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Post-Covid-19 SME Internationalisation Study

Dr Carmen Stoian, Professor Fragkiskos Filippaios, and Dr Zita Stone

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Executive Summary

The main aim of this study is to provide a comparative analysis of six regional studies on the internationalisation of SMEs in the post-Covid 19 period from the first stage of the SME Internationalisation Exchange (SIE) Interreg project. This study builds on the findings produced by regional studies from Kent County in the UK, Cantabria in Spain, Lower Saxony in Germany, Nouvelle-Aquitaine in France, Ústí Region in Czech Republic and Molise in Italy. It focuses on identifying the key facilitators of SME internationalisation barriers to SME internationalisation, insights into how Covid-19 has affected firm turnover and internationalisation, support available for SME internationalisation, best practice and gaps in supporting SME internationalisation and recommendations for better support for SME internationalisation within and across the partner regions. Despite the differences in the methodological approaches from the different partners a number of findings have been put forward.

Facilitators of SME internationalisation

A common trend identified as a facilitator for exports across the six regions appears to be the role of new technologies and in particular digitalisation. The ability to innovate has been identified as a key facilitator. Access to specialised support and access to financial subsidies have also been identified as important facilitators.

Barriers to SME Internationalisation

Both Covid-19-related and general barriers exist. Bureaucracy and bureaucratic burden appears to be a key concern across several regions. Also logistical and supply chain issues, decline in purchasing/buying demand and lack of digital skills have been noted across the six studies.

The Impact of Covid-19 on SME Exports

Despite the fact that Covid-w19 has generally led to a decline of exports across the six regions, firms show resilience in the face of Covid-19 across the six regions. Across the six regions some industries were more resilient than others, and some even thrived during Covid-19. Export intensive firms have been more resilient during Covid-19, as they depended on the export market for survival and they were experienced in tackling changes and uncertainty.

Support available for SME internationalisation

All studies identified a complex and bureaucratic environment of support mechanisms. Significant overlaps exist between national and local/regional support mechanisms but also lack of awareness and therefore lack of engagement from SMEs. A number of best practices have been identified throughout the regions that facilitate better engagement, better information dissemination and a more focused or tailored approach to the needs of individual SMEs.

Best practice and gaps in supporting SME internationalisation

All studies identified areas of best practice in terms of the support available to either encourage domestic firms to internationalise or those exporting already to boost their internationalisation efforts. Best practices noted across the six regions were a targeted and tailored SME support, digitalisation technology-driven productivity increase and growth, innovative funding mechanisms and effective collaboration and networking of national and regional bodies providing advice and support with exporting.

Recommendations for better support for SME internationalisation

Several recommendations have been put forward in this report, namely: increasing the awareness of the support available; reducing bureaucracy associated with exporting; creating industry clusters, i.e. networks that also include related and supporting industries, investors and universities; identifying potential markets and suppliers that are geographically closer to the firms' domestic market; and finally tailoring support depending on the stage of internationalisation of a firm (i.e. new to exporting, already exporting, returning to exporting, etc.), their export intensity (i.e. the extent to which exports contribute to their turnover), their innovative capabilities (i.e. whether they are innovative or not) and the industry in which they operate.

1. Introduction

The aim of this report is to conduct a comparative analysis of the findings of research across six regions, on the internationalisation of small and medium enterprises (SMEs), with a specific focus on the impact of Covid-19 on exporting and the support needed for exporting firms. This report is for the use of the partners and stakeholders of the SME Internationalisation Exchange (SIE) Interreg project led by the Kent County Council. The motivation behind this project was to increase SME exports by improving the support available and its effectiveness and as such position internationalisation, and exporting activities in particular, as a tool towards improving their productivity and overall resilience. Our comparative analysis addresses three main objectives:

1. To compare the findings of the individual regional reports: In doing so we identify regions that are doing better in terms of exports, particularly since Covid-19, and analyse factors that may explain their SMEs' resilience with regard to exporting.
2. To highlight common challenges across the six regions: We explore the barriers to exporting, particularly since Covid-19, to ascertain whether some of these can be counteracted through future support.
3. To propose recommendations of how policy makers and regional bodies implementing the policies can best support exporting firms, particularly post-Covid-19. We identify the support available, gaps in support and useful case studies from across the regions, leading to policy recommendations and effective implementation of support for SMEs.

The six regions included in this research are: Kent (UK) (the leading partner in the SIE project), Molise (Italy), Ústí (the Czech Republic), Lower Saxony (Germany), Nouvelle-Aquitaine (France) and Cantabria (Spain).

Figure 1 Six Partner Regions



A few words of caution with regard to the terminology used in this report. We refer mainly to ‘SMEs’ but if the partners’ research includes large firms as well, then we refer to ‘firms’ instead. We also use mostly the term ‘Covid-19’, but occasionally we replace it by ‘pandemic’, to avoid unnecessary repetition. The main focus of this research is on exports. However, at times, we use the term ‘international activity’ or ‘internationalisation’ and also we refer to the impact of Covid-19 on firm turnover, as captured by research in partner regions. Finally, we discuss the resilience of SMEs with regard to exporting during Covid-19. We define resilience as the ability to overcome the additional challenges brought by Covid-19 and consequently maintain export levels or even increase exports. This definition is consistent with the literature on resilience (Conz, E; Magnani, G (2020)).

The remainder of this report is organised as follows: Section 2 highlights several methodological differences between the two reports. Section 3 explains the methodology of our study. Section 4 discusses the current state of internationalisation across participating regions, including the level of internationalisation, the main markets, the facilitators and barriers of exporting. Section 5 explores the impact of Covid-19 on exporting and highlights industry effects, firms effects and the sources of firm resilience with regard to exporting. Section 6 analyses the support available, the gaps in support and the best practices across the regions. Finally, section 7 puts forward recommendations for policy makers and firms that aim to build resilience and enhance exporting.

2. A methodological comparison of the different reports

Our research highlights differences in the methodology adopted by each report. A variety of approaches was used in the collection and analysis of the findings and despite the fact that most regional studies covered to a great extent the same research questions a disclaimer has to be introduced when we look at the cross-regional comparison of the six available studies. It is noteworthy, however, whilst some of these differences may have made the comparative analysis challenging, this variety can also be viewed as a strength. For example, given these differences we are able to contrast regional findings with national findings and also we are able to offer complementary views regarding how to best support SMEs if different types of survey instruments are used across the regions. The most important methodological differences between the six reports are as follows:

- a) **Different sampling methods and sample characteristics:** Surveys samples vary in size and scale, with survey sample sizes ranging from 13 to 316, whilst some regions include national surveys (6,173 respondents). The samples composition by industry also differs between the reports, mainly due to the differences in specialisation of the different regions. Some samples focus on SMEs only (e.g. Kent), whilst others include also large firms (e.g. Molise) or start-ups (e.g. Ústí).
- b) **Different timings of the surveys:** Some reports use surveys carried out in 2020 (at several points in a given period), other surveys took place in 2021 or 2022. This provides rich data but makes it difficult at times to compare like for like, as the impact of Covid-19 on SME internationalisation differs between these periods. Comparing results from before and after Covid-19 was useful for Kent, as well as comparing results from earlier and later in the pandemic (Nouvelle-Aquitaine and Ústí, for example).
- c) **Different types of respondents:** The different studies targeted different respondents. It is possible that by including different types of respondents in the surveys across the six regions (CEOs, managers, export managers, etc.) the opinions expressed may not be directly comparable and this may have implications for the analysis of the strategic approaches to internationalisation that SME adopt.
- d) **Different methods:** Most reports include primary data collected through surveys. However, some also include interviews (Nouvelle-Aquitaine and Ústí, for example) or secondary quantitative data such as national surveys results (Nouvelle-Aquitaine) or national statistics (Molise).

- e) **Different measurements:** Although in most cases the research focuses on exports, some reports report the impact of Covid-19 on firm turnover (comprising domestic and international activity) instead.
- f) **Different survey aims and instruments:** Most surveys are about the impact of Covid-19 on internationalisation and exports in particular, whilst also assessing the effectiveness of the support available. However, some surveys are focused on the usefulness of specific support initiatives (Nouvelle-Aquitaine and Cantabria, for example). Moreover, some surveys explore in more detail the challenges faced by exporters in specific markets (Lower Saxony). Finally, the Kent report also assesses the impact of Brexit in conjunction with the effect of the pandemic on SMEs internationalisation.
- g) **Different terminology:** This particular methodological difference is relevant for the NVivo qualitative data analysis (QDA) conducted (see next section for more detail), where the terminology used is critical for the accuracy of the results. For example, the following terms are used to capture the same phenomenon: Covid-19, Covid, pandemic and outbreak.
- h) **Different presentation of information:** Presentation of information provided by the partners varies with different levels of detail and different formats – some have provided reports, others summaries or presentations only. Given the opportunity to follow up on the information provided with the partners at the in-person or virtual workshops and the ability to clarify discussion in follow up email communication the risk of insufficient or unclear information was mitigated, however needs to be noted.

Table 1 (see next page) offers a summary of the different approaches adopted by the six regional research studies compared in this report. It is, therefore, important to understand that the findings of this cross-regional study comparing the individual findings across the six regions should be approached with a level of cautiousness and an awareness that the individual studies' findings are building on different approaches.

Table 1 Comparison of methodological approaches

| | Sample size | Types of firms | Level of analysis | Types of respondents | Qualitative methods | Quantitative methods | Measurements | Survey Focus |
|------------------------------------|--|--|--|--|--|--|-----------------------|---|
| Kent (UK) | 316 firms | SMEs | Regional | SME managers | Survey (primary data) and Secondary data for triangulation | Survey, primary data | Export levels of SMEs | SME internationalisation (exports): level, markets, facilitators, barriers, support, impact of Covid-19 and Brexit |
| Molise (Italy) | 37 firms out of which 8 are exporters, including 1 indirect exporter (regional survey) | SMEs, micro and large | Regional level Country level studies | | | | | Regional survey-based on previous SME survey by the Bank of Italy and the World Bank Key topics: production/ exports; commercialisation and digital solutions; innovation and digital jobs; public aid |
| Ústí (Czech Republic) | 33 | SMEs, large, self-employed, start-ups. For most exporting contributes to up to 30% of turnover | | | Secondary data for triangulation | Surveys (2020 and 2022), primary data | | Regional survey: the impact of covid-19 on firms, firms' outlook for the future, support that will be used, advice needed |
| Lower Saxony (Germany) | 405 | | Country level Regional level | | | Regional Survey Going international 2021' by the Chambers of Commerce. | | Regional level: the impact of covid-19 |
| Nouvelle-Aquitaine (France) | 13 6,173 | | Regional Level Country level (30 th March-29 th May 2020) | CEOs for case studies Other for country level surveys | CEO testimonials for case studies | Country level surveys, secondary data | | Regional survey: The relevance of existing public policy online during Covid-19-personalised study to help firms reposition their export markets and personalised remote prospecting missions |
| Cantabria (Spain) | 67 (less than 30% of regional exporters) | SMEs and large SMEs, with international activities (43% companies rely on exports for more than 50% of sales) Industries represented in the survey: Industry (50%), Agri-food (18%), Tech (13%) | | | | Survey (2022), primary data | | Regional survey (1), key topics: the effect of Covid-19 on activities, how companies approach this impact, how companies see the short term future Regional survey (2), key topic: the effectiveness of the virtual trade missions |

3. Methodology adopted in this cross regional study

The data collected for this report is essentially textual and was gathered from a number of sources – the reports, summaries, presentations provided by the six partner regions and the comments made by the regional representatives in the in-person or virtual workshops or a follow-up email exchange between the partner region representatives and the authors of this report. This was further complemented by the secondary data available via regional or national bodies such as the Department for International Trade in the UK. Textual data is defined as ‘any text, which constitutes a relevant and necessary source material for answering the questions one is interested in’ (Alexa, 1997). There are many kinds of textual data that can be used for sociological text analysis: open responses to questionnaires, newspaper editorials, commentaries, titles, articles, different kinds of reports (company annual reports, memos, newspaper reports), journal articles, advertisements, public speeches, conversations, interviews, letters, slogans, keywords (Alexa 1997; Bolden, R. and Moscarola, J. (2000)).

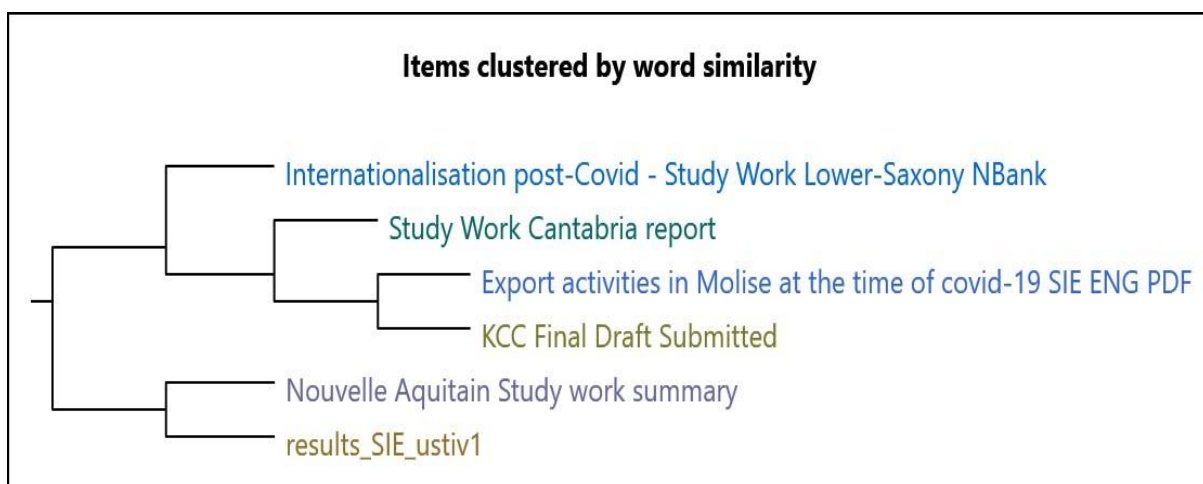
The methodology used in this exploratory research for the purposes of a comparative study is of a qualitative nature. We follow an inductive approach in order to gain an understanding of the key themes emerging from of the aforementioned sources of information. The analysis of the data involved the coding with the view to identify consistently emerging patterns across the regional studies. More specifically, the research used a focus coding procedure. Through a focus coding research method, the researcher examines all the data in a category, compares each piece of data with all other pieces and finally builds a clear working definition of each concept, which is then named, with the name becoming the CODE (Charmaz, 1983). The coding and analysis of the data was facilitated through NVivo, a computer-aided qualitative data analysis software package. This is used to capture the frequency of words in every report, summary or presentation and collectively and it enables the researcher to identify key themes that emerge from the codes. Contents analysis of the transcripts and the coding process is based on a categorisation scheme, where words or phrases are given a code. The focused coding requires the researcher to develop a set of analytical categories rather than just labelling data in a typical fashion. Modifying code themes is also an important aspect of this method.

This approach ensured that a systematic analysis of all sources of information from across the six partner regions took place and we have removed any potential bias in the reporting of the key findings and the consequent actions.

3.1 NVivo Analysis 1: Similarity Tree

The Similarity Tree analysis is an analysis of common patterns of words used to create a similarity tree. It captures the similarity in approaches given the presentation of information used in the different reports. It classifies two different groups of regions: Group 1 - Lower Saxony (Germany) , Cantabria (Spain), Kent (UK), and Molise (Italy) versus Group 2: Nouvelle Aquitaine (France) & Usti (the Czech Republic). This method enables us to also present some similarities at lower levels within each group. In particular, this approach shows that Kent (UK) and Molise (Italy) show significant similarities from Group 1 and Nouvelle Aquitaine (France) and Usti (the Czech Republic) show significant similarities in Group 2. Figure 2 is a capture of the Similarity Tree as produced by the analysis tool by coding similarities.

Figure 2 Similarity Tree – All regional reports



3.2 NVivo Analysis 2: Word Clouds

Secondly, Figure 3 presents a word cloud of the most commonly noted words in the different studies collectively. This approach was also used to capture the frequency of words in every report individually per region, and these Figures can be found in the Appendix of this report. This method captured words longer than 5 characters were captured with stop words (frequently used common words) being excluded. The analysis was tested also with 3 characters word capturing (excluding stop words) and the report did not produce significant difference. The analysis output shows top 50 words. It is important to note that as part of the coding for this analysis a generalisation of words was used meaning that words with similar meanings were clustered together. The analysis presents the most common words to be 'countries', 'companies', 'activity', 'regions', 'covid' and 'export'. This finding confirms and provides reassurance that despite the methodological differences noted previously the six regional studies did use the terminology and thus focus on the areas of covid impact on the

4.2 Main markets

Our analysis shows some commonalities in terms of the main markets firms from the six regions operate in. The most important market for many of the six regions is the European Union (EU). This is not surprising, given that the regions belong or used to belong to the EU (the latter being the case for Kent) and hence benefit from the common market and geographic proximity. For Kent SMEs, the main markets are the EU (84%), followed by the US (43%), and Australia (26%). The importance of the EU for the Kent region is comparable with data before Brexit. In Lower Saxony, exporters target the Eurozone, followed by the rest of the EU. Ústí exporters target Germany (31%) followed by Slovakia (9%) and Poland (7%). However, e-commerce serves mainly Central and Eastern European markets, followed by Western Europe (2020). However, the main export market for the exporters from the Molise region in Italy is the USA (50%), followed by Europe (25%). The reliance on different export markets from those targeted by firms in the other regions may contribute to explaining the superior export performance of Molise firms.

4.3 Facilitators of SME exports

Our comparative analysis highlights some interesting differences in terms of the facilitating factors for SME exports (see Table 2 for a summary). For example, in Kent the survey shows that the most important factors that would help SMEs enhance exports are a favourable tax system, suitable administrative and financial regulations and availability of information on new market trends. These appear to be mainly external factors that can be improved through additional support. In contrast, several internal factors are identified as facilitators of exports for SMEs in Molise in Italy. These exporting SMEs have benefitted significantly from a great export ambition, product quality, technical skills, a mix of product design, as well as their capability to respond to change, transform and adapt to market needs. These SMEs have leveraged the regional and cultural characteristics of the region as key driver and differentiator for their exporting. These internal drivers of SME exports can typically be nurtured through tailored governmental support, this is further discussed later.

A common trend identified as a facilitator for exports across the six regions appears to be the role of new technologies and in particular digitalisation. For example, in Cantabria, virtual fair trade fairs and teleworking have been key to ensure continuity of exporting, yet many SMEs lacked the digital skills to take advantage of these initiatives. In Molise, digitalisation has also been crucial, with many firms adopting a digital solution in production. In Kent, strengthening the business' technological capacity is not considered one of the most important factors that may enhance exports. However, this may relate to a lack of technological capability and appreciation of the impact digitalisation could have by the managers, rather than suggesting that enhanced support with digitalisation of SMEs would not

enable further exporting activity. The provision of support for SMEs via a combination of digital formats in all regions (as seen for example in the case of Presentigo in Ústí (the Czech Republic) as a promotional tool; or in the case of Enterprise Europe Network in Kent (UK) as a networking platform) suggests that digitalisation is key to future internationalisation and upskilling through acquiring digital literacy is required for SME managers.

Table 2 Facilitators for SME Exporting

| Region | Facilitators |
|------------------------------|--|
| Kent (UK) | A favourable tax system, suitable administrative and financial regulations and availability of information on new market trends. |
| Molise Region (Italy) | Great export drive, product quality, technical skills, mix of style, design, organisation, regional and cultural characteristics, as well as the ability to transform and adapt to the market. |
| Ústí Region (Czech Republic) | Digitalisation. |
| Lower Saxony (Germany) | Not commented on |
| Nouvelle-Aquitaine (France) | Not commented on |
| Cantabria (Spain) | The role of new technologies. Continued digitalisation (virtual promotions, teleworking etc.) highlighted as key to survival and future success. |

4.4 Barriers to SME exports

In terms of barriers to SME exports (see Table 3 for a summary), bureaucracy and bureaucratic burden appears to be a key concern across several regions. For example, bureaucratic and administrative delays are the top barrier for Kent SMEs, whilst in Lower Saxony higher standards regarding safety, local certification requirements and higher customs duties are significant barriers to exporting. Other key barriers are related to finding the right partners and distributors, finding access to local markets and reliable local information (Kent SMEs), with firms in the Ústí region stating that they need advice on marketing, sales and exporting.

The analysis of the common challenges faced by exporting firms, especially due to Covid-19, highlights other important barriers. Firstly, a fall in demand has affected negatively exports in most regions, including Nouvelle Aquitaine, Cantabria, Ústí and Lower Saxony. In particular, the fall in demand has been consistently an important or very important barrier to exporting in Nouvelle Aquitaine, suggesting that for some firms demand has not recovered after Covid-19. Indeed, studies (e.g. Sharma, D; Bouchaud J.P; Gualdi, S; Tarzia, M; Zamponi, F (2021) suggest that as the lockdown introduced during the pandemic led to a drop in both supply and demand, corresponding to a sudden

drop in both the productivity of firms and in the consumption propensity, it is uncertain how long the effects will impact on people's lives and as such consumer spending and thus demand may be lower for a period and in some cases not reach pre-pandemic levels.

Secondly, logistics and supply chain issues are an important export barrier in Nouvelle Aquitaine, Cantabria, Lower Saxony and Kent. In Kent, the higher costs of shipping, the delays in shipping, the lack of imported inputs are among the top challenges faced by exporting SMEs. In Lower Saxony, the logistics and supply chain challenges were particularly salient in the UK and Chinese market. Exports to the UK may have been affected by Brexit whilst the strict lockdowns in China may have created supply chain problems for exporters from Lower Saxony. However, in Nouvelle Aquitaine the impact of logistics and supply chain issues appears to decrease by May 2020, as trade and people movement restrictions eased off and firms learned how to adapt to this changing business environment.

Thirdly, labour shortages caused by self-isolation or illness during Covid-19 have affected negatively exports, especially in Kent, Lower Saxony and Ústí. Despite the success of vaccination programmes and the easing of restrictions in all six regions, labour shortages may remain a barrier for some exporters. For example, Kent is still likely to face labour shortages due to Brexit or due to employees choosing to leave the labour market post Covid-19 (McCann P. and Vorley, T.(eds.), 2021). Whilst the arrival of refugees from Ukraine may boost the labour force in some of the regions in the short run, this additional labour may not have the required skills to contribute to exporting SMEs, and may not be available in the long run.

Fourthly, the increased uncertainty that SMEs face has been a significant barrier to exporting. In Nouvelle Aquitaine the lack of predictability was the most significant factor affecting exports in 2020. For Kent SMEs, the uncertainty caused already by Brexit has led to SMEs stopping exports further. Brexit has also affected negatively exports from Lower Saxony to the UK. Additionally, for Lower Saxony firms, sanctions associated with the target market are considered an additional barrier by 33% of respondents. Political uncertainty in Turkey or Covid-19- related uncertainty in China are also barriers to exporting firms from Lower Saxony. Moreover, in the Ústí region 21% of respondents require crisis management support. With the predicted continued uncertainty in the global business environment due to Covid-19 and the war in Ukraine, it is likely that SMEs will need to find strategies to overcome this barrier and governments may need to monitor the effectiveness of the support available.

Fifthly, closure of factories or work restrictions have been an important export barrier in Lower Saxony and Ústí. In Lower Saxony travel restrictions and cancelations of events or trade fairs were in fact the top most important export barriers due to Covid-19. Extant literature and testimonies of firms confirm that trade fairs, networking and other events are crucial for SMEs and support is needed for SMEs to

be able to resume participation in face to face events in order to find new distributors, business contacts and increase sales.

Finally, financing issues have been a challenge for exporting SMEs, but only in some regions. The costs associated with attending exhibitions and trade fairs abroad or with currency instability (Kent), financing issues (Nouvelle-Aquitaine) and accessing state financial support (Ústí) were reported as barriers for exporters. In Nouvelle Aquitaine the financial issues were no longer a barrier to exports in the later stages of the pandemic, due to the generous financial support offered by the French government. Similarly, in Lower Saxony, SMEs have benefitted from substantial governmental financial support. In some regions, as previously stated virtual fairs took over and this has also helped with the cashflows of firms in some regions.

Table 3 Barriers to SME Exporting

| Region | Covid-19 related barriers | General barriers |
|-----------------------------|---|---|
| Kent (UK) | <ul style="list-style-type: none"> • additional administrative and bureaucratic burdens due to Covid-19 • higher costs of shipping • lack of imported inputs • delays in shipping • lack of labour due to lockdowns • having to prioritise business survival | <ul style="list-style-type: none"> • bureaucratic and administrative delays • finding the right partners and distributors • finding access to local markets and reliable local information • the cost of attending exhibitions and trade fairs abroad. |
| Molise (Italy) | <ul style="list-style-type: none"> • finding raw materials | |
| Ústí (Czech Republic) | <ul style="list-style-type: none"> • lack of customers • lack of employees due to illness, restrictions, caring for children • compulsory closure of factories and services • transport restrictions/ logistical problems | |
| Lower Saxony (Germany) | <ul style="list-style-type: none"> • travel restrictions • cancelling of trade fairs/events • investments postponed/ cancelled • less demand for products/ sales • problems with supply chains/ logistics • lack of goods/service • orders cancelled • downtimes/ illness • legal uncertainty • lack of financial means | <ul style="list-style-type: none"> • higher standards/ requirements concerning safety • local certification requirements • sanctions • higher customs • obligation to produce in the target market • restrictions in the freedom of services in the common market |
| Nouvelle-Aquitaine (France) | <ul style="list-style-type: none"> • uncertainty • fall in demand • logistical problems • financial problems | |
| Cantabria (Spain) | <ul style="list-style-type: none"> • supply chain and logistical issues • loss of export contracts • lack of digitalisation skill/resource in business | |

5. The impact of Covid-19 on SME exports

5.1. Firms show resilience across the six regions

Our study shows that Covid-19 has generally led to a fall in exports across the six regions, especially in the early stages of the pandemic. For example, in Kent almost half of firms (45%) registered a fall in exports of up to 20%, due to Covid-19. In Molise, 50% of companies reported a decrease in exports and in Cantabria, 42% of firms saw a fall in exports. A few regions report on decline in other activities and performance indicators, not just exporting. For example, in Lower Saxony 46% firms cancelled or postponed investments and in Ústí in 2022 33% of respondents stated that the pandemic had affected most negatively their overall activity and turnover. These findings are consistent with general trends that show that globally exports have fallen significantly due to Covid-19 (e.g. Stawiarska, E. (2021).

However, firms show resilience in the face of Covid-19 across the six regions. For example, in Kent, only 4% firms stopped exporting during Covid-19. More importantly, 11% SMEs have started exports during Covid-19, to build resilience. A similar pattern has been noticed in Cantabria. Another common trend across several regions is that the negative effect of Covid-19 on firm turnover and/or exports has been temporary, with 71% of export intensive firms maintaining or increasing exports as early as May 2020 (Nouvelle-Aquitaine) or September 2020 (Italy). Moreover, 86% of firms maintained exports during the pandemic and for 54% of those the turnover was the same or higher in June 2021 than in October 2020 (Nouvelle-Aquitaine). Exports recovery was also present in Cantabria in 2021 (21% increase in exports).

Notably there are two regions that stand out in particular in terms of the impact of Covid-19 on firm exports and turnover. Firstly, Molise has seen a positive impact on exports (26% increase). This performance is related to a combination of factors including: firm characteristics; regional competitive advantages; central and local government support; cluster effects; and finally, target market characteristics. Secondly, and in contrast to Molise, in Ústí, in the 2022 survey, 33% respondents declared that the pandemic affected negatively their activities, indicating a lower level of resilience for firms in this region. Moreover, 94% of Ústí firms have stopped exporting since the beginning of the pandemic. However, it is important to note that whilst in regions such Cantabria or Molise exporting firms were prioritised by the government and were not closed and even protected during lockdowns, the Czech authorities enforced strict measures which included business and border closures during Covid-19. This may partially explain the strong negative effect of Covid-19 on firm performance in the Ústí region.

Table 4 The impact of Covid-19

| Region | Key findings |
|-----------------------------|---|
| Kent (UK) | <p>Our survey: Only 50% of the respondents have a positive perception of the export activity of their firm.</p> <p>Almost half of the firms (45%) registered a fall in exports of up to 20% due to Covid-19.</p> <p>Only 4% stopped exporting since Covid-19.</p> <p>11% of Kent SMEs have utilised exports as a strategy to build resilience during Covid-19.</p> |
| Molise (Italy) | <p>Regional data: Losses of >10% for 57.5% of exporting companies. 50% of firms reported a decrease in exports.</p> <p>Only 25% exported to new markets.</p> <p>All SMEs continued to export due to networking.</p> <p>Innovative companies did not report a fall in exports.</p> <p>50% implemented an innovation or adopted a digital solution in production.</p> <p>Only 25% had difficulties in finding raw materials for production.</p> <p>Only 25% adopted remote working or digitalisation for marketing.</p> |
| Ústí (Czech Republic) | <p>Regional data: In the 2020 survey, 64% firms were affected negatively by the pandemic. In the 2022 survey, 33% declared that the pandemic affected most negatively their activities and turnover and 8% were affected positively.</p> <p>94% of firms stopped exporting since the beginning of the pandemic but 79% want to increase exports in the future (2022 Survey).</p> |
| Lower Saxony (Germany) | <p>Regional data: 50% firms experience more obstacles to internationalisation.</p> <p>46% cancelled or postponed investments.</p> <p>55% believed that sales will decrease significantly or slightly (Bundesbank survey).</p> |
| Nouvelle-Aquitaine (France) | <p>Country level data: 42% of firms (at country level) stopped exports during 30th March and 29th May 2020.</p> <p>71% of export intensive firms (exports contributing to 30% or more of their turnover)(country level) continued to export between 30th March and 29th May 2020.</p> <p>86% of firms (country level) maintained exports during the pandemic and for 56% of those the turnover was the same or higher in June 2021 than in October 2020.</p> |
| Cantabria (Spain) | <p>Regional data: For 66% of firms covid-19 affected negatively turnover with the impact very important or important for 83%. 5% were impacted positively.</p> <p>42% of firms saw a fall in exports and 60% did not look for new markets.</p> <p>More resilient than other Spanish regions: only 5.3% decrease in exports compared to the 10% national average.</p> |

Finally, the impact of Covid-19 on firm turnover or exports varies within the six regions. Our analysis shows industry effects and firm effects, as follows:

5.2 The impact of Covid-19 on SME exports: Industry effects

Across the six regions some industries were more resilient than others, and some even thrived during Covid-19. For example, in Molise, exports increased in the *Automotive* and *Agri-food* industries respectively during 2020 and 2021. In Nouvelle Aquitaine, the following industries performed well during 2020 and 2021 in terms of exports: *Health and biotech*, *Equipment and solutions for agriculture*, *Services* and *Technology*. Overall, these resilient industries offered essential products or services for which demand continued to be high, despite the uncertainty, lockdowns and the supply chain issues experienced by all regions during Covid-19. In particular, *Health and biotech*, *Services* and *Technology* enjoyed increased demand for their services, as they offered solutions to the challenges faced by consumers and businesses during this period (e.g. vaccines, medicine, online services, digital solutions for remote working, etc.). In particular, industries that have recovered by June 2021 and even surpassed the pre-pandemic export levels in Nouvelle Aquitaine include: *Agri-food* and *Equipment for agriculture and agri-industry*.

Contrastingly, other industries have been affected negatively by Covid-19, due to supply chain issues, either on the demand, or the supply side. For example, in Nouvelle Aquitaine, in *Home, sports and leisure*, *Perfumes and cosmetics*, *Clean technology and infrastructure* and *Wines and spirits*, a large percentage of firms stopped exporting in 2020 as the demand for their products fell as result of changes in consumer behaviour and business priorities associated with Covid-19. Similar demand side shocks and lower turnover were experienced in Lower Saxony by the the *Food and Drink* industry, with the closing of the *Hospitality* industry. Supply side shocks have affected turnover in the *Machinery* and *Car manufacturing* industries in Lower Saxony, due to global microchips shortages. However, firms in the *Car manufacturing* industry in Molise performed well in terms exporting, most likely due to the cluster effect. The above industry trends are generally consistent with the global trends regarding the impact of Covid-19 on turnover and exporting (McCann P. and Vorley, T.(eds.), 2021).

5.3 The impact of Covid-19 on SME exports: Firm effects

Our analysis also identifies firm effects with regard to the impact of Covid-19 on SME exports. For example, export intensive firms have been more resilient during Covid-19, as they depended on the export market for survival and they were experienced in tackling changes and uncertainty (Cantabria).

In Nouvelle Aquitaine, only 29% of export intensive firms stopped exporting by May 2020 -compared to 42% of all firms. Moreover, in Cantabria, firms with embedded digitalisation report stronger performance than other firms. This raises the question of what makes some firms more resilient than other, as discussed below.

5.4. The sources of firm resilience in terms of exporting during Covid-19

Our research identifies several factors- both internal and external- that have contributed to firm resilience with regard to exporting during Covid-19. Internal factors such as firm characteristics have enhanced resilience. Firstly, some SMEs had a strategic approach to exports and used them to ensure resilience, especially in Kent. Indeed, exporting may reduce the SME's dependence on the domestic market and generate additional sales (The Confederation of British Industry, 2021), even in periods of uncertainty.

Secondly, firms that are innovative, have embedded change-oriented approach, are dynamic, and possess capabilities of managing risks and capitalising on opportunities have performed better with regard to exporting (in Molise). Resilient firms are flexible, adaptable and can implement changes to their business model to manage the impact of Covid-19 on their operations and maintain or even increase exports (in Cantabria). For example, in Molise, firms adopted production innovation to capture demand and innovative firms did not report a fall in exports. Indeed, it has been long established that innovation is key for firm competitiveness and exporting (Porter,1990).

Thirdly, investment in human capital, and in particular in communication, marketing, logistics and digital skills has increased the firms' ability to manage change and to maintain or even increase exports, especially in Molise. Fourthly, digitalisation has been crucial to maintaining exports or even increasing them during Covid-19, especially in Ústí, Cantabria and Molise. For example, in Cantabria, digitalisation is key for 63% respondents, whilst 84% will increase their digitalisation efforts. However, 97% of respondents think they will resume the traditional promotion efforts (trade fairs, travel) when they can, showing that a combined approach is needed when it comes to trade fairs. Indeed, the lack of promotion and networking events was noted by companies across different regions as a significant limitation towards building their company profile, image and thus potential improved performance and thus resilience.

It is important to note that external factors have also affected firm resilience. For example, firms that performed well with regard to exporting during Covid-19 have benefitted from government support, including financial support, across all regions. However, it is not clear whether this financial support is sustainable in the future. Moreover, firms that were prioritised by their governments and continued

to operate despite lockdowns, have also performed relatively well in terms of exports. This was particularly the case of firms in Molise and Cantabria. In Molise, resilient firms in terms of exporting have also leveraged networks, clusters, as well as region's heritage, cultural and competitive advantages. These are crucial factors for firm competitiveness (Porter, 1990) and export performance and governments may want to put in place policies to support them. Moreover, as discussed earlier, industry characteristics have also influenced firm resilience, with some industries being affected negatively and other positively by Covid-19. These industry effects are seen in particular in Molise and in Nouvelle Aquitaine. Finally, it is likely that characteristics of the target market have also affected firm resilience with regard to exporting, with some markets being affected more significantly by Covid-19.

6. Support available for internationalisation

6.1. Gaps in support

All regional studies investigated factors that would positively support the exporting activity of their firms. They included factors that would enable firms to initiate the engagement with an international activity and also factors that would support firms which operate internationally already to expand and deepen these activities further. A number of challenges has been identified throughout the different regional studies.

Firstly, the transaction costs (e.g. search costs and validation of offer – value for money costs) and linked administrative and bureaucratic costs which prevent firms to access various sources of support was referred to directly in the majority of studies. Secondly, there is typically a large number of support mechanisms across regions offering specialised advice and support to internationalisation activities. In the vast majority of cases, however, the support mechanisms are not fully coordinated. This was highlighted specifically in the regions of Kent and Cantabria. Thirdly, there is often a large number of national support mechanisms. It is not always clear whether these national support mechanisms are overlapping or act in a complimentary way with the regional support mechanisms. For example, in Molise (Italy), 87.5% of SMEs would be interested in receiving funds for internationalisation but lack of clarity was noted on the source and overlaps between the national and regional funds available. Finally, despite the large number of support mechanisms, both at the national and regional level, the degree of awareness for these different support mechanisms is lower than expected. SMEs do not necessarily know about all the potential sources of support nor they have the time and resources to search for them and identify the benefits or focus of support for each. Notably in Kent and also Cantabria 1 in 5 of SMEs were not aware of support available to them.

6.2. Best practice

Nevertheless, through the six studies, we have identified support mechanisms that aim to address the above challenges and have acted in an effective and efficient way supporting the internationalisation activities of their firms with the primary focus being the SMEs.

Kent, UK

There are many good examples of internationalisation support available in Kent nationally and regionally. For instance, the Kent Invicta Chamber of Commerce offer a multi-sector SME advice on visa relaxation and removal of cabotage as well as SME grants (e.g. Brexit Support Grant) while Innovate UK and Enterprise Europe Network offer innovative virtual trade missions and a hybrid trade fair participation (HOFEX 2021). There is also regional support on the effective use of digitalisation via the Enterprise Europe Network as they offer access to potential distributors in the EU and help with lowering the costs of attending fairs and exhibitions by offering these digitally. Moreover, the various services brought together under the Kent International Business umbrella offer advice on how to navigate the administrative and bureaucratic obstacles encountered when exporting, thus addressing the top barrier of an administrative burden. Interestingly, most SMEs tend to rely on the support offered by professional services in Kent such as banks or accounting firms, and therefore the importance of the sub-regional layer of support should not be underestimated.

Nouvelle Aquitaine, France

The examples offered from France are, however, more in line with the tailored SME support the outcomes of this study also point to. The set-up of 'Team France Export' brings together the expertise of private professionals working in international trade and provides rigorous tailored information on foreign markets, facilitates financial export support, and perhaps uniquely covers 50% of eligible expenses for an SME international support (e.g. business digitalisation costs). A further help provided digitally was the provision of a personalised study to help SMEs to reposition markets and navigate via the remote prospecting platforms.

Cantabria, Spain

The regional stakeholders SODERCAN and the Cantabrian Chamber of Commerce are deemed by the Cantabrian firms as solid support partners as despite the decrease in exports during Covid-19, 94% of surveyed firms commented that they would continue to have an interest in participating in international actions that can be developed by these entities. However, the main good practice identified by the SMEs in Cantabria was the virtual format of Trade Missions. It allowed the firms to maintain the same partners and act quickly.

Ústí Region, the Czech Republic

National and regional support has been very active in their efforts to boost export after 94% of firms in the Usti region confirmed they stopped exporting during Covid-19. For instance, CzechTrade provides assistance and advisory services for exporters and the Czech Export Bank offers opportunities to finance the export of technologies, products and know-how for the circular economy. The effect of support with digitalisation via the provision of digital tools for International trade such as DigiServ, eDigital Innovation Hub which offer market research, virtual maintenance and digitalisation mentoring schemes has been noted as most significant.

Molise, Italy

The best support activities identified in this region are around innovative financing options via financing subsidies (the Simest programme) and vouchers for micro and small firms to get consultation advice on internationalisation by the Temporary Export Manager (TEM) scheme (the Invitalia fund). This funding landscape has enabled firm in this region to focus on the implementation of innovation process and efficient production processes and thus enable these firms to protect their competitive advantages and even thrive during the pandemic.

Lower Saxony, Germany

Similarly to Molise, the most effective support commented on in the German region of Lowe Saxony is financing. The study provides information on the most effective financing options and the characteristics which make them attractive from the SMEs perspective. For example, the Immediate Aid Programme Lower-Saxony attracted 50,000 applications and paid out 270 million Euro. The 'trick; to this success was the very simple - No details/application form filling needed for the application - only business registration and ID. Furthermore, the Federal State Aid programme, as an additional aid by the federal state of Lower Saxony offered funding to small business with no more than 49 employees and despite the application process being more rigorous in the details it required evidence of, it still was very successful. These aid programmes were further complemented by other 'credits' programmes and together these enabled firms in the region to cover rents for business premises, licences, material (no stockpiling), energy, water, and heating expenditures.

7. Recommendations for policy makers on support for exporting firms

Firstly, policy makers need to increase the awareness of the support available, so that more firms benefit of the extant policies. Secondly, reducing bureaucracy associated with exporting should be a key priority of governments and their regional representatives. Thirdly, industry clusters, i.e. networks that also include related and supporting industries, investors and universities should be encouraged

by policy makers. Clusters enhance regional competitiveness and the region's cultural heritage that firms may leverage by exporting. Fourthly, governments should continue to encourage and support the formation of business networks such as Enterprise Europe Network (in Kent) or Ynovate (in Ústí). These can help minimise the costs associated with exporting, increase innovation or provide firms access to distributors in foreign markets. For example, industry or cluster specific trade fairs can enhance exporting. In Kent, the SIE Export Cluster Pilot that aimed to promote concomitantly firms that offer complementary products or services and this initiative should be continued. Both digital and face to face trade fairs should be encouraged, in order to facilitate building trust and interpersonal relationships that are key for exporting. However, the use of digital fairs should depend on the industry, as in some industries, such as *Food and Drink* face to face trade fairs are more likely to be successful.

Fifthly, governments need to work in partnership with universities to provide tailored training to employees and managers of exporting firms or firms that consider exporting. In particular, training should be aimed at improving digital literacy and skills, as well as crisis management, marketing and sales skills. In the UK, the government needs to tackle the impact of Brexit on the availability of skilled labour force, as well as the loss of labour force as a result of people choosing to retire early, stay in education or quit the labour market due to sickness or lifestyle choices post Covid-19. With the flexibility provided by remote working, there is a segment of population-mostly women or people with caring responsibilities- that has re-entered the labour market and that should be encouraged to remain active in the labour market. Firms and employees should be incentivised to adopt some degree of remote working and should be supported to counteract some of the potential negative effects that remote working may have on productivity and creativity, by providing meaningful interactions when employees do work in the office.

Sixthly, governments need to help firms identify potential markets and suppliers that are geographically closer to the firms' domestic market. Although the importance of logistical issues as an export barrier has decreased slightly since the beginning of the pandemic, helping firms find domestic suppliers may decrease uncertainty in the future and increase exports.

Finally, governments need to tailor their support depending on the stage of internationalisation of the firm (i.e. new to exporting, already exporting, returning to exporting, etc.), their export intensity (i.e. the extent to which exports contribute to their turnover), their innovative capabilities (i.e. whether they are innovative or not) and the industry in which they operate. For example, governments need to put in place incentives for innovative firms and provide opportunities and support for firms to become more innovative, as innovative firms are more likely to be resilient and continue to export in periods of uncertainty.

7.1 Lessons for exporting firms

Our analysis identifies several lessons for exporting firms. Firstly, exporting can be a strategy to build resilience, especially when faced with uncertainty. Exporting minimises the reliance of firms on domestic markets alone and offers additional sales. Secondly, exporting firms need to put in place contingency plans to manage uncertainty. Such plans may include offering discounts for payments, diversifying or shortening their supply chain, by seeking domestic suppliers, for example. Reshoring can decrease the dependence on foreign suppliers that are costly and may be unpredictable and unreliable in the future due to similar shocks to Covid-19. This approach can also mitigate the likely negative impact of inflation and increased transport costs on supply chain and exporting. However, changes in the supply chain may take time to implement and may require additional research and resources. Moreover, not all firms may be able to benefit from this strategy, as in some industries the capabilities in the home countries have been lost or natural resources are located in the foreign markets. In the UK, for example, the Department for International Trade already supports firms with reshoring.

Thirdly, managers of exporting firms need to adopt a flexible outlook, embrace change and be ready to innovate. In particular, adopting digital solutions in production, using digital platforms for marketing, networking as well adopting remote and hybrid working can enhance exporting. Fourthly, managers need to prioritise training for themselves and their workforce, to address potential skills shortages in crisis management, marketing, sales and digitalisation. Managers should also make the best of industry networks, as they facilitate access to distributors in foreign markets. Fifthly, exporting firms need to make the best of the support available at governmental and regional level. Finally, managers of exporting firms should leverage the competitive advantages and the cultural heritage of their region, making the best of existent clusters.

Limitations and areas of further research

As the surveys were completed before 24th February 2022, i.e. before the invasion of Ukraine by Russia, the findings of this research need to be complemented by more recent information. It is very likely that the inflation and supply chain disruptions exacerbated by the war in Ukraine will affect negatively SMEs exports. However, resilient firms in the time of Covid-19 may also be able to rely on their sources of resilience to overcome the present uncertainty of the global business environment.

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Appendices

Appendix 1: Word Cloud – Kent, UK



Appendix 2: Word Cloud – Molise, Italy



Appendix 3: Word Cloud – Lower Saxony, Germany



