



LOMBARDY
SITUATION ANALYSIS REPORT
within the project Inter Ventures - PGI06122

TABLE OF CONTENT

CHAPTER 1: METHODOLOGY	3
CHAPTER 2: PORTRAIT OF THE REGION	4
2.1 THE REGION.....	4
2.2 ECONOMY	6
2.3 SMEs IN THE REGION	11
CHAPTER 3: INTERNATIONALIZATION ENVIRONMENT	16
3.1 LEGAL BACKGROUND.....	16
3.2 MAIN NATIONAL AND REGIONAL STAKEHOLDERS.....	20
3.3 MEASURES OFFERED TO SME INTERNATIONALIZATION SUPPORT	23
3.4 BARRIERS TO AND DRIVERS FOR SME INTERNATIONALIZATION	26
CHAPTER 4: SMEs CAPACITIES FOR INTERNATIONALIZATION	27
CHAPTER 5: IDENTIFIED GAPS BETWEEN POLICY INSTRUMENTS AND SMEs' NEEDS .	33
ANNEXES	35
Annex 1. Internationalization measures	35
Annex 2. SWOT Analysis	37

CHAPTER 1: METHODOLOGY

The Situation Analysis report for the Lombardy region was based in particular on economic data and analysis conducted by Unioncamere Lombardia (all statistical analysis are available at this link: <http://www.unioncamerelombardia.it/?/menu-di-sinistra/Dati-statistici-e-analisi-economiche>). The official reference database for demographic data and the "Portrait of the region" part was ISTAT, the Italian National Institute of Statistics. The report also made use of the findings of the annual report of Confindustria Lombardia, which collected the opinions of over 1,700 Lombard companies associated with the Confindustria System and which proposes an analysis of the micro-enterprise data on the subject of internationalization, in order to explore which companies are positioned abroad, with which markets of reference and how. Finally, the analysis was also based on the elements that emerged during the meetings with the territorial stakeholders.

CHAPTER 2: PORTRAIT OF THE REGION

2.1 THE REGION

Located in the heart of northern Italy, at the foot of the Alps and in the centre of the Po Valley, Lombardy enjoys a strategically privileged position as it is situated on the main roads connecting the Mediterranean area and Central Europe. Its surface extends for 23,860 square kilometres and is almost equally divided between the plain (which represents about 47% of the territory) and the mountainous areas (which represent 41%). The remaining 12% of the region is hilly.

Administratively, the region is divided into 1,513 municipalities grouped into 12 provinces (Bergamo, Brescia, Como, Cremona, Lecco, Lodi, Mantova, Milan, Monza-Brianza, Pavia, Sondrio and Varese) with Milan as the capital. It also counts 23 Mountain Communities: territorial authorities located between mountain and foothill municipalities, established with the aim of enhancing mountain areas socio-economic development. On 1st January 2015, the Province of Milan was converted into the Metropolitan City of Milan, as the regional capital is a large urbanized and densely populated area, made up of a centre, the main city, and a series of urban aggregates and productive settlements that have an intense and permanent relationship with the centre.

Lombardy has 10,060,574 inhabitants (as of 1st January 2020, latest ISTAT¹ update) with a density of 420/km² (1,100/square meters). The population is unevenly distributed on the territory: 32.31% is living in the Metropolitan City of Milan, even if the surface is only 6.60% of the Lombard territory (as shown in *Figure 2* below).

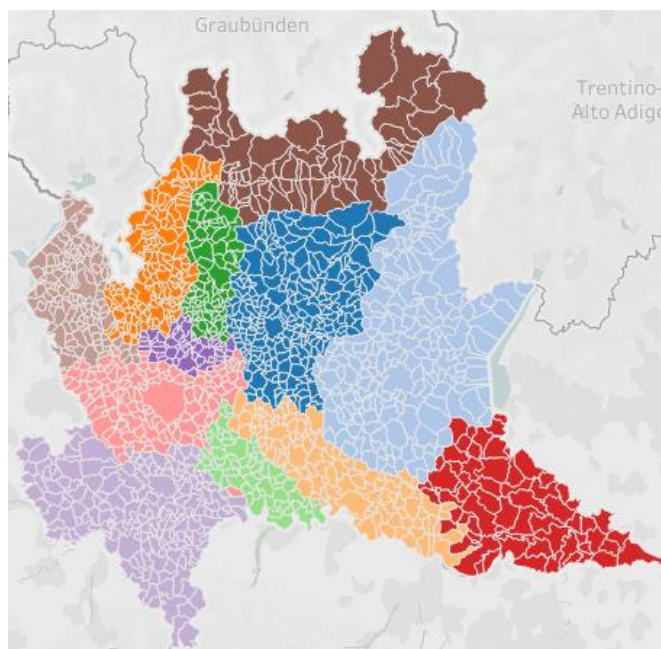


Figure 1. Regional Map (Source: 2020 Mapbox OpenStreetMap)

¹ <https://www.istat.it/en/>

	Superficie Km ²	% su Lombardia	Popolazione	% su Lombardia
Bergamo	2.745,94	11,51%	1.114.590	11,08%
Brescia	4.785,62	20,05%	1.265.954	12,58%
Como	1.279,04	5,36%	599.204	5,96%
Cremona	1.770,46	7,42%	358.955	3,57%
Lecco	814,58	3,41%	337.380	3,35%
Lodi	782,99	3,28%	230.198	2,29%
Mantova	2.341,44	9,81%	412.292	4,10%
Milano	1.575,65	6,60%	3.250.315	32,31%
Monza e della Brianza	405,41	1,70%	873.935	8,69%
Pavia	2.968,64	12,44%	545.888	5,43%
Sondrio	3.195,76	13,39%	181.095	1,80%
Varese	1.198,11	5,02%	890.768	8,85%

Figure 2. Surface and Population by regional province (Source: Unioncamere Lombardia)

Superficie km²: Surface km²; % su Lombardia: % on Lombard territory; Popolazione: Population; % su Lombardia: % on Lombard territory.

Having almost one sixth of the total Italian population living in its territory, Lombardy is the first region in Italy for resident population and the 3rd most populated region in Europe after Île-de-France and Baden-Württemberg. Figure 3 shows the gender breakdown of the Lombard population:

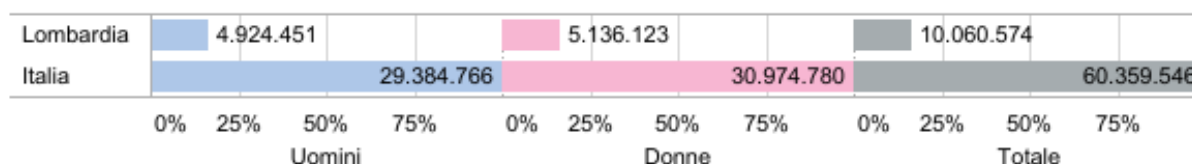


Figure 3. Gender Breakdown (Source: Unioncamere Lombardia)

Lombardia: Lombardy; Italia: Italy; Uomini: Men; Donne: Women; Totale: Total.

The distribution by age is illustrated in Figure 4 according to the classic pyramid representation, which displays the number of the population in the different classes starting from the youngest, at the bottom, up to the oldest ones:

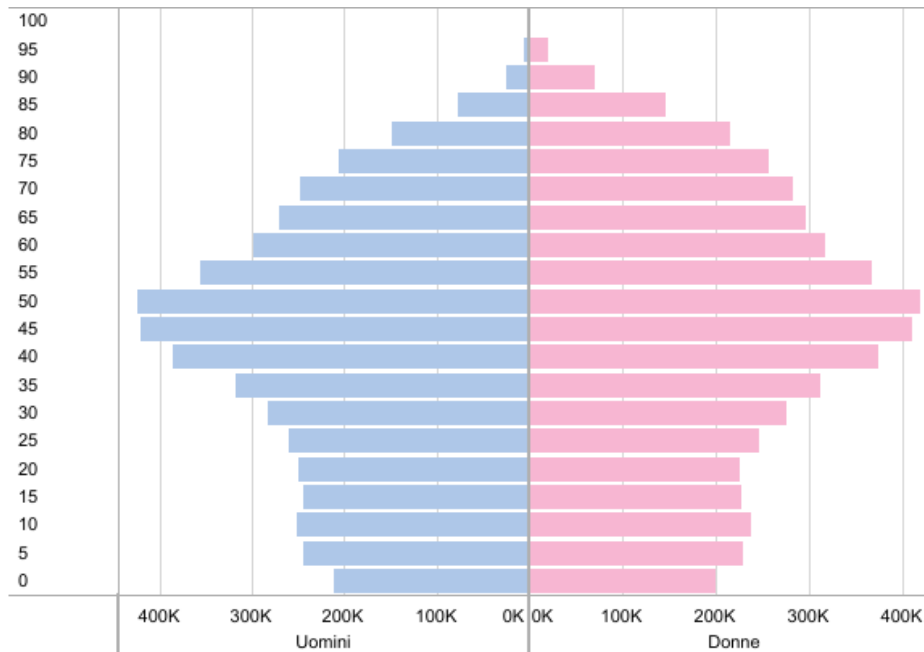


Figure 4. Distribution by Age (Source: Unioncamere Lombardia)

Uomini: Men; Donne: Women.

2.2 ECONOMY

The privileged geographical position and the resourcefulness of its population have allowed Lombardy to become a highly dynamic reality at the national and international level, being one of the most industrialized areas of Europe, with a per capita income 35% higher than the European average. It is the first region of Italy for economic importance, contributing about one fifth of the national gross domestic product and 20.6% of the national added value. It is also the first Italian region both for its volume and value of commercial exchange with foreign markets, hosting many of the country's major industrial, commercial and financial activities. The table below summarises the principal economic data about the region:

	2015	2016	2017	2018
GDP PER CAPITA (VALUES IN THOUSANDS OF EUR)	35,9	36,8	38,2	38,8
ECONOMIC GROWTH (%)	0.9%	1.2%	2.7%	0.5%
LOMBARD EXPORT ON THE TOTAL ITALIAN EXPORT (%)	26.9%	26.8%	26.9%	27.4%
GROWTH OF EXPORT (%)	1.5%	0.8%	7.5%	5.2%
UNEMPLOYMENT RATE (%)	7.9%	7.4%	6.4%	6.0%

Table 1. Regional Economy (elaboration of Unioncamere Lombardia of ISTAT data)

The economic system is mainly focused on small and medium sized enterprises, but also reinforced by the presence of large industrial groups, as the region is part of the Milan-Turin-Genoa industrial triangle, which was the key area in the Italian economic boom of the "Sixties" and the location where the main national industries are historically situated. The economy of Lombardy is characterised by the great variety of sectors in which it has developed. They range from traditional sectors, such as agriculture and livestock farming, to heavy and light industry, even if the service sector has also developed strongly in recent decades. Industry remains a fundamental sector, also in relation to the possibility it has of realising and implementing innovations and carrying out R&D activities, which is a key driver for increasing competitiveness. In the tertiary sector, the weight of trade and finance is crucially important.

Lombardy has been a leader in addressing the challenges of modernisation: since 1988 it has been one of the Four Motors for Europe, a network that unifies the most advanced European regions, together with Baden-Württemberg (Germany), Rhône- Alpes (France) and Catalunya (Spain). The four regions have also joined the group of Vanguard Regions, a political network of European regions that have committed themselves to promoting the application of the Smart Specialisation Strategy as a strategic coordination principle for innovation and industrial policy, to provide new opportunities for collaboration and growth. It is also part of the so-called economic heart of the Old Continent - being recognised as a driving force in its development - and Milan is, together with London, Hamburg, Frankfurt, Munich and Paris, one of the six European economic capitals.

The Region is the seat of the Italian Stock Exchange, one of the most important European financial centres, and accommodates the largest trade fair site in southern Europe, with an area of over 2 million square metres. The reliability of the Lombard economic system is endorsed by the Moody agency report, which conferred a very high rating (Baa1) on the region. It is also for this reason that Lombardy is the gateway to foreign investment in Italy. There are more than 4,600 foreign-invested companies in the region, equal to 46% of the Italian total, and they generate an annual turnover of more than 220 billion euros, employing

400,000 people. 70% of these companies are based in Milan, underlining the potential of attractiveness of the city. Lombardy in general, and the metropolitan area of Milan in particular, have a great attraction for multinationals trying to enter the Italian market: they invest in Lombardy because they are attracted by qualified human resources and first level skills and technologies.

At the national level, the region excels for the volume of its exports: as shown in *Table 1*, the Lombard export on the total Italian export is almost one third. *Figure 5* presents the value (in million euros) of imports, exports and the trade balance in 2019. It also displays some synthetic indicators:

- Degree of coverage ("*Grado di copertura*")²: $\text{Export/Import} \times 100$ - percentage ratio between exports and imports, if the value is less than 100 it means that exports do not "cover" imports in full and therefore a trade deficit is generated;
- Degree of openness to foreign markets ("*Grado di apertura ai mercati esteri*")²: $(\text{Export} + \text{Import}) / \text{Value added} \times 100$ - percentage ratio between the sum of export and import values and value added, indicates the impact of trade on total production;
- Export capacity ("*Capacità di esportare*")³: $\text{Export/Value Added} \times 100$ - impact of exports on value added, if it assumes a high value it indicates a strong export vocation.

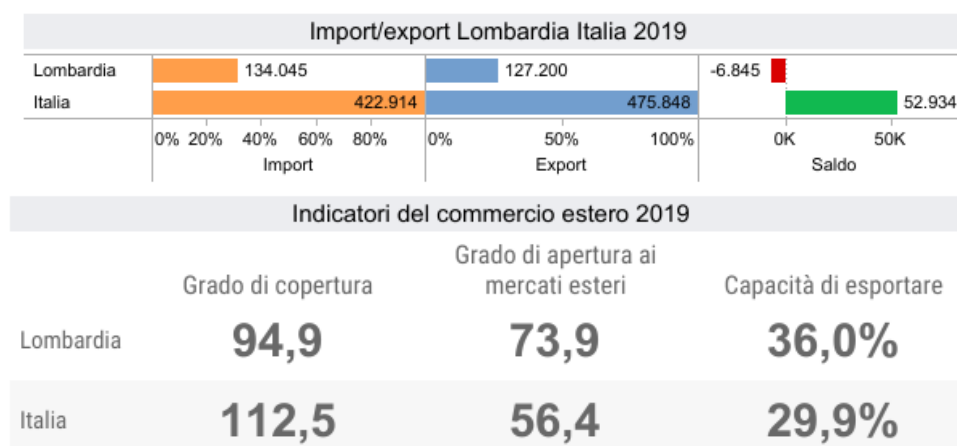


Figure 5. Regional Trade (elaboration of Unioncamere Lombardia of ISTAT and ASR Lombardia data)

Regional trade flows are unevenly distributed on the territory: the Metropolitan City of Milan (MI) counts for half of the total Lombard trade in 2019.

² In the calculation of the degree of openness to foreign markets, the estimate of the added value provided by Prometeia is used: www.prometeia.it.

³ In the calculation of export capacity, the value added estimate provided by Prometeia is used: www.prometeia.it as an estimate of the provincial GDP.

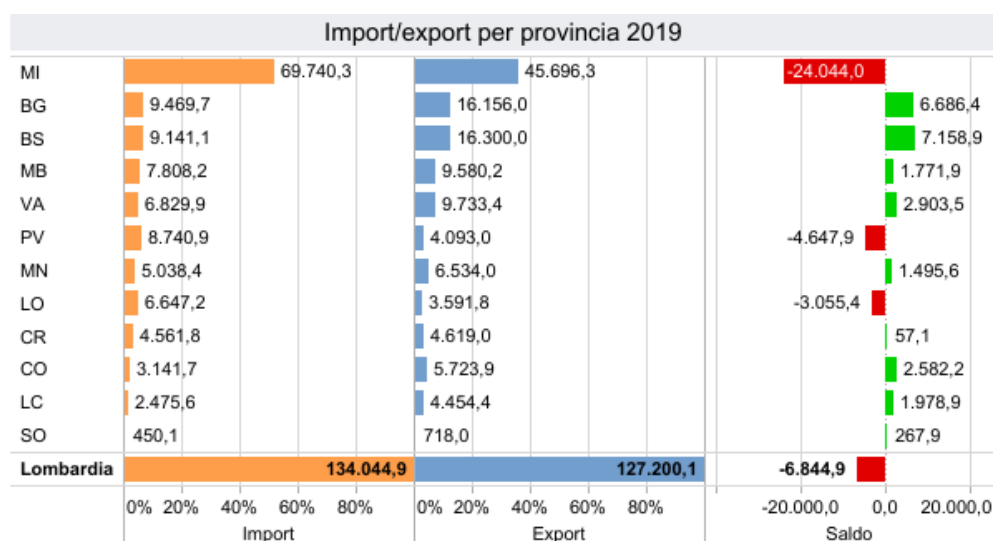


Figure 6. Import-Export per province (elaboration of Unioncamere Lombardia of ISTAT and ASR Lombardia data)

The following graph describes the distribution of regional trade by geographical area. Europe is the continent of origin and destination of most of the trade flows, followed by Asia. America is of particular importance for exports.

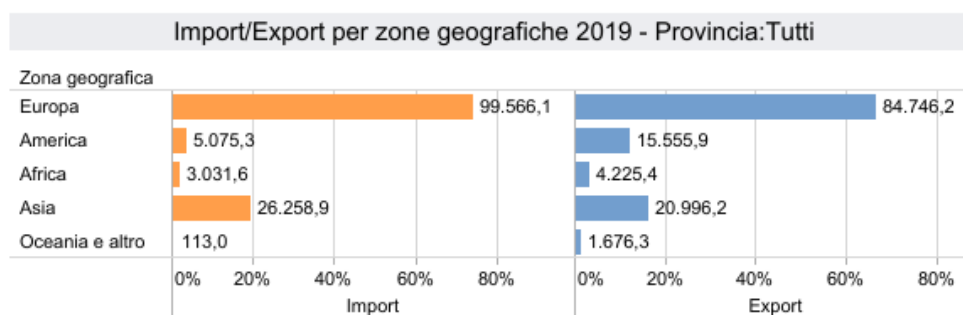


Figure 7. Trade by geographical area

This dashboard presents the data of trade flows by industrial area. Manufacturing activities are undoubtedly the key component, underlying the fact that the industrial sector is of crucial importance in the region.

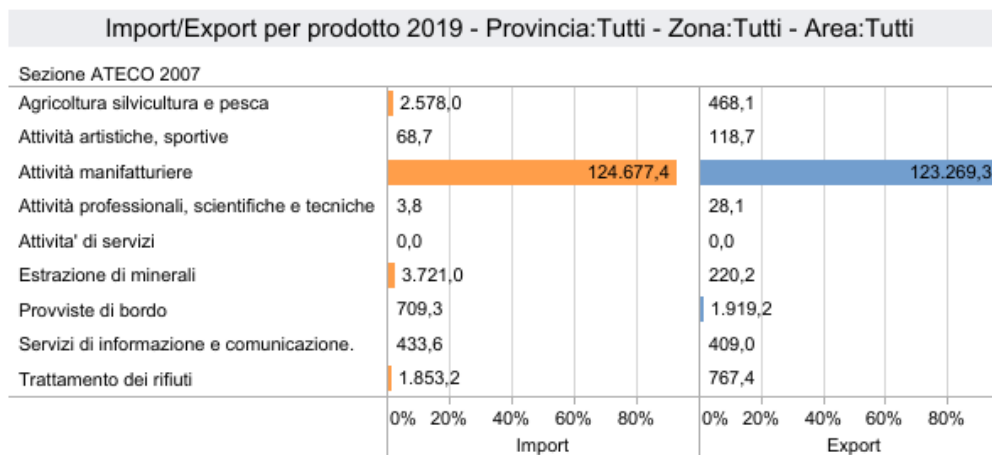


Figure 8. Import-Export per product

Agricoltura, silvicoltura e pesca: Agriculture, forestry and fishing; *Attività artistiche, sportive:* Artistic and sporting activities; *Attività manifatturiere:* Manufacturing activities; *Attività professionali, scientifiche e tecniche:* Professional, scientific and technical activities; *Attività di servizi:* Services; *Estrazione di minerali:* Mining and quarrying of minerals; *Provviste di bordo:* In-flight supplies; *Servizi di informazione e comunicazione:* Information and communication services; *Trattamento dei rifiuti:* Waste treatment.

The last section of the paragraph focuses on employment and unemployment. Historically, Lombard unemployment rate has been lower than the national average. For example, in 2010, although the unemployment increased due to the economic crisis to 5.6%, it was much lower than the rest of Italy (8.4%) and Europe (9.6%)⁴. Figure 9 summarises the main data for the year 2019 (values in thousand). The population (at least 15 years of age) is subdivided according to employment status:

- Employed (*"Occupati"*): persons who have worked for at least one hour in any activity involving monetary or in-kind compensation or have worked for at least one hour unpaid in the company of a family member in which they usually work or have been absent from work (e.g. due to holiday or illness);
- Jobseeker (*"In cerca di occupazione"*): persons who have carried out at least one active job search in the last 30 days and are available to work within the next two weeks or who will start work within three months of the date of the interview and are available to work within the next two weeks if it is possible to start work earlier;
- Inactive (*"Inattivi"*): people who are not part of the labour force, i.e. those not classified as employed or seeking employment.

⁴ Regione Lombardia, INVEST IN LOMBARDY Handbook for foreign investors

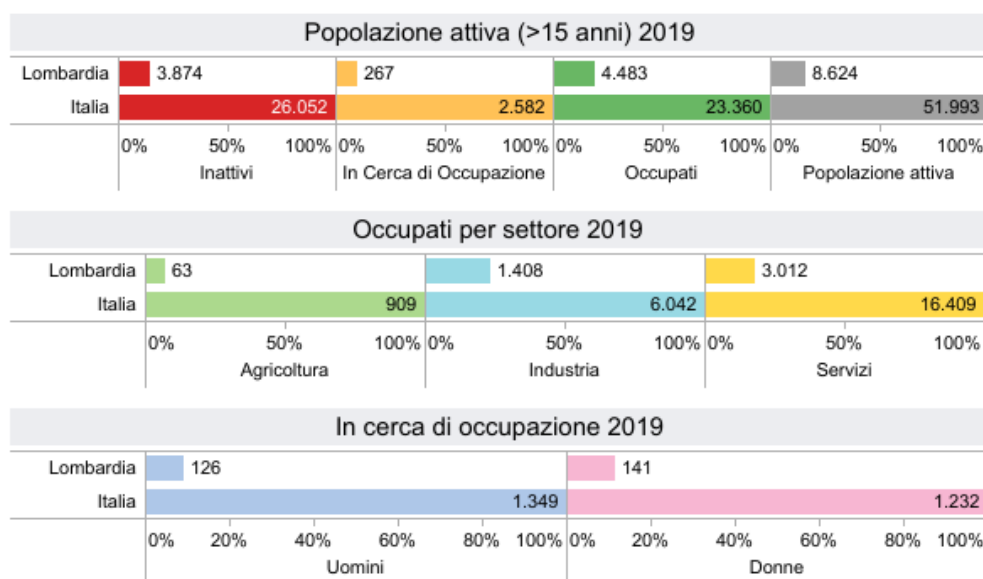


Figure 9. Lombard labour market

Popolazione attiva (>15 anni): Working population (>15 years-old); Inattivi: Inactive; In cerca di occupazione: Seeking employment; Occupati: Employed; Popolazione attiva: Working population; Occupati per settore: Employed by sector; Agricoltura: Agriculture; Industria: Industry; Servizi: Services; In cerca di occupazione: Seeking employment; Uomini: Men; Donne: Women.

2.3 SMEs IN THE REGION

The Lombard production system is one of the most developed in Italy and Europe, with more than 800,000 companies established in the territory. The most flourishing sectors are all connected to manufacturing activities, in particular: mechanical, electronic, metallurgical, textile, chemical and petrochemical, pharmaceutical, food, publishing, footwear and furniture. The Lombard economic and entrepreneurial ecosystem is very peculiar. It is one of the most developed regions in Europe, but differently from what some might expect, it is basically composed by micro and small companies. Its particular entrepreneurial structure of small and very small enterprises and the way they have organized themselves in the territory is a model studied and imitated, as it guarantees high productive and innovation, prosperity and growth.

	MICRO (0-9)	SMALL (10-49)	MEDIUM (50-249)	BIG (250+)	TOTAL
2015	759,392	39,400	5,845	1,118	805,755
2016	766,987	40,623	6,083	1,174	814,867
2017	765,455	41,752	6,254	1,230	814,691

Table 2. Companies in the region (Source: ISTAT)

Statistics on company size show that micro and small enterprises continue to be the backbone of the region's productive fabric, accounting for more than 99% of Lombardy's businesses. *Table 2* presents the number of Lombard companies according to the number of employees: micro (0 to 9 employees); small (10 to 49 employees); medium (50 to 249 employees); big (250 or more employees). In the three years considered, micro enterprises are the most important part of Lombard business fabric.

Regarding the economic activities of enterprises, there is considerable sub-regional areas diversity. The province of Milan - which alone concentrates more than 40% of Lombardy's industrial enterprises - is the home of several multinational and financial companies, health and university institutions and research centres. The provinces of Varese, Como, Lecco, Monza and Brianza, Bergamo all have a strong manufacturing sector, but also a high share of employment services. Lodi and Brescia are characterised by both manufacturing and agriculture, while in the provinces of Sondrio, Cremona, Pavia and Mantua, the agricultural sector prevails.

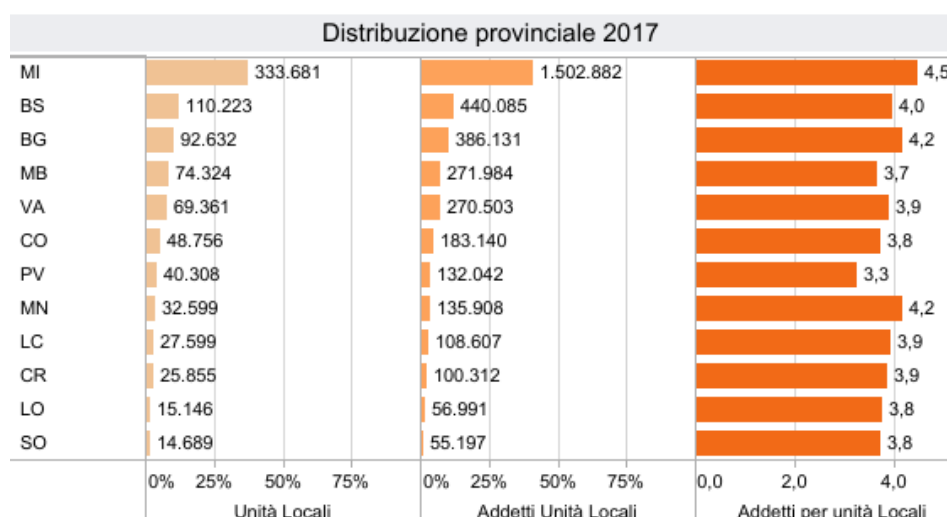


Figure 10. Regional distribution of companies by province

Distribuzione provinciale: Distribution by province; *Unità Locali:* Local companies; *Addetti Unità Locali:* Employees of local companies; *Addetti per unità Locali:* Employees average of local companies.

As presented in *Figure 10* and *Figure 11*, the 2017 data show that the most developed economic activities are Trade ("*Commercio*") with 21.0%, Constructions ("*Costruzioni*") 11.0%, and Industry ("*Industria in senso stretto*"); the sectors that employ the majority of workers are in line with the economic activities data: Trade ("*Commercio*") 18.1%, Manufacturing activities ("*Manifatturiero*") 24.4%.

Distribuzione per attività economica 2017 (settore ATECO 2007)		
	Lombardia	Italia
Industria in senso stretto	10,5%	9,6%
Costruzioni	11,0%	10,8%
Commercio	21,0%	25,5%
Altri servizi	57,6%	54,1%

Figure 11. Regional economic activities distribution

Distribuzione per attività economica: Economic activities distribution; *Industria in senso stretto*: Industry; *Costruzioni*: Constructions; *Commercio*: Trade; *Altri servizi*: Other services.

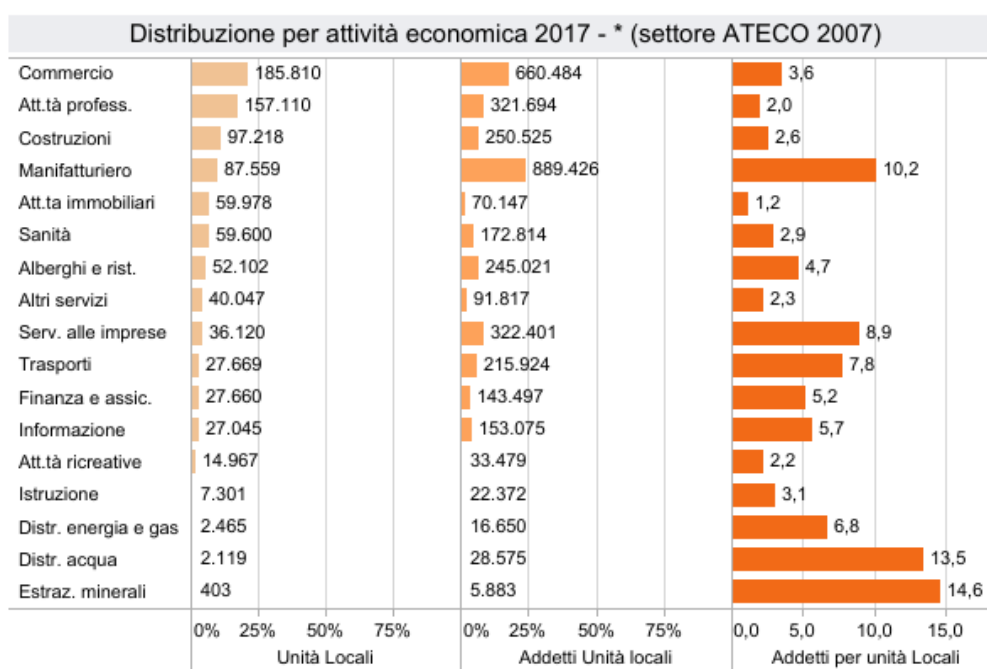


Figure 12. Regional economic activities distribution in details

Distribuzione per attività economica: Economic activities distribution; *Commercio* Trade; *Attività professionali*: Professional activities; *Costruzioni*: Constructions; *Manifatturiero*: Manufacturing activities; *Attività immobiliari*: Real estate; *Sanità*: Healthcare; *Alberghi e ristoranti*: Hotels and restaurants; *Altri servizi*: Other services; *Servizi alle imprese*: Business services; *Trasporti*: Transports; *Finanza e assicurazioni*: Finance and Insurance; *Informazione*: Information; *Attività ricreative*: Leisure activities; *Istruzione*: Education; *Distribuzione energia e gas*: Energy and Gas distribution; *Distribuzione acqua*: Water distribution; *Estrazione minerali*: Mineral Extraction; *Unità Locali*: Local companies; *Addetti Unità Locali*: Employees of local companies; *Addetti per unità Locali*: Employees average of local companies.

As already mentioned, one of the characteristics of the Lombard business fabric, which is also present at national level, concerns the size of the enterprise: researchers talk about “dwarfism”. The main problem of this structure is that the limited size of enterprises may be an insurmountable obstacle to development, particularly with regard to innovation and research and the ability to compete in global markets. The reason for this condition is a source of discussion and there are several hypotheses in the literature⁵; in any case, in this historical moment almost 99% of Lombard enterprises are small and micro. The system has found a balance that helps to mitigate the possible problems for internationalization, research and innovation. Indeed, most of the companies based in Lombardy belong to 16 industrial districts of specialization, 6 meta-districts and 10 High Technology districts:

- Industrial district: local production systems characterized by a high concentration of companies specialized in the traditional sectors of Made in Italy, but also in those where new technologies are dominant.
- Meta-district: production areas of excellence with strong links with the world of research and innovation. The meta-districts identified concern food and non-food biotechnologies, design, fashion, new materials and ICT.
- High Technology Districts: in 2004, the Programme Agreements signed between the Lombardy Region and the Italian Ministry of Education, University and Research (MIUR) established 10 High Technology Districts in the following sectors: Agro-food, Aerospace, Sustainable Building, Automotive, Energy, Renewable and assimilated sources, Biotechnology, ICT, Advanced Materials (or New Materials), Fashion and Design, Precision Mechanics, Metallurgy and Capital Goods.

The districts operate as “containers”⁶ in which supplying and sub-contracting relationships are realized and integrated in the supply chain, where the suppliers are not monoclients, thus giving rise to a widespread relational network. They are also spaces for “socialization”, in which the circulation of uncodified tacit knowledge plays an important role and act a sort of shared culture and social capital. Thus, Lombard SMEs structured in this way have the ability to face positively the multiple challenges of globalisation, local growth and innovation, increasing their competitiveness in national and international markets and attracting substantial investments.

Over the last 10 years, Lombardy has stimulated Research and Innovation by promoting scientific and technology-based processes. As part of the regional *Strategia di Specializzazione Intelligente* (“Intelligent Specialization Strategy”), functional to access to the Funds of the programming period 2014-2020, Lombardy has identified seven Areas of Specialization. The Region aims at moving from a vision of vertical sectors to one of

⁵ Camagni 2003, for a brief review

⁶ (Signorini 2000, Iuzzolino 2004, Garofoli 2003b)

horizontal competences systems, partially capitalizing the experience gained with district networks and strategic sectors. The Areas are particularly promising and challenging fields of application that require the concentration of resources in the continuous search for credible responses to the needs of businesses and society:

- Aerospace
- Agrifood
- Eco industry
- Creative and cultural industries
- Health Industry
- Advanced Manufacturing
- Sustainable mobility

Each of these is based on a broad, complex and articulated system of productive and scientific skills, with strong potential for convergence and contamination. This potential must be valued in order to accelerate the process of evolution and market success of mature industries and emerging industries, through the effective development and application of key enabling technologies. The Specialization Areas therefore represent a new regional approach that allows an innovative reading of the characteristics and peculiarities of the territory and a greater incisiveness in monitoring the strategies and priorities of intervention. The process of identifying areas of specialization requires a continuous and inclusive mechanism that is always attentive to systematically grasp and enhance new strategic skills.

In synergy with the national policies, in line with the Smart Specialisation Strategy at the European level and in connection with Horizon 2020, the Lombardy Region has launched a complex governance action aimed at identifying and supporting regional-level technology clusters (CTL) in order to support maximum coordination between their initiatives and the wider involvement of Lombardy's stakeholders, for a better development of the sectors identified as strategic for the Lombard economy and competitiveness. The regional technology clusters are organized aggregations of companies, universities, public or private research institutions, and other subjects active in the field of innovation, guided by a specific coordination and management body, focused on specific technological and application areas identified in the MIUR Decree 257/2012: green chemistry, agrifood, technologies for living environments, life sciences, technologies for smart communities, means and systems for the mobility of land and sea surface, aerospace, energy and intelligent factory. Between May and July 2014, the Lombardy Region has recognized 9 Lombardy Technology Clusters, each one related to a specific technological area of reference and admitted them to the financial facility for the two-year period 2014-2015. Through the recognition of the CTLs, the Region intends to promote the Lombardy innovation ecosystem, encouraging the synergistic aggregation between the various players active in the field of research and innovation in its territory.

CHAPTER 3: INTERNATIONALIZATION ENVIRONMENT

3.1. LEGAL BACKGROUND

Plan for the extraordinary promotion of Made in Italy and for the attraction of investments in Italy

In order to support the internationalization of Italian companies, the *Plan for the extraordinary promotion of Made in Italy and for the attraction of investments in Italy* was adopted in 2014 (Legislative Decree no. 133/2014). The measure, initially planned for the three-year period 2015-2017, is aimed at increasing the number of companies, especially SMEs, operating in the global market, expanding Italian shares of international trade, enhancing the image of Made in Italy in the world, and supporting initiatives to attract foreign investment in Italy. Specific actions are oriented towards the agro-food foreign trade sector. For the Plan, the 2015 Stability Law (Law no. 190/2014) initially allocated a total of 130 million for 2015, 50 million for 2016 and 40 million for 2017. It has been refinanced several times, most recently with the 2018 Budget Law, which extended its operations to the three-year period 2018-2020.

In particular, the so-called "Sblocca Italia" Decree Law (article 30, Decree Law no. 164 of 12 September 2014, converted, with amendments, into Law no. 164 of 11 November 2014) established and implemented the Plan in question, with the Minister of Economic Development, by its own decree, in agreement with the Minister of Foreign Affairs and International Cooperation, as well as the Minister of Agricultural, Food and Forestry Policies with reference to specific actions concerning the agri-food sector.

The Plan was aimed at increasing the number of companies, especially SMEs, operating in the global market, expanding Italian shares of international trade, enhancing the image of Made in Italy in the world, and supporting initiatives to attract foreign investment in Italy. The lines of action of the Plan have been identified by the law establishing it and subsequently specified in the implementing regulations (Ministerial Decree of February 20, 2015 of the Minister of Economic Development, which also identified, pursuant to Legislative Decree no. 133/2014, the ICE-Agency as the main body responsible for the implementation of the Plan itself, as well as the Ministry of Economic Development. These following are the lines of action:

- a) extraordinary training and information initiatives on the opportunities offered by foreign markets to enterprises, in particular SMEs;
- b) support for the most important Italian trade fairs at international level;
- c) promotion of excellent products, in particular agricultural and agri-food products, and protection abroad of the brands and certifications of quality and origin of companies and products;

- d) support for the penetration of Italian products in the various markets, also through special agreements with distribution networks;
- e) creation of a unique distinctive sign, for promotional initiatives abroad and during the 2015 Universal Exhibition, of agricultural and agri-food products that are representative of Italian quality and food and wine heritage;
- f) implementation of strategic promotion campaigns in the most relevant markets and to combat the phenomenon of Italian sounding;
- g) support for the use of e-commerce tools by SMEs;
- h) implementation of innovative promotional types for the acquisition and retention of demand in foreign markets;
- i) organizational strengthening of start-ups as well as micro, small and medium enterprises, in particular through the provision of non-refundable grants in the form of vouchers;
- j) support for initiatives to promote investment opportunities in Italy and to accompany and assist foreign investors in Italy.

The funds allocated by the 2015 Budget Law, relating to the 2015 annuality, have been distributed among the various interventions with the Ministerial Decree of 14 March 2015 and with the Ministerial Decree of 7 April 2015. The 2015 Funds were also supplemented by article 8 of Decree Law no. 185/2015 by a further 10 million euros for a specific purpose: Italian exhibitions of international level and the implementation of strategic promotion campaigns in the most important markets and to combat the phenomenon of Italian sounding (for 2 million euros and 8 million euros respectively).

It should also be considered that, again for the implementation of strategic promotion campaigns in the most important markets and to combat the phenomenon of Italian sounding, a portion of the resources allocated by the 2015 budget law for the ICE - Agency has been reserved for the Association of Italian Chambers of Commerce Abroad. The reserve was equal to 2.5 million Euros for each of the years 2015, 2016 and 2017. The activities of the Chambers of Commerce within the Made in Italy Plan were then refinanced for 1 million Euros for the year 2017 by the budget law for 2017 (Law no. 232/2016, article 1, paragraph 58), as well as, subsequently, by the budget law for 2018 (Law no. 205/2017, article 1, paragraph 501) for 2 million Euros for each of the years 2018 and 2019 and 3 million Euros for the year 2020.

Facilitated financing for the implementation of investment programs through the opening of facilities abroad in non-EU countries (Law 133/2008, art. 6 paragraph 2 letter A)

It is by far the most widely used instrument, made available by Simest⁷, by companies wishing to penetrate foreign markets or strengthen positions already acquired on them. The intervention consists of a subsidised interest rate financing aimed at favouring the creation or strengthening of a permanent structure in non-EU countries.

The tool is intended for companies with registered office in Italy (with the exception of those operating in the sectors listed in art. 1, lett. A, B, C and F of the EC Regulation 1998/2006), and includes a wide variety of eligible expenses, from the establishment and operation of the SMEs structure in the foreign markets, to the expenses for promotional actions and for the various interventions incurred from the date of submission of the application until the end of the programme (24 months after the stipulation of the financing contract).

The loan is repayable within a maximum term of 7 years from the date of the loan agreement, including two years of pre-amortisation. The subsidised interest rate is 15% of the reference rate, with a minimum of 0.50% per annum. The reference rate is fixed and is the one in force on the date of the Simest Facilitation Committee's granting resolution. The subsidised intervention can cover up to 85% of the amount of the budgeted expenses, taking into account the limits set by the "de minimis" Regulation. In order to guarantee repayment of the loan, one or more of the following guarantees must be provided to Simest Spa: bank surety, insurance surety, surety of financial intermediaries affiliated with Simest, surety of financial intermediaries affiliated with Simest and pledge on government securities. The Facilities Committee may grant SMEs, on the basis of their reliability and ability to repay the financing, a reduction of the guarantees by up to 50% of the financing.

In recent years there has been a significant strengthening of the actions carried out at international level by local authorities and various territorial actors. Most of the Regions have shown considerable activism in "foreign policy", which has manifested itself essentially through: institutional missions; the signing of agreements and protocols with foreign States or Regions; meetings with foreign institutional delegations and the organization of international events. The missions abroad have been the central instrument in the regional strategy in the field of internationalisation, according to a scheme that has seen delegations made up of representatives of institutions, the entrepreneurial, social and cultural system meet the political authorities and businesses of the partner countries, with the aim of developing reciprocal opportunities for growth, through the development of initiatives of common interest. Using ordinary budgetary resources, the Regions have also financed projects aimed at facilitating SMEs' access to foreign markets by supporting the start-up

⁷ https://www.simest.it/simest?_ga=2.69259920.147188251.1591607397-644575388.1587552963

phases of a path, which coincided with participation in international trade fairs and multi-sector works h o p o p and the search for foreign partners for their SMEs.

The Lombard context is characterized by a dynamic and diversified entrepreneurial and scientific-technological system, with peaks of excellence achieved in different industries and fields. Over the past decade, Regione Lombardia has been facing the challenging task of decoding and governing the changes, taking place in the Region, in order to formulate regional policies that address real needs while shifting from a vertical approach, with a perspective on traditional sectors, towards a new horizontal logic with a perspective on "systems of competence." Therefore, Regione Lombardia developed a strategic vision for smart specialization including. "district-based" industrial policy. Present policy is a result of several steps that brought to reinforce the transversal supply chain logic versus a local and sector based logic and starting from a bottom up approach, passing to top down one and finally adopting a combination of two: the top down approach based on national and European perspectives and the bottom up approach based on the regional aggregation perspective. This evolution process started with the industrial districts with high levels of specialization in production, passing to the Meta-Districts concept, as production areas of excellence, representing poles of development with high technology potential, then implemented in the Regional Districts for Innovation, Attraction and Local Economic Dynamism (DRIADE) and, subsequently redefined as Priority Theme Areas (PTA), reinforcing the transversal supply chain logic. Meantime, the High Technology Districts located in Regione Lombardia were recognized at National level by the Ministry of Education, University and Research (MIUR), launching, within the technology areas of strategic interest, specific joint initiatives to consolidate the levels of excellence achieved by the Lombard economy. Governance action of Regione Lombardia continued with the identification of implementing bodies of the technology districts, then wrapped up into Regional Technology Clusters. Recently, in the framework of "Europe 2020", Regione Lombardia launched a strategy built on action and measures to focus projects and available resources on a handful of priority fields and industries identified as such for their strategic interest or for their potential *vis-à-vis* the public and private system, specifically on supporting innovation projects in manufacturing. As outcome of this process, Regione Lombardia has identified seven specialisation areas, summarizing the majority of the economic and scientific bodies situated in the Region. The specialization areas identified are:

1. Aerospace
2. Agri-food
3. Eco-Industry
4. Creative and cultural industries
5. Health industry
6. Advanced manufacturing

7. Sustainable mobility

In this way, peculiarities of the territory are freshly identified through a continuous and inclusive mechanism and contribute to developing updated regional strategy.

Lombardy is a region with a strong international vocation. With 127 billion euros of exports in 2018 (+5.2% on 2017), it accounts for 28% of Italian exports. The international vocation is based on a productive fabric that is highly variegated in terms of company size, where medium and large companies open abroad integrate in a synergistic way with numerous multinational companies and with a widespread base of dynamic micro and small businesses. Lombardy, in fact, brings together 31% of the 3,500 medium-sized Italian manufacturing enterprises - enterprises that together account for 16% of value added manufacturing and national exports. In addition, it attracts around 40% of new investment each year. Foreign direct greenfield direct in Italy and concentrates 6,400 foreign multinational companies, 45% of the 14,000 located throughout the country.

3.2. MAIN NATIONAL AND REGIONAL STAKEHOLDERS

At a national level, policies to support internationalization are managed by a set of ministries and technical agencies specialized in the different types of intervention, which operate within a booth for international Italy, in which policy strategies are developed, through a process of consultation of business organizations and coordination between the different actors, national and local. The Direction Cabin for internationalisation is co-chaired by the Minister of Foreign Affairs and the Minister of Economic Development. It is attended by the Minister for Heritage, Cultural Activities and Tourism (who co-chairs for matters within his competence), the Minister of Economy and Finance, the Minister for Agricultural, Food and Forestry Policies, the Presidents of the Conference of Regions, Unioncamere, Confindustria, Rete imprese Italia, Associazione bancaria italiana and Alleanza delle cooperative. The main operating bodies are, for real services, the Italian Trade Agency (Ita-Ice Agenzia per la promozione all'estero e l'internazionalizzazione delle imprese italiane) and, for financial support instruments, the Cassa depositi e prestiti (Cdp S.p.A.) , a joint-stock company controlled by the MEF, which also includes SACE, an agency for export credit insurance, and the Società italiana per le imprese all'estero (SIMEST).

ICE - *Agenzia per la promozione all'estero e l'internazionalizzazione delle imprese italiane*⁸ (Agency for the promotion abroad and the internationalization of Italian companies) is the main body responsible for the implementation of the Made in Italy Promotion Plan, taking

⁸ <https://www.ice.it/it>

into account the agreements reached with the Ministry of Agricultural, Food and Forestry Policies for what concerns interventions in the agro-food sector

SIMEST S.p.A.⁹ is a company of the *Cassa Depositi e Prestiti Group* that supports the growth of Italian companies through the internationalisation of their activities. 76% controlled by *SACE* and participated by banks and business associations, SIMEST aims to promote investments of Italian companies abroad and to support them from a technical and financial point of view, granting low-interest loans for feasibility studies aimed at assessing the advisability of investing abroad and setting up commercial structures abroad.

SACE S.p.A.¹⁰ - formerly the Institute for Foreign Trade Insurance Services - is the company authorized to issue guarantees and to assume risks of a political, economic, commercial and exchange rate nature to which national operators are exposed in their activities abroad and the internationalization of the Italian economy. In 2012, pursuant to Article 23-bis of Legislative Decree no. 95 of 7 July 2012, as part of a broader plan to enhance and dispose of public equity investments, Sace S.p.A. was entirely sold by the State to Cassa Depositi e Prestiti S.p.A. On 9 November 2012, Cassa Depositi e Prestiti S.p.A. acquired the entire share capital of SACE from the Ministry of Economy and Finance, having exercised the purchase option pursuant to art. 23-bis of Decree Law no. 95/2012.

Promos Italia¹¹ is the Agency within the Italian chamber of commerce system created with the aim to support Italian companies in the internationalization processes. *Promos* is co-shared by: Unioncamere, **Unioncamere Lombardia**, Unioncamere Emilia-Romagna, Chambers of Commerce of: Milan Monza Brianza Lodi, Genoa, Modena, Pordenone – Udine, Ravenna, Bergamo, Catanzaro, Genoa, Perugia Pisa, Salerno

Moreover, the aim of *Promos* is to support Institutions in the development of the local economy and in the enhancement of the local economy.

The chamber of commerce system affiliation has allowed *Promos* to build a relational network spread worldwide, including industrial groups, banking institutions, government bodies, international institutions, as well as consolidated collaborations with the main national players in the field of internationalization. These synergies guarantee reliability, authority, and quality of the solutions that the Agency offer to companies and stakeholders.

Other relevant entities at national and regional level:

- **Camere di Commercio d'Italia** - (Italian Chambers of Commerce) - www.camcom.gov.it

⁹ https://www.simest.it/simest?_ga=2.69259920.147188251.1591607397-644575388.1587552963

¹⁰ <https://www.sacesimest.it/>

¹¹ <https://www.promos-milano.it/>

- **LombardiaPoint** - Network of regional branches to support training and information on internationalisation in Lombardy - www.lombardiapoint.it
- **Infoexport** - The Infoexport service, born from the collaboration of Italian Chambers of Commerce, allows companies to ask questions online about their import/export activities, payments and transport, customs and Intrastat, taxation, protection of trademarks and patents, foreign trade insurance services - www.infoexport.it
- **LombardiaBusiness** - Social network of Lombard companies for internationalization - www.lombardiabusiness.net
- **Regione Lombardia** - the Lombardy region's website dedicates a section to the internationalization of Lombard companies. www.regione.lombardia.it.
- **Unioncamere Nazionale** - The website publishes topics related to foreign trade documents issued or managed by the Chamber system - www.unioncamere.net
- **Unioncamere Lombardia** - The **Unioncamere Lombardia** System carries out activities and coordinates projects to support internationalization for the promotion of the system of Lombard enterprises abroad, in conjunction with the Lombard Chambers of Commerce and national programs, with functions and tasks to support enterprises to facilitate and support them in internationalization processes - www.lom.camcom.it
- **Investinlombardy** - Invest in Lombardy is a project of Unioncamere Lombardia and PROMOS, Special Agency of the Milan Chamber of Commerce, aimed at attracting foreign investments in Lombardy. - www.investinlombardy.com
- **ICE** - Agency for the promotion and internationalization of Italian companies - www.ice.gov.it
- **SACE – SIMEST** - Insurance-financial group active in export credit, credit insurance, investment protection, financial guarantees, securities and factoring. The Group supports the growth of more than 25 thousand companies in more than 180 countries, guaranteeing more stable cash flows and transforming insolvency risks into development opportunities. - <https://www.sacesimest.it/chi-siamo>
- **ISTAT-COEWEB** - Foreign trade statistics repository- www.coeweb.istat.it
- Ministry of Economy and Finance - European and International Taxation - www.finanze.it
- **Assocamerestero** - Association of Italian Chambers of Commerce Abroad - Contains, among other things, the Business Atlas, a manual that, for each individual foreign country associated, contains geographical and economic data, regulatory and

legislative aspects, information on the banking system and country risk, agreements with Italy, useful addresses (Embassies, Consulates, European representations), etc..

- www.assocamerestero.it

- **CCI Italia** - The International Chamber of Commerce network www.cciitalia.org
- **Agenzia delle Dogane** - Contains customs regulations and procedures and the Combined Nomenclature of goods (TARIC) for the calculation of customs duties - www.agenziadogane.it
- **EEN – Enterprise Europe Network** - provides an information service on EU issues relating to the internationalisation and innovation of businesses; it has reorganised and expanded the services already provided by the Euro Info Centre. For information go to the page - [Enterprise Europe Network](#).

3.3. MEASURES OFFERED TO SME INTERNATIONALIZATION SUPPORT

The reform of Title V of the Italian Constitution (Law 18/10/2001) has given the Regions a shared competence with the State in the field of foreign trade, effectively introducing the local dimension into the already complex national framework. The Lombardy Region has maintained its direct competence in this area, effectively flanking the national operating bodies (ICE agency and the Cassa Depositi e Prestiti, SIMEST and SACE) in the provision of typical activities in support of internationalisation, i.e. real promotion, consultancy, information and training services, as well as various financial instruments for investment support.

The activities carried out by the Lombardy Region to promote the internationalization of the regional economic system are wide and diversified and include various types of programs aimed at promoting both the productive internationalization and the commercial internationalization of the Lombardy MPMI. Companies which open up abroad through a commercial approach can count on a wider range of measures: from technical assistance and consultancy, to participation in international missions and fairs, partnership measures. Without going into detail on the individual measures (see Annex), it is worth highlighting here the common but distinctive features of the measures adopted by the Lombardy Region, especially with reference to similar products supplied by other bodies belonging to the country system supporting internationalisation. First of all, the policies of real services in support of internationalization adopted by the Lombardy Region provide only promotion, assistance and consultancy services. There are no measures to meet general information or training needs, as the latter, if present, are provided only if linked to the simultaneous use

of other types of services, as provided for in some integrated service packages. However, these services are normally offered by other local authorities (such as Chambers of Commerce through Promos) or national (ICE agency). The financial services offered are also limited to support for productive investments, while there are no more complex services at greater risk, such as credit, export insurance, various guarantees and deposits, or participation in the capital of companies, traditionally provided by other national bodies (SACE, SIMEST). Secondly, the Lombard system seems to be moved by a "*quasi-market*" logic.

The Lombardy Region, in fact, generally participates in the partial or total coverage of expenses incurred by companies during internationalization processes. However, they are free to choose where and how to spend the regional contribution, choosing the service that best meets their needs and the supplier they prefer from an extensive catalogue of services and a list of accredited suppliers. The Region, therefore, directly "supports" the demand, and indirectly the supply of real services to internationalisation. The market is not altered by the presence of the regional authority, which does not directly provide the services, but is left free to organize itself and provide the requested services to companies, in a competitive key. Thirdly, with very few exceptions, it is a question of contributions paid out against a minimum investment by the beneficiary companies. This contribution, on the one hand, guarantees a multiplier effect of the resources charged to the regional budget; on the other, it confirms the will to actively involve companies in the activities promoted by the Region. The Lombardy companies therefore remain the creators of their internationalisation processes, in which the public body performs only a support function and not that of leader. Fourthly, the contributions provided are, again with a few exceptions modest, suggesting that the Lombardy Region has mainly followed a strategy aimed at bringing the largest number of SMEs closer to international markets, rather than concentrating resources on a few potential exporters. It should be noted, however, that companies can benefit, within the same measure, from cumulative contributions, i.e. participate in several fairs, or in several missions, or in fairs and missions at the same time. This greatly increases the intensity of the contribution and the potential impact on the ability of companies in Lombardy to operate successfully in international markets.

Finally, most of these incentives are offered in collaboration with other local authorities involved in promotion/assistance to the internationalization processes of companies. The need to maximize the effectiveness of the interventions and find additional resources has led the Lombardy Region to sign multi-year programme agreements and annual operating agreements with the system of the Lombardy Chambers of Commerce, with the Ministry of Economic Development, and other regional authorities (e.g. Fiera Milano spa). Among these, the Programme Agreement (PDA) for the economic development and competitiveness of the Lombardy system signed between the Lombardy Region and the Lombardy Chamber

of Commerce system deserves particular attention with "the objective of building a common strategic planning framework in order to increase synergies as well as to achieve additionality of the resources made available by the respective systems, in order to optimize the capacity of resources and the attraction of external resources" (art. 2, Programme Agreement, BURL no. 33 of 14 August 2006). The internationalisation of companies is a priority objective of the PDA.

POR FESR 2014 - 2020: Bando Linea Internazionalizzazione 2019

The Lombard system of support for business internationalization is the result of a policy orientation based on two principles:

- i. access to foreign markets is burdensome, especially for SMEs, for the high fixed costs of accession, information acquisition and the lack of specific skills.
- ii. the SMEs represent the preponderant part of the Lombard productive system and therefore need to be supported. 98% of active Lombard companies and 94% of exporting companies are made up of micro and small businesses.

The call for proposal "Bando Linea Internazionalizzazione 2019" award the SMEs projects submitted that meet the criteria listed in the call, until the exhaustion of the financial resources (rolling call for applicants). The call for proposals aims at promoting the internationalization of the Lombard entrepreneurial fabric. The main objective is the support to SMEs in the realization of complex internationalization projects, for the development of structured plans of action. The support is given in the form of medium-long term financing (3-6 years), contributing up to 80% of the total eligible expenditure of the project. The amount of funding that can be applied for is between EUR 50,000.00 and EUR 500,000.00. The admissible projects must engage in structured international development plans, articulating a set of services, activities and initiatives, with the final aim of initiating and/or consolidating the presence and capacity of action in foreign markets. The call is open to all the SMEs of the region, excluding companies operating in the field of agriculture, forestry, fishing, real estate, financial and insurance assets.

The action provides support for activities intended to enhance the entrepreneurial culture, increase management capacity, penetrate new markets. Elements for potential transferability deriving from the main results expected by the implementation of the call, can be identified as follows:

- Strengthen of the efficiency/capacity of trade operators.
- Improvement of available information and technical assistance to companies and services for pre-competitive development and technological innovation

- Improvement the qualification of operators, through training schemes, consultancy service and exchange of knowledge on the following subjects:
 - o Customs law
 - o Credit insurance schemes
 - o International tax
 - o International contract
 - o Feasibility studies
 - o Strategic and commercial consultancy
 - o Support to foreign partners search/ implementation of international networks
 - o Foreign product certifications
 - o Market analysis

3.4. BARRIERS TO AND DRIVERS FOR SME INTERNATIONALIZATION

The process of internationalisation of the MPMI is full of obstacles and difficulties. Barriers to the international expansion of SMEs often stem more from internal constraints than from problems imposed by the context. To classify these difficulties, the concept of barriers is used, which can be classified according to different taxonomies. In general, barriers to the internationalisation of SMEs refer to:

- the lack of information on markets, institutions and business opportunities abroad (information barriers);
- the poor articulation of personal and interorganisational networks of relationships to reach and serve the foreign client effectively (relational barriers);
- the lack of knowledge of the company and its activity by foreign markets (knowledge barriers);
- limits that derive from the lack of knowledge of the customs and characteristics of the market on which the internationalization process is intended to start (cultural barriers);
- insufficient skills and professionalism for the management of activities in foreign markets (skills barriers).

To these can be added others that concern the macroeconomic context of the outlet markets and that can break down (think of technical and customs barriers) exports of goods and services. According to a study by Confindustria Lombardia¹² aimed at underlining the

¹² Confindustria Lombardia, *Rapporto Indagine Internazionalizzazione – Le imprese Lombarde nelle catene globali del valore*, 2019
https://confindustria.lombardia.it/lobby/internazionalizzazione/rapporti-istituzionali/rapporto-internazionalizzazione-2019-le-imprese-lombarde-nelle-catene-globali-del-valore/pdf_file

difficulties of the internationalization process declared by companies (a sample of its associates active in foreign markets) stem from the lack of resources, and in particular from the size of the company, indicated by almost a quarter of companies active in foreign markets. If we add to this difficulty the inadequacy of personnel (9%), the lack of knowledge of foreign markets and cultural constraints (18%), the percentage of companies that declare difficulties due to internal factors (managerial resources, skills, etc.) assumes a certain importance. The survey highlights how it is also a problem for companies to find reliable partners, a dimension that can be linked above all to new export markets where the relational aspect is a fundamental asset to acquire the information necessary to know the market and to build a stable presence. Not all SMEs have benefited from the recovery in international demand, also because most small companies do not have direct contact with foreign markets.

This consideration is part of the general observation of a reduced incidence of exporting companies on the total number of companies active in Lombardy and a prevalence of occasional exporters, companies that do not export continuously. According to Unioncamere Lombardia data, in 2013, 42,769 companies exported, representing 5.5% of active companies. These are mainly micro enterprises (Unioncamere lombardia, 2015). It is precisely the need to bring as many SMEs as possible closer to international markets that has prompted the Regional Council to adopt a series of measures to support internationalization that have peculiar characteristics, focused on the role of the first approach to the market, on overcoming information and knowledge barriers, on the availability of aid for a wide range of beneficiaries who see participation in the fair or mission as the most used vehicle by companies to promote products to customers. Attention should be paid to the fact that the economic crisis, in addition to having drained domestic demand, may have led to the breaking of the subcontracting production chains that typically link an international player (a medium or large company for example) with other small suppliers in the area. The disappearance of supply orders has in many cases deprived small companies of an indirect showcase on international markets, guaranteed by the client company, pushing them to seek direct visibility for products that already have a place on the market, with new buyers often to be sought in foreign markets.

CHAPTER 4: SMEs CAPACITIES FOR INTERNATIONALIZATION

Lombardy is a gateway region with a strong international vocation. It is also a highly diversified region from a sectorial and business dimensional point of view, capable of producing as much as 71% of the added value to total exports within its borders - a capacity that distinguishes it from other Italian regions. This suggests that there are companies

whose internationalization, although not direct, takes place in an "induced" way through supply to internationalized companies or, more generally, through insertion in the supply chain. Alongside the logistical and relational advantages given by the geographical and cultural proximity, the following factors emerge as winning factors of the territory: the quality of production, the value of Made in Italy (especially in some sectors), the diversity of skills found in the territory (as the versatility of the sectors that characterises Lombardy), know-how and training of human resources, the great flexibility in adapting the final product.

As displayed by *Figure 13*, among the Lombard companies direct trade remains the most widespread mode of foreign presence¹³: exports for 94% of responding companies and imports for 64%. The direct commercial presence involves a more limited number of companies: about 10% both for offices of representation, and for commercial branches. Even less widespread are the relatively more complex strategies related to the production internationalization, among which the most implemented is the production with own offices and sites (8%).

The analysis by class of employees confirms the role of the size in the possibility and ability to achieve forms of internationalization of increasing complexity and risk. Although exports are a common practice in all size classes, there are significant deviations with respect to the sample average, especially for forms of commercial and productive presence abroad, as well as the presence of foreign investors. The dimension influences the possibility of carrying out forms of internationalization of increasing complexity and risk. As the size of the company grows, in fact, the presence abroad increases, first commercial and then productive.

¹³ *ibidem*

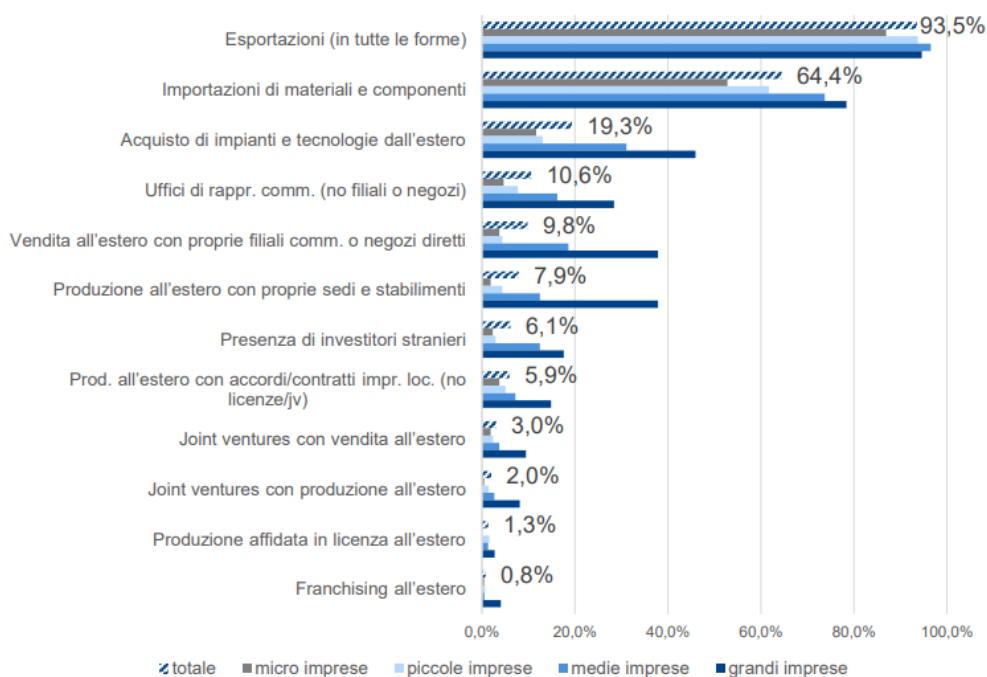


Figure 13. Type of foreign relations - Comparison among SMEs dimensional classes (Source: Confindustria Lombardia)

Esportazioni in tutte le forme: Exports (in all forms); *Importazioni di materiali e componenti*: Imports of materials and components; *Acquisto di impianti e tecnologie dall'estero*: Purchase of equipment and technology from abroad; *Uffici di rapp. comm. (no filiali o negozi)*: Commercial representative offices (no branches or shops); *Vendita all'estero con proprie filiali comm. o negozi diretti*: Sales abroad with its own branches or direct stores; *Produzione all'estero con proprie sedi e stabilimenti*: Production abroad with own sites and factories; *Presenza di investitori stranieri*: Presence of foreign investors; *Prod. all'estero con accordi/contratti*: Production abroad with agreements/contracts; *imprese locali (no licenze/jv)*; *Joint ventures con vendita all'estero*: Joint ventures with foreign sales; *Joint ventures con produzione all'estero*: Joint ventures with production abroad; *Produzione affidata in licenza all'estero*: Production under licence abroad; *Franchising all'estero*: Franchising abroad; *Totale*: Total; *Micro imprese*: micro enterprises; *Piccole imprese*: Small enterprises; *Medie imprese*: Medium enterprises; *Grandi imprese*: Big enterprises.

Among internationalised companies, the most widespread mode of foreign presence is exports (around 94% of respondents), followed by imports of materials and components (over 60%). Forms of direct trade and productive presence in foreign countries are, on the other hand, poorly implemented. These results are substantially consistent over the years. Comparing the data of the 2019 edition with the similar results of the 2017 edition of the *Confindustria report*¹⁴ (Figure 14), no statistically significant deviations are noted. It is worth noting, however, that there is an apparent overall trend of reduced exposure to foreign markets. Production abroad through agreements with local companies becomes the eighth

¹⁴ *ibidem*

most important strategy used and the presence of foreign investors seems to have spread, rising from the ninth in seventh place.

It is reasonable to assume that the lower exposure to foreign markets reflects the different international context in 2019 compared to 2017, and at least in part the stalling of world trade, which compared to a growth rate of +5.5% in 2017 falls to +3.6% in 2018 and is expected to slow further to +1.1% in 2019.

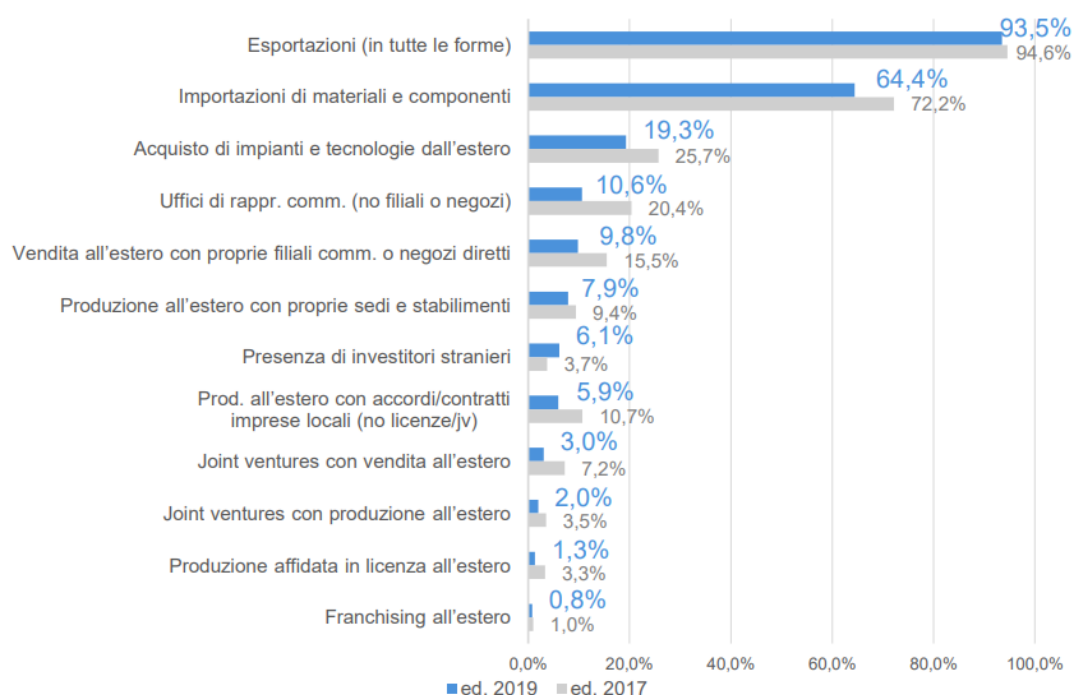


Figure 14. Type of foreign relations – 2019 vs 2017 (Source: Confindustria Lombardia)

Esportazioni in tutte le forme: Exports (in all forms); *Importazioni di materiali e componenti*: Imports of materials and components; *Acquisto di impianti e tecnologie dall'estero*: Purchase of equipment and technology from abroad; *Uffici di rapp. comm. (no filiali o negozi)*: Commercial representative offices (no branches or shops); *Vendita all'estero con proprie filiali comm. o negozi diretti*: Sales abroad with its own branches or direct stores; *Produzione all'estero con proprie sedi e stabilimenti*: Production abroad with own sites and factories; *Presenza di investitori stranieri*: Presence of foreign investors; *Prod. all'estero con accordi/contratti*: Production abroad with agreements/contracts; *imprese locali (no licenze/jv)*; *Joint ventures con vendita all'estero*: Joint ventures with foreign sales; *Joint ventures con produzione all'estero*: Joint ventures with production abroad; *Produzione affidata in licenza all'estero*: Production under licence abroad; *Franchising all'estero*: Franchising abroad.

Concerning the turnover abroad, it accounts for 45% of the total on average, with higher percentages as the size increases (from 38% of micro and 41% of small enterprises to 51% of medium and 58% of large enterprises) and shows a positive trend over time (found both in total and in each size class) as shown in *Figure 15*.

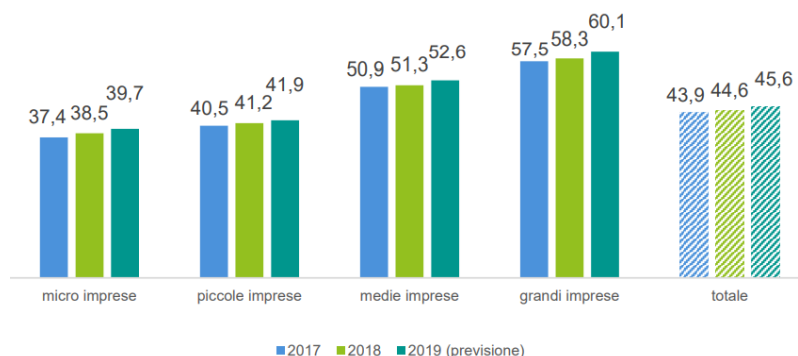


Figure 15. Turnover abroad in 2017-2018-2019 (foreseen)

Totale: Total; Micro imprese: micro enterprises; Piccole imprese: Small enterprises; Medie imprese: Medium enterprises; Grandi imprese: Big enterprises.

The importance of the size in determining the way in which international markets are present is even more evident when considering the combinations of internationalisation strategies (Figure 16). Focusing on the total number of respondents per size class, among the large ones only 56% are importing or exporting only, compared to 94% of micro enterprises, 90% of small and 73% of medium enterprises. On the contrary, 21% of the large companies are importing and exporting together with some form of commercial presence and some form of productive presence, compared with percentages of 1% among micro and small companies and 5% among medium-sized companies.

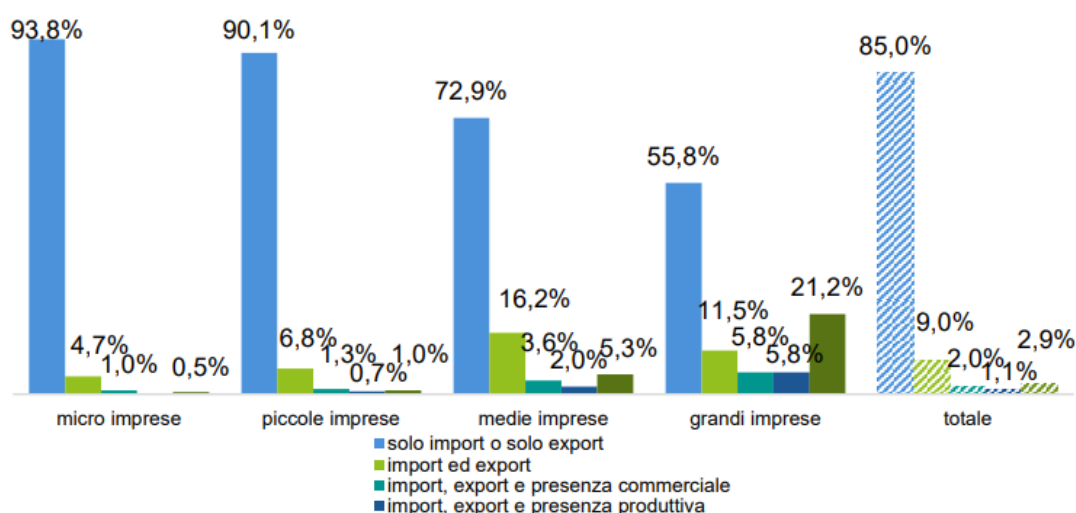


Figure 16. The combination of international strategies (Source: Confindustria Lombardia)

Micro imprese: micro enterprises; piccole imprese: small enterprises; medie imprese: medium enterprises; grandi imprese: big enterprises; totale: total; solo import o solo export: import only or export only; import ed export: import and export; import, export e presenza commerciale: import, export and commercial presence; import, export e presenza produttiva: import, export and productive presence.

Focusing on large companies, it is interesting to note that those that sell and produce abroad directly do so through their own branches and offices. Other forms such as joint ventures, licenses and franchises are however little used (*Figure 13*). In the decision to produce abroad, therefore, cost considerations would seem to prevail instead of proximity to the market. *Figure 17* shows the share of companies that decided to install a production site in the export destination country:

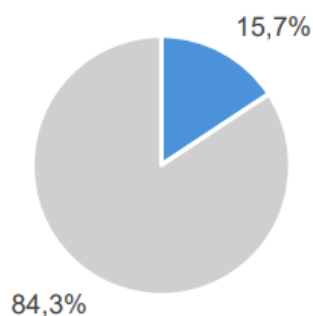


Figure 17. Presence of production sites in the main export destination country (Source: Confindustria Lombardia)

In BLUE: Yes; In GREY: No

Given the importance of export as the main strategy of positioning abroad in the Lombard context (implemented by 94% of internationalized companies), it is crucial to distinguish between exports directed to the destination market and exports to a foreign client, in particular subcontracting (*Figure 18*). If direct exports are the most common (in percentages of 80-90% for all size classes), exports "to order" are instead progressively more widespread as the size of the enterprise increases. At a first counterintuitive glance, this result could reflect the greater capacity of large companies to enter global supply chains and to participate in contracts and tenders for large international clients, not only private but also public.

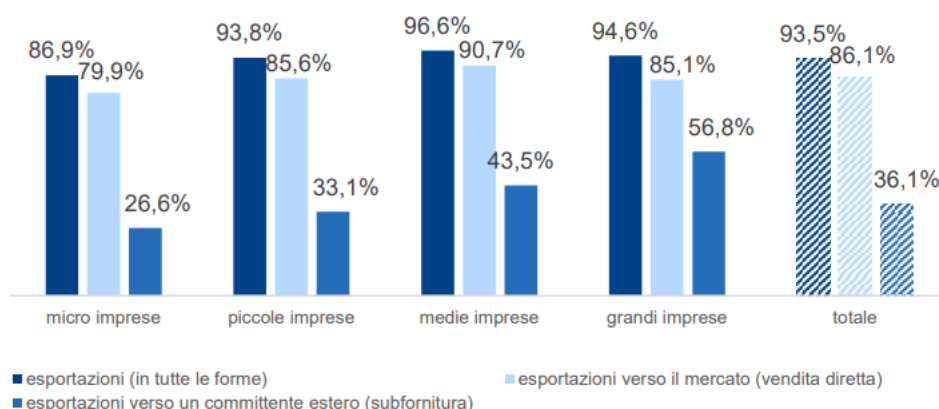


Figure 18. Direct exports to and from a client (Source: Confindustria Lombardia)

Micro imprese: micro enterprises; *piccole imprese:* small enterprises; *medie imprese:* medium enterprises; *grandi imprese:* big enterprises; *totale:* total; *Esportazioni in tutte le forme:* Exports (in all forms); *esportazioni verso un committente estero (subfornitura):* exports to a foreign customer (subcontracting); *esportazioni verso il mercato (vendita diretta):* exports to the market (direct sales)

The target markets figure (Figure 19) of the participating companies illustrate a predominantly European internationalisation. The first three markets by sales are Germany, France and Spain. However, there are also countries that are geographically and culturally more distant, notably the United States and China. Reflecting reflect the desire for proximity to the market, the weight of these countries increases considering the commercial offices, the main form of relocation in a logic of proximity to the market: the United States rises to the first place in the ranking, China to the fourth. India, United Arab Emirates and Brazil also appear. Finally, as far as the production sites are concerned, cost factors take over: in the list of the top 10 countries, China is in fourth place. rises to first place, India to fourth and Romania and Tunisia are ranked.



Figure 19. Target markets - Sales; Commercial sites; Productive sites (Source: Confindustria Lombardia)

Smaller companies tend to invest decisively in a few countries, while starting from the average size there is a consistent diversification of the portfolio: the average number of countries served is 9 for micro, 17 for small, 30 for medium and 36 for large. As the size increases, the distances covered also increase, with micro companies concentrated on European markets, small companies well positioned in the United States and Switzerland, and medium and large companies also moving towards China and Russia.

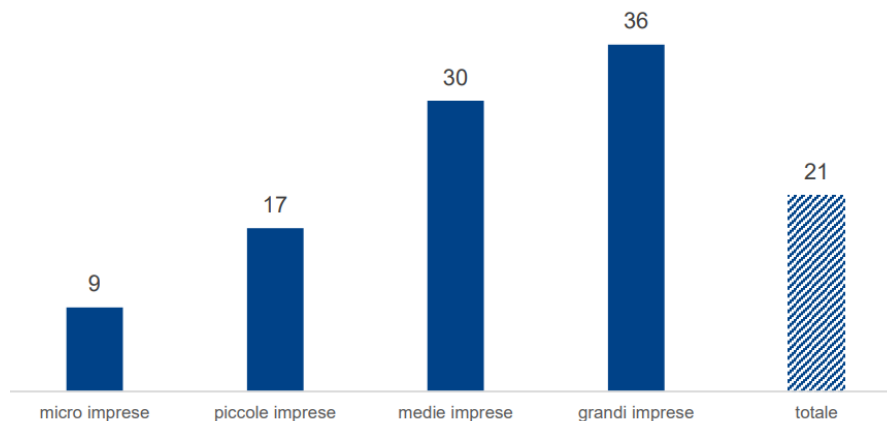


Figure 20. The average number of foreign countries currently covered (Source: Confindustria Lombardia)

Micro imprese: micro enterprises; *piccole imprese*: small enterprises; *medie imprese*: medium enterprises; *grandi imprese*: big enterprises; *totale*: total.

CHAPTER 5: IDENTIFIED GAPS BETWEEN POLICY INSTRUMENTS AND SMEs' NEEDS

Participating companies in *Confindustria Lombardia*¹⁵ study were also asked to comment on the use of a number of services, within a predefined list, to support the internationalization process. As shown in *Figure 21*, comparing the 2017 data, there is a general reduction in the demand for services requested by companies. On the other hand, what appear to be the main areas of support that businesses usually use are confirmed.

The first area of great interest concerns services aimed at facilitating foreign relations, in particular "search for foreign counterparties" and "B2B meetings" and to a lesser extent support for "participation in trade missions abroad", services aimed at developing suitable channels in order to establish relationships of trust with foreign customers.

A second area of need concerns services aimed at overcoming the management and institutional complexities of internationalisation, including "consultancy on technical issues"

¹⁵ *ibidem*

and "assistance in the search for subsidised loans" aimed at overcoming the barriers, both financial and non-financial, that may arise when entering foreign markets. Both categories, are requested in a fairly homogeneous way by both large companies and small and medium enterprises, as these services represent potentially ideal solutions to strengthen their presence abroad without heavy investments. This confirms the great propensity of Lombard companies to internationalize even in the absence of significant resources and a high strategic complexity in the field.

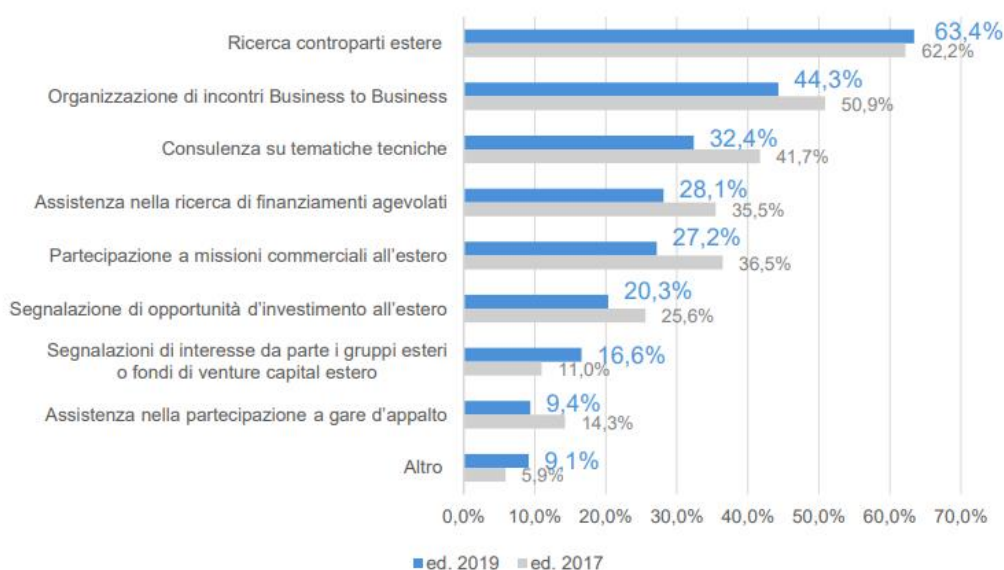


Figure 21. The most required services in support of internationalization - 2019 vs 2017 (Source: Confindustria Lombardia)

Ricerca controparti estere: Search for foreign counterparties; *Organizzazione di incontri Business to Business:* Organization of Business to Business meetings; *Consulenza su tematiche tecniche:* Consulting on technical issues; *Assistenza nella ricerca di finanziamenti agevolati:* Assistance in finding soft loans; *Partecipazione a missioni commerciali all'estero:* Participation in trade missions abroad; *Segnalazione di opportunità d'investimento all'estero:* Reporting of investment opportunities abroad; *Segnalazioni di interesse da parte i gruppi esteri o fondi di venture capital estero:* Reports of interest from foreign groups or foreign venture capital funds; *Assistenza nella partecipazione a gare d'appalto:* Assistance in participating in tenders; *Altro:* Others

The two areas of services, as shown in *Figure 22*, are requested in a fairly homogeneous way by both large companies and small and medium enterprises as these services represent potentially ideal solutions to strengthen their presence abroad without heavy investments. This confirms the great propensity of Lombard companies to internationalise even in the absence of significant resources and with a high level of strategic sophistication on the subject.

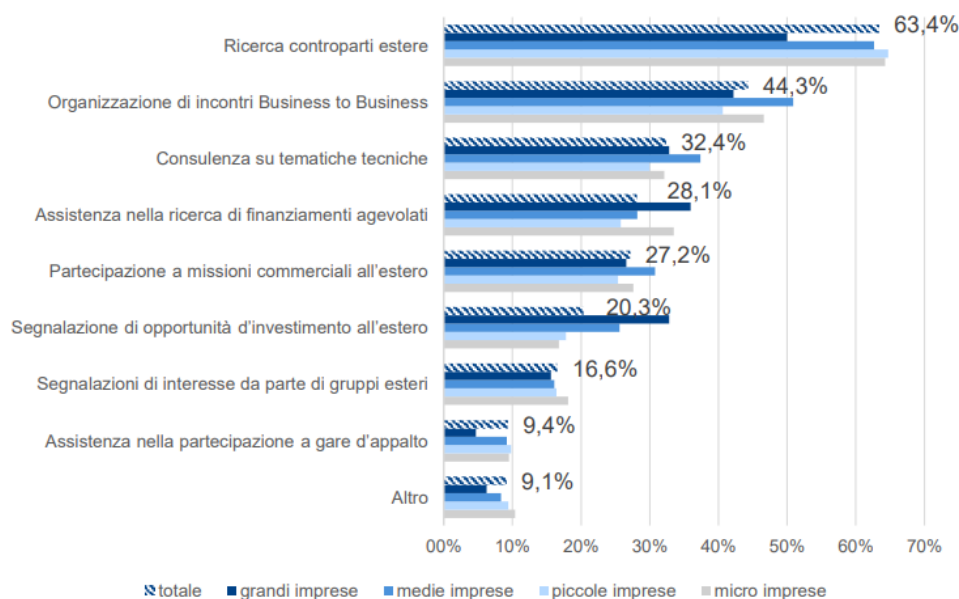


Figure 22. The most required services in support of internationalization - Comparison among SMEs dimensional classes

Ricerca controparti estere: Search for foreign counterparties; *Organizzazione di incontri Business to Business*: Organization of Business to Business meetings; *Consulenza su tematiche tecniche*: Consulting on technical issues; *Assistenza nella ricerca di finanziamenti agevolati*: Assistance in finding soft loans; *Partecipazione a missioni commerciali all'estero*: Participation in trade missions abroad; *Segnalazione di opportunità d'investimento all'estero*: Reporting of investment opportunities abroad; *Segnalazioni di interesse da parte i gruppi esteri o fondi di venture capital estero*: Reports of interest from foreign groups or foreign venture capital funds; *Assistenza nella partecipazione a gare d'appalto*: Assistance in participating in tenders; *Altro*: Others; *totale*: total; *grandi imprese*: big enterprises; *medie imprese*: medium enterprises; *piccole imprese*: small enterprises; *micro imprese*: micro enterprises;

ANNEXES FOR THE SITUATION ANALYSIS REPORT

Annex 1. Internationalization measures (measure and description of the measure)

Legge Regionale 23 novembre 2016 , n. 29 Lombardia è ricerca e innovazione
<http://normelombardia.consiglio.regione.lombardia.it/NormeLombardia/Accessibile/main.aspx?iddoc=lr002016112300029&view=showdoc>

Legge Regionale 7 ottobre 2016 , n. 25 Politiche regionali in materia culturale - Riordino normativo
<http://normelombardia.consiglio.regione.lombardia.it/NormeLombardia/Accessibile/main.aspx?view=showpart&selnode=lr002016100700025&idparte=lr002016100700025>

Legge Regionale 5 ottobre 2015 , n. 30 Qualità, innovazione ed internazionalizzazione nei sistemi di istruzione, formazione e lavoro in Lombardia. Modifiche alle ll.rr. 19/2007 sul sistema di istruzione e formazione e 22/2006 sul mercato del lavoro
<http://normelombardia.consiglio.regione.lombardia.it/NormeLombardia/Accessibile/esportaDoc.aspx?type=pdf&iddoc=lr002015100500030>

Legge Regionale 19 febbraio 2014 , n. 11 Impresa Lombardia: per la libertà di impresa, il lavoro e la competitività
<http://normelombardia.consiglio.regione.lombardia.it/NormeLombardia/Accessibile/main.aspx?iddoc=lr002014021900011&view=showdoc>

Legge Regionale 28 settembre 2006 , N. 22 Il mercato del lavoro in Lombardia
http://normelombardia.consiglio.regione.lombardia.it/NormeLombardia/Accessibile/main.aspx?exp_coll=lr002006092800022&view=showdoc&iddoc=lr002006092800022&selnode=lr002006092800022

Legge Regionale 5 gennaio 2000 , N. 1 Riordino del sistema delle autonomie in Lombardia. Attuazione del d.lgs. 31 marzo 1998, n. 112 (Conferimento di funzioni e compiti amministrativi dello Stato alle regioni ed agli enti locali, in attuazione del capo I della legge 15 marzo 1997, n. 59)
http://normelombardia.consiglio.regione.lombardia.it/NormeLombardia/Accessibile/main.aspx?exp_coll=lr002000010500001&view=showdoc&iddoc=lr002000010500001&selnode=lr002000010500001

Legge Regionale 16 dicembre 1996 , N. 35 Interventi regionali per lo sviluppo delle imprese minori
<http://normelombardia.consiglio.regione.lombardia.it/NormeLombardia/Accessibile/main.aspx?view=showpart&selnode=lr001996121600035&idparte=lr001996121600035>

National laws:

LEGGE 23 luglio 2009, n. 99 Disposizioni per lo sviluppo e l'internazionalizzazione delle imprese, nonché in materia di energia. (09G0111) (GU n.176 del 31-7-2009 - Suppl. Ordinario n. 136) note:Entrata in vigore del provvedimento: 15/8/2009

DECRETO LEGISLATIVO 25 novembre 2016, n. 219 Attuazione della delega di cui all'articolo 10 della legge 7 agosto 2015, n. 124, per il riordino delle funzioni e del finanziamento delle camere di commercio, industria, artigianato e agricoltura.

DECRETO LEGISLATIVO 14 settembre 2015, n. 147 Disposizioni recanti misure per la crescita e l'internazionalizzazione delle imprese. (15G00163) (GU n.220 del 22-9-2015). note:Entrata in vigore del provvedimento: 07/10/2015

LEGGE 21 febbraio 2014, n. 9 Conversione in legge, con modificazioni, del decreto-legge 23 dicembre 2013, n. 145, recante interventi urgenti di avvio del piano «Destinazione Italia», per il contenimento delle tariffe elettriche e del gas, per la riduzione dei premi RC-auto, per l'internazionalizzazione, lo sviluppo e la digitalizzazione delle imprese, nonché misure per la realizzazione di opere pubbliche ed EXPO 2015. (14G00023) (GU n.43 del 21-2-2014). note:Entrata in vigore del provvedimento: 22/02/2014

LEGGE 9 agosto 2013, n. 98 Conversione, con modificazioni, del decreto-legge 21 giugno 2013, n. 69 Disposizioni urgenti per il rilancio dell'economia (G.U. n. 194 del 20 agosto 2013)

LEGGE 7 agosto 2012, n. 134 Conversione in legge, con modificazioni, del decreto-legge 22 giugno 2012, n. 83, recante misure urgenti per la crescita del Paese. (12G0152) (GU n.187 del 11-8-2012 - Suppl. Ordinario n. 171). note:Entrata in vigore del provvedimento: 12/08/2012

Modifiche al decreto legislativo 10 febbraio 2005, n. 30, recante il codice della proprietà industriale, ai sensi dell'articolo 19 della legge 23 luglio 2009, n. 99. (10G0160) (GU n.192 del 18-08-2010 - Suppl. Ordinario n. 195)

Annex 2. SWOT Analysis

The regional stakeholders stressed the following elements as strengths, weaknesses, opportunities and threats for SMEs internationalization in the Lombard context:

Strengths

- SMEs organization: although internationalization is more difficult for small business, the Lombard SMEs organization in industrial districts, Metadistricts and clusters can sustain the process, also helping companies to find human and technical resources to manage international activities.
- Regional measures: a wide variety of measures for internationalization of companies are available both on the regional and on the national level. The Lombard context offers an excellent and plentiful framework for the internationalisation of companies.
- Strong industrial sector: Lombardy is part of the Milan-Turin-Genoa industrial triangle, where the main national industries are historically situated and is characterised by a great variety of economic sectors. A highly developed industrial context of this kind stimulates SMEs for their growth and business expansion, allowing them to take advantage of know-how, human resources and services.
- Made in Italy: The added value of the Made in Italy which has become more and more a brand, a brand, an immaterial value that increases the competitive advantage of productions on international markets.

Weaknesses

- Lack of information: many times, there are foreign business opportunities that are not known in the Region, as well as difficulties to enter in new markets that includes different regulations and institutions. This lack of knowledge hamper and discourage the starting of an internationalization process.
- Lack of networks: it is important to create a solid interorganisational network of foreign partners to sustain the internationalization of the company, which is rarely simple to achieve. Indeed, the "*search for foreign counterparties*" is the most required service by Lombard enterprises.
- Lack of skills: in some cases, SMEs do not have the competences, skills and professionalism for the management of activities in foreign markets. Also, language might stand as a crucial barrier for internationalization.
- Lack of coordination: SMEs asks frequently for clarifications about how to internationalize their activities and who can support them. The multitude of services present in the territory may create some disorientation; more coordination is needed.
- The small size of companies: while large companies are usually better equipped with managerial and financial resources to respond to international competition, SMEs

may suffer of their limited dimension. In this sense, Lombard districts and clusters can play a crucial role.

Opportunities

- Sustain to growth: in particular innovative high technology enterprises, but not only them, can benefit of a collaboration with a foreign company to boost their growth and develop new business relations.
- New costumers: Internationalization allows companies to expand their customer base and is a great opportunity to increase turnover and profits.
- New markets: internationalization allow finding new markets for a good or a service. This is important not only for expanding sales, but also to overcome possible market saturation of some sectors or to find the adequate market for a specific product.
- Risk diversification: international expansion enables companies to diversify the risk and avoid being excessively dependent on the national economic situation, making them more resilient to crisis.

Threats

- Foreign economic shocks: the Lombard entrepreneurial fabric is made particularly of micro and small businesses. Their small size may make them more fragile in the event of economic shocks and crises occurring in foreign markets.
- Financial threat: a company that intends to trade with a country that uses a currency other than its own is subject to the risks of exchange rate fluctuations: a profitable investment could quickly turn into a loss.
- Political risk: a company that expands its production or its trade abroad may face difficult political-economic scenarios that impact on financial and industrial activities. This threat becomes more concrete when we talk about developing countries, where political instability is a source of concrete risk in the processes of internationalization.
- Legal risk: it is the risk linked to the possibility of legal proceedings for lack of knowledge of the legislation in force in the country in which the company have decided to operate.
- Technical risk: is the risk related to the intrinsic quality of the product that may not comply with the regulations in force in the foreign country, for example the use of certain substances beyond the limits established by law or a material that does not meet the established characteristics.

SWOT Analysis

Strengths <ul style="list-style-type: none">- SMEs organization- Regional measures- Strong industrial sector- Made in Italy	Weaknesses <ul style="list-style-type: none">- Lack of information- Lack of networks- Lack of skills- Lack of coordination- The small size of companies
Opportunities <ul style="list-style-type: none">- Sustain to growth- New costumers- New markets- Risk diversification	Threats <ul style="list-style-type: none">- Foreign economic shocks- Financial threat- Political risk- Legal risk:- Technical risk

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