regional SMEs' and services providers and access to tools and guidance.

A systematic approach to targeting business interest and take up of internationalisation could be achieved through regular contact of



start-ups and early stage businesses. If opportunities are introduced to young businesses at an early stage of a business being set up, they are more likely to become global businesses.

All platforms, events and other activities need to contribute to the demystification of internationalisation and encourage SMEs to integrate internationalisation practice and strategy into their day-to-day work. The promotion of internationalisation with success stories and the attendance of exporters who have already engaged and benefitted from the support system is a very effective way of encouraging further SMEs to participate in internationalisation.

#### **10.6.1 Milestones**

- Knowledge about the target group and members of the target group; size, name, sector etc.

#### **10.6.2 Policy Recommendations**

- proactive approach to identify the target group, define your approach to contact potential members of the target groups
- promote showcase and exporters that have been engaged with the support system

## **11. EIS – DATABASE OF GOOD PRACTICE**

Brief descriptions of each [Good Practice](#) identified by EIS partners for supporting SME internationalisation are available on the EIS website. (EIS partners are also able to access more detailed information on the EIS TeamLab intranet upon request). Linked to the relevant categorisations in the GlobaleIS Tool these Good Practices will enable any European regions to easily identify relevant GPs for the improvement of their own regional SME internationalisation support system. They are classified as follows:

- GlobaleIS Tool process steps
  - THINK
  - DECIDE
  - PLAN



- GO
- Categories of target group
  - SMEs with comprehensive international experience
  - SMEs with few experiences/“one time export”
  - SMEs with no internationalisation experience
  - SMEs with high internationalisation potentials like Growth Companies or Born Global
  - SMEs with some internationalisation potential
  - Groups of SMEs part of an international supply chain or cluster
  - Public sector support, coordination of support services –
- Type of Good Practice support
  - Project
  - Organisation
  - Tool/Methodology
  - Other
- Ownership of Good Practice
  - Policy
  - Research Bodies
  - Private Sector
  - Intermediary
  - Other

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## **Annex A: INTERNATIONALISATION OF “BORN GLOBALS”**

The following description is taken from [Schultz Borghoff Kraus 2009], chapter 2:

“Knight and Cavusgil (1996) define “born globals” as “...small, technology-oriented companies that operate in international markets from the earliest day of their establishment” (p. 11). An “international new venture” (INV) is similarly defined as a “business organisation that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” (Oviatt and McDougall, 1994, p. 47). Since the two expressions essentially cover the same kind of firms, they will be used synonymously within this article.

Rennie (1993) describes born globals as competing on quality and value that is created through innovative technology and product design. Such firms are usually founded in knowledge-intensive industries and tend to be highly specialized. The specialization of SMEs is necessarily associated with a reduction in the size of the available market. The core capability of born globals must therefore be expected to be narrowed and focused (Madsen and Servais, 1997). Thus, they may find it necessary to expand overseas to take advantage of the skills already developed in their home market, as well as to finance their significant R&D outlays. It is not surprising that technology appears to be a critical component of the internationalization of newly created high-technology SMEs. For these firms, given the rapid rate of obsolescence of innovations, the drive towards foreign markets to exploit their know-how as quickly as possible emerges as an absolute must (Fujita, 1998; Chetty and Campbell-Hunt, 2003).

Madsen and Servais (1997) as well as Borghoff (2005) suppose that the phenomenon of born globals is not limited to high-technology industries, as has generally been indicated in literature (Bell et al. , 2001). Also, specialized assortments of low-technology products adapted to homogeneous niche segments in many countries, and even trading companies may be cases for “born globals”. On the other hand, the mere participation in a new high-technology industry does not mean that start-ups are international from inception. Firms in service industries in particular (like internet firms or software consultants) encounter high barriers to internationalization because of the importance of reputation, ‘front-room activities’, and embeddedness in their personal and business networks that are typically still local (Kotha et al. , 2001; Borghoff and Welge, 2000; 2001).

Smaller firms lack the resources to compete on equal terms with large enterprises. They must rely on their knowledge of specialised, relatively narrow product niches in order to succeed. Additionally, these companies must internalise the right combination of facilitating technologies, international business knowhow, and access to appropriate contacts abroad. Much of the learning associated with this process results from being linked to information networks, both at home and abroad (Knight and Cavusgil 1996 ). Many entrepreneurial firms, including family businesses, can overcome the disadvantage of small size through their use of technology such as the Internet to reach consumers beyond their borders. Along with entrepreneurial and managerial characteristics, the application of technology was found to be a key factor in explaining the internationalisation of new ventures (Andersson, 2000; Davis and Harveston, 2000; Gallo and Pont, 1996).

A study by the management consultancy McKinsey & Co. , Knight and Cavusgil (1996) attributed the following characteristics to born globals:

- Management views the world as its marketplace from the outset of the firm’s founding. Unlike traditional companies, SMEs do not see foreign markets as simple adjuncts to the domestic market.

- Born globals begin exporting one or several products within two years of their establishment and tend to export at least a quarter of total production.
- They tend to be small manufacturers with average annual sales usually not exceeding \$100M.
- The majority of born globals are formed by active entrepreneurs and tend to emerge as a result of a significant breakthrough in a process or technology.
- They may apply cutting edge technology to develop a unique idea or a new way of doing business.
- The products that born globals sell typically involve substantial value adding. The majority of such products may be intended for industrial uses.

[...] Madsen and Servais (1997) propose that studying “born globals” should be based on a time perspective which extends beyond their foundation. Probably many of its “genes” have their roots in firms and networks in which the founder(s) and top managers gained industry experience. Compared to traditional new ventures, born globals already are instilled with organisational routines, decision rules, and capabilities that do not greatly depend on any local or national borders but were gained in the global context. Routines, decision rules, and capabilities can be considered as the ‘genes’ of an organisation (McKelvey, 1978). Instead of being tied to geographical markets, these genes may be tied to a certain specialized, value-adding process which the firm solves in the particular internationalized industry. Born globals have direct access to global networks, knowledge and markets right from the start, while traditional firms need a development process to explore such global resources.

In an empirical study, Oviatt and McDougall (1995) identified seven characteristics of successful global start-ups:

- 1) A global vision has existed since inception.
- 2) Managers are internationally experienced.
- 3) Global entrepreneurs have strong international business networks.
- 4) Pre-emptive technology or marketing is exploited.
- 5) A unique intangible asset is present.
- 6) Product or service extensions are closely linked.
- 7) The organisation is closely coordinated worldwide.

Oviatt and McDougall (1995) discovered early that the most important characteristic associated with success is probably that the founders of a global start-up develop and communicate a global vision: To become global one must first think globally. Every global start-up they investigated had internationally experienced founders or top managers, and every person interviewed believed that this was a necessity. The initial inspiration for many of the ventures studied came from the international experience of its founder. Calof and Beamish (1994) suggest that an individual’s geo-centricity is associated with international experience. Internationally experienced management teams therefore are viewed as a key resource that influences SMEs to engage in behaviours leading to a greater degree of internationalization (Reuber and Fischer, 1997).

McDougall et al. (1994) argue that entrepreneurs are people who “are alert” about potentially profitable resource combinations while others are not. Research has further shown that this alertness to new business opportunities is influenced by previous experience (Casson, 1982) because that

experience provides a framework for processing information. McDougall et al. (1994) assume that founders of INVs are more alert to the possibilities of combining resources from different national markets because of the capabilities they have developed from earlier activities. These entrepreneurs possess an unusual constellation of capabilities based on international experience and network resources. It is therefore argued further that only an entrepreneur who possesses these capabilities is able to combine a particular set of resources across national borders and form a given INV (McDougall et al. , 1994; Oviatt and McDougall, 1997).

For domestic firms, inertia becomes a problem because it inhibits a change to routines appropriate to international environments. International entrepreneurs, however, seem to recognize this, and therefore try to avoid domestic path-dependence by establishing ventures, which, at their inception, have routines for managing multicultural workforces, for co-coordinating resources located in different nations, and for simultaneously targeting customers in multiple geographic locations. In its simplest terms, the founders of INVs believe that ventures will not develop international capabilities except by practicing international business. Successful INVs have been shown to make measurable trade-offs among the risks inherent in the entered countries, the chosen entry modes, and the degree of foreign market dependence (McDougall et al. , 1994).

Johannisson (1995) points to the importance of personal networking in start-up and internationalization processes. Personal networks include closely intertwined social and business relationships. In his research project, looking into the networks that young and prospective entrepreneurs build, Johannisson found out that the most important ties in the personal network are considerably older than the venture itself. This in turn supports the thesis that born globals dispose of international experience and networks from inception. Birley's (1985) study on the role of networks in the entrepreneurial process concludes that entrepreneurs tend to come from smaller for-profit organisations and tend to start similar businesses in the same location with previous colleagues as partners. The number of born globals therefore can be expected to rise as more and more professionals are embedded in global business networks. The choice of networks is a key factor in understanding the nature of the subsequent firm, because the elements of the firm are set during the start-up process. An empirical study by Eriksson et al. (2000) shows that this kind of experiential knowledge develops from the beginning of internationalization activities and leads to the same kind of knowledge which is further developed in any subsequent internationalization. According to this study, experiential knowledge types that have not been developed at an early stage of internationalization are not developed later.

Entrepreneurs use their personal contact networks to gain knowledge, and seek out and mobilize new partnerships that help the firm grow and expand into foreign markets. A corollary of the importance of social exchange in accessing and co-coordinating resources is that face-to-face interaction, as well as social, cultural, and geographic proximity foster the trust needed to facilitate social exchange relationships. The local resource endowment is also important. This view of firm growth argues that entrepreneurs learn to leverage their capabilities by establishing dynamic linkages to other firms in their local production. In the course of internationalization, these network linkages are then extended to foreign markets (McNaughton and Bell, 1999). According to Obrecht (1994), it is the interactive combination of the "entrepreneurial resource" with the "network resources" that basically defines the strategic capacity of SMEs. The competitive position of SMEs depends on their network resources, especially on the international level. "

## **Annex B: GLOBALISATION OF TRADITIONAL SMEs**

The following description is taken from [Schultz Borghoff Kraus 2009], chapter 3:

“The traditional SME sector, understood as the range of industrial processing branches, today proceeds in a highly dynamic economic environment. Characteristics of this sector are the growing uncertainty in planning processes and the steadily increasing pressure of international competition (Schulz, 2006; Kinkel et al. , 2007). SME entrepreneurs have to face upcoming uncertainties and adjust to the volatility of market demands. Therefore, many leave their well-known export strategies and focus on new forms of internationalization. But the adaptation process is accompanied by essential risks because SMEs often lack financial and human resources and the management know-how to handle the global extension of their activities. Limited capabilities aggravate the first steps into an intensified internationalization (von Behr, 2003). These obstacles may be handled if SME entrepreneurs are able and willing to extend their entrepreneurial, network, and evolutionary capabilities (Borghoff and Schulz, 2005a, 2005b). The following chapter is based on the results of the empirical studies by Schulz (2007) and Schulte (2002) on the internationalization behaviour of German SMEs.

For many traditional SMEs, internationalization beyond export is still a new and unknown stage of business. Wallau (2006) as well as Kokalj and Wolff (2001) showed that no more than one third of German SMEs are internationally engaged. And those who are mostly engaged through classical trade connections. Less than 20 percent have international experiences gained from co-operations or foreign direct investment projects. Therefore, the majority of SME entrepreneurs must develop innovative strategies to expand their economic performance. Their driving forces are generally motivated by cost reduction, access to foreign markets, follow-the-customer pressure, and extension of the own knowledge base (Schulz, 2006; Lay et al. , 2001). The SME executive level has to choose between different tactics and forms of internationalization to achieve cost advantages, a certain market size, customer favour, and learning. Following the definition of the European Commission (2003), an SME has no more than 250 employees. Typical for this size of an enterprise is the strong position of the entrepreneur or manager. It is generally the top level of the firm that envisions, prepares, and executes the decisions in the ongoing internationalization process. Empirical evidence provided by Schulte (Schulte, 2002) shows that the idea and its translation into worldwide business activity are normally united in one person – “internationalization made by the boss”. Further engagement in foreign countries goes along with the daily routines of an SME entrepreneur and his or her usual business. This causes an extra load of tasks, which may easily culminate in an overload due to lack of time, experience, and/or international management know-how. Other well-known and identified SME shortages in the internationalization process are the lack of language skills, intercultural know-how and strategic awareness (Gibb and Scott, 1985; Zündorf et al. , 1993; Müller and Kornmeier, 2000). Typically, the entrepreneur is not aware of the need to develop new skills and methods but tries to handle the international business by “doing business as usual”. The own operational background and locally-bound knowledge is transferred spontaneously to the foreign context without explicit awareness of stepping into radically new fields of work with special demands. This leads to two entailed positions: First, the internationalization process will be perceived as a rising pressure or even a burden, and will sometimes be terminated by the experts because a concentration and intensive focusing on internationalization in terms of an “add-on” activity seems impossible. Second, as a way to handle this burden, SME entrepreneurs start to “muddle through” (Schulz, 2007; Lay et al. , 2001).



The internationalization and location process of traditional SMEs is influenced by (Schulz, 2007; Schulte, 2002):

- Coincidence (often personified as a new acquaintance with a foreign businessman, or a new foreign employee with international contacts),
- the main customer (the setting of the planned location site is made by the main customer in case of an international follow-the-customer strategy),
- supplier contacts (the location process is guided by well-known suppliers who originate from or are already settled in the foreign market), and
- Identification of future main markets (location site and main future market are the same).

The traditional SME entrepreneurs often possess little “internationalization capabilities” in the very beginning of internationalization (Borghoff and Schulz, 2005a, 2005b). In short: The SME system is marked by the extension of the business without full awareness of the upcoming demands to plan and manage worldwide socio-economic relationships. Internationalization is mainly externally motivated by market or customer pressure. The main goal often appears to go along with the pressure and stress caused by an international decision with a minimum expenditure of resources on the analysis of the international conditions. The main objective is to make fast decisions (Schulz, 2007; Schulte, 2002). In this case, SME entrepreneurs take a very pragmatic approach towards planning and decision making. As emphasized by the interview partners, they “grab a chance”, make a “gut” decision, or leave the decision to someone else - the main customer, a new partner or an already-known partner (Kinkel et al. , 2004). These action patterns can cause severe problems in the emerging management of internationalization. Typical for the pragmatic SME way of globalization management is that the engagement - whether it leads to a successful or non-successful internationalization - can only be judged from a retrospective or “ex post” point of view (Etemad, 1999). This does not mean that SMEs cannot internationalize effectively. But SME entrepreneurs take higher risks due to their resource and task situation. Even with growing international expertise, the SME entrepreneur sometimes clings to the pragmatic path due to an overhauled or missing division of labour. This leads to the assumption that traditional SMEs face a systemic disadvantage when building up global capabilities if they cannot extend the international knowledge base from one person to an internal or external know-how network. For final conclusions, the roles and types of SME entrepreneurs need further investigation.

Neither national nor international business exists in and of itself. It is embedded in the strong network of weak ties (Granovetter, 1983), translated as the complex set of socio-economic relationships, traditions and supporting institutions. The awareness and conscious use of embeddedness in regional or international production networks can cause competitive advantages (Maskell et al. , 1998; Hirsch-Kreinsen and Schulte, 2002). The lack of international entrepreneurial experiences and capabilities described above often reappears in the missing network capabilities of traditional SME leaders in the first steps of their globalization process. The management of production sites in the home country and abroad has to establish, stabilise, and co-ordinate the relations and activities of at least two enterprises. It requires a willingness to accept the preconditions of a new international production chain setup. Here, international management complexity increases rapidly, along with the demand for co-ordination skills, new tools, and methods to build up trust and know-how about the new internal and external environments and their special rules.

The management of more than one production site takes up a great deal of entrepreneurial energy. This colludes with the conception of several SME managers that the foreign project should be self-sufficient as soon as possible and with a minimum amount of effort. The idea often is to organize the necessary coordination work 'via telephone' or the Internet. Like a satellite launched into space, the new site should produce and deliver independently and on a standalone basis. The international reality is quite different. SME entrepreneurs have to establish and sustain management capacity abroad not only in the beginning of the new subsidiary and its network building process, but constantly. Obstacles for internationalization newcomers are the following categories of management and network problems, which SME entrepreneurs did not consider in their past internationalization activities and which thus caused unwelcome "surprises" (Schulte, 2002):

- Development of the cost situation abroad (The focus on labour and land costs led to an underestimation of the total sum of direct and indirect costs of an international production net. Costs for substitutions of assets and machinery, qualification costs for employees, traveling expenditures for home staff that are needed abroad, etc. were not considered. ),
- Organisation (of information flow and controlling, processing, quality assurance, etc. ),
- staff situation (lacking management capabilities at the foreign executive level, handling of different quality standards, training and working traditions such as absence, fluctuation, gender discrimination etc. ),
- breach of trust (manifested in a lacking perceived fit of business tasks or goals of the foreign management, in the worst case know-how diffusion via theft or plagiarism),
- missing supplier and service network (starting with missing repair services, replacement investment possibilities, suppliers of main parts), and
- Non-transparent cultural and political background (of business methods and cultures, working traditions, institutions and administrative machinery).

The known business context of the traditional SME is characterized by strong regional and national connections, and widened only by export experiences. Entering into international networking opens new space. SME entrepreneurs are foreign to the new environment and clearly perceive this. This demands attention and trust that can be built up and smoothed out by proximity; not only spatial closeness, but personal as well. Internationally successful SMEs have developed this proximity through the creation of internal and external network interfaces. This means that the entrepreneurs managed to link and expand their business sphere on two levels:

- The business to business level (development of network capabilities between the home and the host country through the exchange of employees, shared trainings, and the creation of responsible interface positions that relieve the SME entrepreneur of the main task of pulling the network together or building up trust between the units),
- the local level (acquisition of local and regional knowledge about the embeddedness of the new business, the foreign educational and training system, business methods and routines, supporting institutions, research institutions, unions and employers associations, supplier nets). Therefore, global network capabilities describe a complex set of entrepreneurial competencies such as:
  - the skill to connect and integrate home and foreign business through trust and division of labour, and the ability to integrate in a foreign socio-economic environment.



Key factors for the long-term establishment of a solid globalization trajectory are the development of local network positions abroad and of internal business co-ordination mechanisms that are based on a trust filled relationship. SMEs which cannot build up the necessary global networking capabilities run the permanent risk of losing control over the value chain and the ongoing processes (Hirsch-Kreinsen, 2002). In the worst case scenario, the SME runs the risk of insolvency and bankruptcy. The investigated cases provide a deep insight into mismanagement or, put another way, “mis-networking” that led to alarming business situations: entrepreneurs close their eyes to the need to interlink and become familiar with the business atmosphere abroad. They fail to understand cultural differences and fail to adapt to them. Suffering from time pressure, many have not been willing or able to take the time to integrate the different units into one network. This leads to negative experiences with internationalization that can cause dramatic business results or a retreat from and revocation of the international engagement. Surveys show that up to 30 percent of German SME internationalization projects are totally or partly relocated to the home base (Schulz, 2006; Kinkel et al. , 2004; Kinkel and Lay, 2000).

All firms, independent of size, have to cope with the evolutionary dynamics inherent in internationalization processes. Traditional SME entrepreneurs have to adjust to these dynamics or otherwise run the risk of missing international or business activities (Lay et al. , 2001). The capability to be aware of the need to react, to change and to adequately adapt is a matter of survival. Depending on the form and demands of the international dynamics, SMEs can follow varying strategies of

- intensification (extension of the international engagement in terms of size, new forms or markets),
- alternation (change of the international engagement in terms of internationalization strategy, form or size), and
- back sourcing (closing down the international business, temporarily or permanent re-concentration on the home base depending on local and regional production conditions).

SMEs can try to neutralize problems of evolutionary dynamics if they can enhance their entrepreneurial and network abilities. But today’s economic environment is turbulent and unpredictable. Traditional SMEs suffer a systemic disadvantage compared to larger enterprises because of their limited resource endowment. They operate with small capacities in management, personnel, and financial dimensions. Nevertheless, the number of successful international SMEs is increasing due to their flexibility and innovative power to adapt to global demands. If they pass the critical stage of first internationalization beyond export, and gain experiences through the coordination of cross-border productions chains, an international learning loop is initiated that enables SME entrepreneurs to build up necessary know-how. This learning loop pulls the separate meaning and action systems together, interlinks them strongly, and enables them to act instead of just react.

**Annex C: EIS PROGRAMME: ADDITIONAL PROJECT RESOURCES/KEY LINKS**

EIS Central Project Information Page containing all relevant documents & tools

<https://www.interregeurope.eu/eis/>

EIS Partner Action Plans <https://www.interregeurope.eu/eis/action%20plans/>

EIS GlobalEIS Brochure

[https://www.interregeurope.eu/fileadmin/user\\_upload/tx\\_tevprojects/library/file\\_1546950802.pdf](https://www.interregeurope.eu/fileadmin/user_upload/tx_tevprojects/library/file_1546950802.pdf)

The GlobalEIS Tool: A guide to exporting

[https://www.interregeurope.eu/fileadmin/user\\_upload/tx\\_tevprojects/library/file\\_1546955884.pdf](https://www.interregeurope.eu/fileadmin/user_upload/tx_tevprojects/library/file_1546955884.pdf)