Cross region comparative study on the Internationalisation of Small and Medium Enterprises

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Executive Summary

The main aim of the present study is to provide a comparison of the six regional reports on the internationalisation of SMEs 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, Aquitaine in France, Kujawsko-Pomorskie (Torun) in Poland, Usti in Czech Republic and Molise in Italy. It focuses on identifying the levels of internationalisation across regions, facilitating factors and barriers to internationalisation of SMEs, measurement of the effectiveness of support mechanisms and providing useful recommendations to further support the internationalisation of SMEs 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.

Levels of Internationalisation (page 15) – Most regions have gone through a period of large trade deficits in the last 20 years. Deepening of EU integration and the availability of funding to support internationalisation initiatives has enabled regions to turn around and demonstrate trade surpluses in the last decade. Despite the spread of internationalisation activities in the different regions it is common that a substantial proportion of them can be attributed to a rather small number of companies and an even smaller number of sectors. For all regions, other EU markets represent the key customers of their international activities.

Facilitators to Internationalisation (page 19) – Ability to innovate has been identified as a key facilitator. Both process as well as product innovation have been brought forward by SMEs as factors that enhance their internationalisation efforts. Access to specialised information through the local support mechanisms and access to financial subsidies have also been identified as important facilitators.

Barriers to Internationalisation (page 21) – Both external and internal barriers exist. External barriers are usually associated with the volatility and the uncertainty of the institutional environment that creates additional risks for SMEs. Internal barriers are either informational ones or functional ones.

The former correspond to lack of access to specialised information about foreign markets whilst the latter correspond to lack of specialised, primarily marketing, resources to effectively enter foreign markets.

Support Mechanisms (page 25) – All studies identified a complex and bureaucratic environment of support mechanisms. Significant overlaps exist between national and local/regional support mechanisms and this leads to 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.

Recommendations (page 28) – Two major recommendations have been put forward. First, the establishment of a cross-regional business network that will enable SMEs to take advantage of opportunities in other regions and share risks across borders. Trust in this network will be infused by the existing collaboration of partners across regions. Second, the establishment of a policy laboratory that will foster sharing of best practice across regions but will also monitor and evaluate the implementation of policies across regions through engagement with a small number of SMEs.

1. Introduction

The main aim of this study is to provide a cross-regional comparative perspective to the partners and stakeholders of the SME Internationalisation Exchange (SIE) Interreg project. The project aims at responding to the challenge of increasing SME internationalisation capacity and assess the effectiveness of current policies and the support initiatives that they cover. Kent County Council is the Lead Partner of the project and the remaining six regions are: Cantabria in Spain, Aquitaine in France, Lower Saxony in Germany, Kujawsko-Pomorskie in Poland, Usti in Czech Republic and Molise in Italy. The project consists of a number of study visits to the relevant regions where best practice is shared and visits to companies are organised. Study visits reports are shared between partners to identify best practices that can be implemented across the network.

Part of the project was also the commissioning of regional reports covering the extent of internationalisation of SME in each region, identification of barriers and facilitators and an evaluation of the effectiveness and efficiency of support mechanisms. These reports have been shared across the partners and stakeholders to improve the dissemination of information.

Finally, partners have developed a number of best practice case studies to highlight possible ways of supporting SME internationalisation at the local level.

This study is providing a cross-regional examination of the previously produced studies from the six out of seven regions (the Lower Saxony research study was not available at the time of the completion of the present report). It has three comparative study aims:

- To compare the findings of the studies in each of the six SIE partner regions. In doing so we aim to assess which regions are performing best in terms of SME internationalisation and what are the factors that might be influencing a better performance (geography, nature of business community, effective support mechanisms, appetite & capacity within companies etc.).

- To identify common challenges and barriers to internationalisation for SMEs in the different partner regions. We would like to ascertain what are the main barriers / issues preventing additional SME internationalisation across the SIE partner areas and whether these will change in the next few years. This evaluation includes a brief analysis on the way Brexit might influence trade relations between Kent and the remaining partner regions as well as possible ways of mitigating any risk. In the same vain we establish whether the main barriers to SME internationalisation are common to all regions and how might these be overcome. The barriers identified will be contrasted with barriers identified in the international literature to put the information into perspective.

- To make recommendations about potential improvements to SME internationalisation support policies and programmes across regions and how the SIE project partner organisations could increase internationalisation capacity and activity among SMEs. To do so we assess what are the most effective policies and programmes supporting SMEs with internationalisation in the SIE partner regions, why they work well, and how transferable these programmes are. We also determine what are the main gaps in support services in the SIE partner regions, and whether these are common to all regions and how gaps might be filled. This includes an analysis on whether support mechanisms are context (especially industry) specific and therefore there is limited potential for cross-fertilisation of initiatives.

2. A methodological comparison of the different reports

Despite the common brief and aims across the partner regions, the methodological approach followed by each region in their commissioned report differs substantially between regions. 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. The main differences can be summarised in three areas:

1. Different sampling methods

A number of studies used a sample of the general population of SME in their region building on national and regional data. Random sampling was used to get a representative sample of the SME in the relevant region. Other studies adopted a more focused approach to their sampling by engaging with a smaller number of SME that has been purposely selected. This sampling technique provides better response rates but it is debatable with regards to the generalisation of results.

2. Different respondents

The different studies targeted different respondents. In some cases, the CEO of the SME was interviewed or surveyed and in other cases the export manager if available. This different approach to respondents can have implications for the analysis of the strategic approach to internationalisation that SME adopt.

3. Different methods (qualitative vs quantitative)

A number of different methods have been used across the six regions ranging from interview (semi-structured or structured) analysis from a qualitative perspective to surveys followed by a quantitative analysis. In some cases regional studies also significantly relied on secondary data, from national or regional statistical agencies, that is very difficult to compare even across EU regions.

Table 1 offers a summary of the different approaches adopted by the six regional research studies compared in this report. Four regions, i.e. Kent, Cantabria, Aquitaine and Torun used some form of survey to address the research aims. From a closer look at these four studies though survey instruments differed significantly in terms of questions asked and the way they captured respondents' answers. A number of studies also relied on existing secondary data, i.e. Cantabria, Molise and Kent but this secondary data differs significantly from one region to the next primarily on the basis of different definitions.

Table 1 Comparison of methodological approaches

Region	Method
UK – Kent	Electronic Survey of SMEs
Spain – Cantabria	Secondary data and a third party survey
Czech Rep – Usti	Interviews of selected companies
France – Aquitaine	Telephone survey of CEOs
Italy – Molise	Secondary Data
Poland - Kujawsko-Pomorskie	Computer Aided Telephone Survey

It is important therefore to understand that the findings of the current 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 substantially different approaches.

3. Methodology adopted in this cross regional study

The data collected for this report is essentially textual and was gathered from a number of transcripts of roundtables and the plenary session during the Kent Business Summit 2018. 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).

The methodology used in this exploratory research is of a qualitative nature. We follow an inductive approach in order to gain an understanding of the key themes emerging from each roundtable. The analysis of the data involved the coding of the transcripts with the view to identify consistently emerging patterns in the discussions. 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, page 117). The coding and analysis of the data was facilitated through NVivo, a computer-aided qualitative data analysis software package. The key themes that emerge from the codes are concepts that identify key discussions and actions that appeared frequently in the different roundtables. 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 discussions took place and we have removed any potential bias in the reporting of the key findings and the consequent actions.

A cluster analysis of the different reports reveals three groups amongst the six studies on the basis of coding similarity. Kent and Aquitaine studies followed a very similar approach and in practice the Aquitaine study makes reference to the Kent one. The second cluster consists of the three studies from Cantabria, Usti and Molise. All three have relied substantially on secondary data for their analysis and this is reflected in their clustering. Finally, the Torun study is different from the other five. Figure 1 shows the clustering of the six studies by coding similarity.

To get a more detailed picture of the nodes emerging from the analysis of the six studies we present in **Error! Reference source not found.** the nodes list together with the relevant sources (1 to 6 r

epresenting studies) and the number of references. Whilst the number of references is only indicative of the importance of the node it is worth highlighting that barriers, facilitators, support mechanisms and levels of internationalisation have the highest number of references as these have been the most important aspects of all studies. This verifies that all studies to a certain extent have addressed the brief of the Interreg project.

Finally, Figure 2 presents a word cloud of the most commonly words in the different studies. Countries, activities, regions and export are very common words but it is worth highlighting the existence of words such as Brexit, communication, united, products as part of the word cloud.

Figure 1 Studies Clustered by Coding Similarity
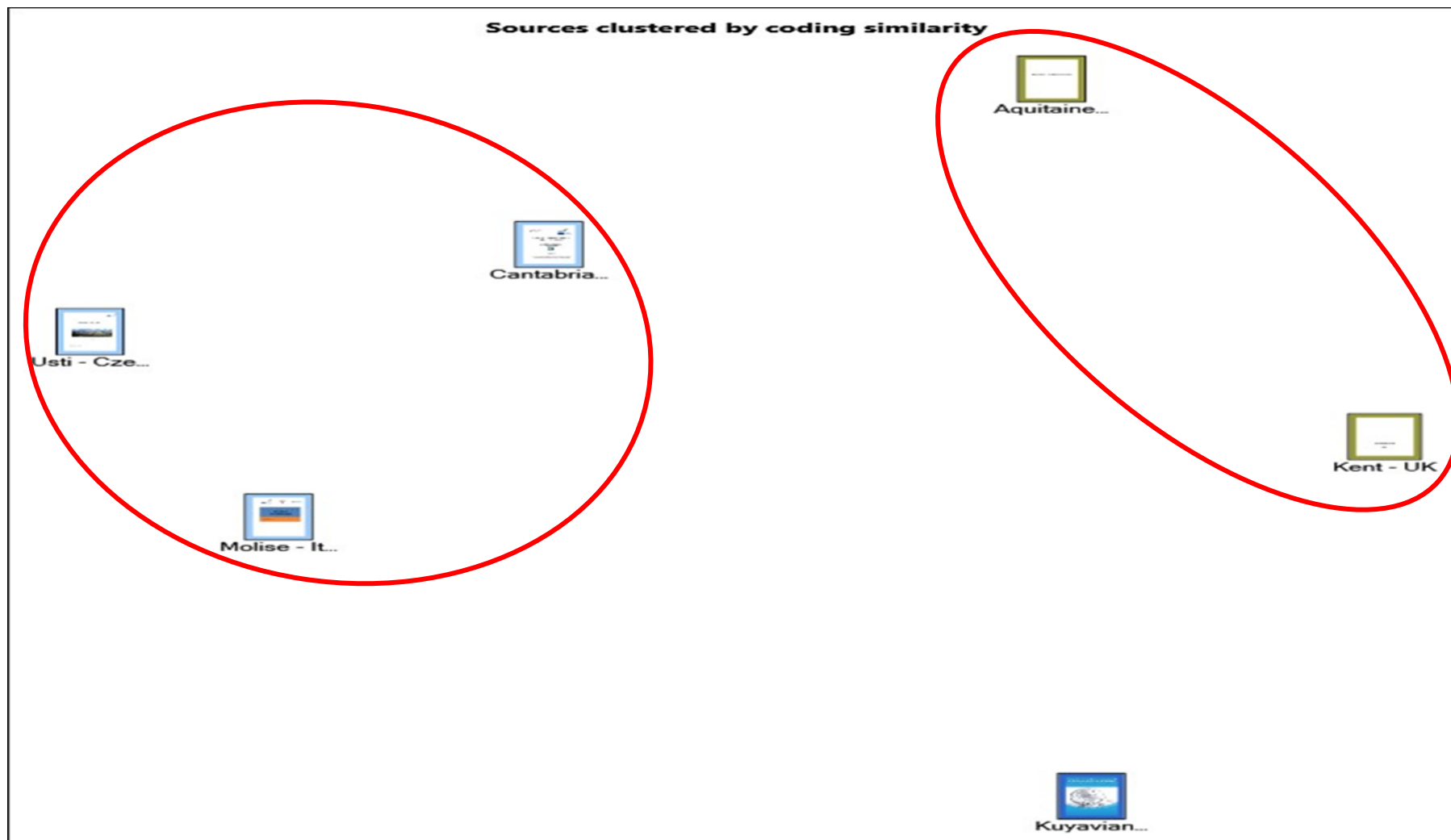
Table 2 Nodes List

Name	Sources	References
Barriers	5	43
Best Practices	5	17
Export Performance	3	12
Facilitators	6	30
Internationalisation definition	3	5
Key Markets	5	16
Levels of Internationalisation	6	23
Methodology Applied	6	12
Motives for Internationalisation	4	8
Support Mechanisms	6	29

Figure 2 Word Cloud of Studies

4. The current state of internationalisation across participating regions

The current phenomenon of globalisation has altered the SME growth model as it allows SMEs to expand into international markets quicker and more efficiently and it assists with the advancement of their business activities to a highly competitive level (Federation of Small Businesses, 2016). Operating internationally has become an important business opportunity for SMEs that have developed domestically a portfolio of valuable and rare resources. SMEs aim to grow through internationalisation, especially in highly competitive or saturated markets (Lu, Beamish 2001). The internationalisation strategy though depends on the availability and competitive quality of a firm's resources and capabilities (Barney 1991). It has been suggested that key factors that influence SMEs internationalisation are size, international experience, use of new technologies and innovation. Importantly, SMEs need to make a strategic decision whether they improve and expand their product markets through innovation or they focus on internationalisation and focus on expanding into new geographical markets. It is perfectly possible that strategic focus on innovation and export activities can be complimentary as the presence in foreign markets can lead to learning and thus enhance innovation performance Golovko and Valentini (2011). External factors also affect the international strategy of SMEs. Firms experience pressures or pull factors in their domestic markets, which act as triggers for the internationalisation decision (Makhija 2003). Such triggers may be changes in the business environment such as for instance an institutional reform or change in the nature of international trade agreements as it is currently in the case of Brexit. Additionally, the network-based pull factors (Zahra, Hayton et al. 2004) may also drive firms to foreign markets. This is as a result of firms' efforts to build on existing relationship with suppliers and other partners, as these connections provide them with an advantage of having access to formal and informal sources of information and contacts.

4a. Levels of Internationalisation

The six reports reveal different levels of SME internationalisation across regions. The six regions also differ significantly in the sectoral composition of the key industries that drive export performance. These industries are usually associated with the specific characteristics of each region and its geographical positioning. Kent's export profile is characterised by service exports, Cantabria's is dominated by intermediate goods, automotive parts and glass are the key export products from Usti, wine and aeronautics from Aquitaine and agricultural products from Molise.

There is thought a significant similarity emerging from all reports, irrespective of the region. A substantial amount of the export activity is clustered in a relatively small number of companies. Interesting for example is the case of Aquitaine where the top hundred exporters contribute close to 50% of the region's exports. A similar conclusion can be extracted from the Kent study where the proportion of companies that export is close to a third of those that we surveyed but in reality a large group of those companies are only considering exports as a small fraction of their overall activities.

The second similarity that is relatively common across the different regions is their transition to the current levels of internationalisation. Most regions describe a journey of trade deficit over the last 15 to 20 years and only in the last decade most of the regions have returned to a trade surplus. This could be due to the enhanced levels of trade integration with the deepening of the Single Market in the EU as well as the accession of the group of Central and Eastern European Countries in 2004 (two of the regions belong to countries in this group). Table 3 summarises the key findings with regards to the current levels of internationalisation across the six regions.

4b. Key Export Markets

It is important to also highlight that most studies have identified   the EU as the key export market for all regions. Whilst the significance of the EU as a key market differs, this has been identified as the most important one. Over 80% of Kent SME report that EU is their main market and this is similar for Cantabria and Torun with over 70% of their SME identifying EU as their key market and   just over 60%

for Aquitaine. Finally, Usti SME trading within the EU are four times the ones that trade outside the EU.

4c. Motives for Internationalisation

All studies have identified similar motivations driving SME to internationalise, primarily through exports. These are aligned with the general expectations from the literature discussed in the beginning of this section and can be summarised as the existence of opportunities abroad to increase earnings and achieve a better return on assets, future proofing growth opportunities and expansion of the client base, exploration of new markets, push to internationalise due to saturation and significant competition in the internal market and finally productivity gains by exporting and acquiring knowledge from abroad.

Table 3 Current State of Internationalisation

Region	
UK – Kent	• Just over a third of the companies responding to our questionnaire reported some engagement in export oriented activity • A large group of sampled companies consider exporting only a small part of their overall activities
Spain – Cantabria	• Since 2009, exports exceeded imports, generating a significant surplus in international trade • The patterns of international trade in Cantabria are dominated by intermediate goods, both in exports and imports. This type of goods makes up for around 77% of exports and 70% of imports
Czech Rep – Usti	• the real proportion of the exporting companies will be lower than the national average • petroleum oils, production of auto parts and glass industries
France – Aquitaine	• The top hundred exporters in Aquitaine contribute 50% of Aquitaine exports which represents more than 3 billion euros • Aquitaine's exports are dominated by wine and aeronautics
Italy – Molise	• Molise is a region in which prevail imports compared to exports, with good signs of growth of exports after 2013 • In Molise, according to 2015 data, there are 407 exporters
Poland - Kujawsko-Pomorskie	• Of the 363 enterprises surveyed, 128 are internationally-oriented entrepreneurs

5. Facilitators

All regional studies have asked companies in their sample to identify factors that would positively support their internationalisation expansion. These were separated into factors that would facilitate the engagement with international activity but also factors that would support companies that are currently internationalised to expand further.

Different studies show a significant degree of similarity. Table 4 presents the key factors identified by each study as facilitators to internationalisation for either companies that are currently international or considering future internationalisation.

Access to specialised advice on the identification of potential markets and customers, access to specialised resources with regards to marketing abroad and co-operation with reliable distributors are the key facilitators common across the majority of studies. In most cases this is followed by the availability of internal resources.

An important finding emerges here. Companies still consider advice and support important. This is evident in the cases of Kent, Cantabria, Usti, Aquitaine, and Torun where specialised support exists to provide access to specialised information especially around customers and marketing. This type of information requires a tailored approach to individual organisations and cannot be substituted effectively from the general type of advice and support currently offered. It is also worth considering that access to this type of specialised information might have a positive effect to the more efficient distribution of internal resources. Financial support also emerges as an important facilitator of internationalisation in a number of studies. Cantabria, Usti and Aquitaine make clear and direct reference to financial support offered by the national or regional government. This financial support allows companies to subsidise the extensive resource requirement to achieve high levels of internationalisation.

Table 4 Facilitators to Internationalisation

Region	
UK – Kent	• Innovation • Support Mechanisms • access to formal and informal sources of information and contacts
Spain – Cantabria	• public support
Czech Rep – Usti	• support includes professional consulting and coaching, assessment mission on neighboring markets, financing of first entry into foreign markets or export angels • financial instruments
France – Aquitaine	• French government has facilitated access at export financing to SMEs
Italy – Molise	• proximity to end markets • level of human and social capital
Poland - Kujawsko-Pomorskie	• recommendations of current customers/business partners • presence on the Internet/industry platforms • participation in the fairs

6. Barriers

SMEs face numerous resource constraints. Surviving and being sustainable in international markets often proves challenging as SMEs are particularly vulnerable to trade barriers (Fliess, Busquets 2006). According to an OECD study (Fliess, Busquets 2006) SMEs are wary of unfavourable foreign rules and regulations, high tariff barriers and inadequate property rights protection. Also SMEs are influenced by high costs of customs administration and restrictive technical standards. Internal barriers relate to informational issues where SMEs lack access to important information for internationalisation, functional that correspond to resource constraints faced by SMEs and related to marketing which have to do with product characteristics. On the other hand external barriers are classified as procedural which have do with information on operations in foreign markets, governmental which are related to the relevant assistance and incentives offered by governments, task related which captures the differences in customer requirements and general environmental ones (Leonidou, 2004; Narayanan, (2015). In addition, political turbulence increases uncertainty and thus hinders internationalisation efforts whilst political knowledge leads to experiential knowledge and thus fosters internationalisation efforts. All regional studies have focused on the above barriers, i.e. those external to SMEs and those that are related to internal, primarily resource constraints, environments.

6a. External Barriers to Internationalisation

All studies have found substantial similarities to the existence of external barriers. Table 5 summarises the key external barriers identified in each of the studies. These similarities can be summarised to the poor quality and efficiency of institutions. Although this can take different forms, such as institutional reforms in the case of Kent, administrative burdens in the case of Usti, tax system and government measures in Aquitaine and uncertain political situation in Torun the essence of these different type of barriers is the same and relates to the volatility of the conditions of the external environment. This volatility presents SMEs with an additional cost that is translated to resources committed to deal with uncertain local environments.

Three out of six regions also make direct reference to Brexit. Whilst its impact is evident for Kent based SMEs, two more regions, i.e. Aquitaine and Cantabria have identified Brexit as a potential future barrier to internationalisation for local SMEs. These two regions rely significantly on exports to the United Kingdom and uncertainty over the future terms of trade has become a significant barrier.

It is also important to highlight that out of the six regions only two present unfavourable or fluctuation of exchange rates as a barrier to internationalisation. Kent and Torun SMEs have highlighted this as an important barrier. All other regions with the exception of Usti (Czech Republic) are located in Eurozone countries. This finding is important as it demonstrates that the introduction of euro had significant beneficial effects for SMEs by the removal of exchange rate uncertainty.

6b. Internal Barriers to Internationalisation

A number of internal barriers have also been identified through the analysis of the individual studies. These are summarised in Table 6. Whilst someone could argue that the vast majority of these barriers are related to the lack of internal resources overall it is interesting to note the differences between regions. Prior literature categorises these internal barriers to internationalisation as informational barriers capturing the company's lack of access to information and functional capturing the lack of specific resources to engage effectively in internationalisation activities such as export marketing for instance. Studies for Usti and Torun highlight functional internal barriers such as resource constraints and non-recognisable trade names of trade marks in international markets. This is related to the nature of products exported from these two regions. The main competitive advantage demonstrated in these two regions is related to efficiency and lower prices. Cantabria, Molise and Aquitaine highlight both functional and informational barriers related to a variety of factors such as lack of financial and appropriately trained human resources, lower productivity and innovation, adequate knowledge of international markets and lack of knowledge of and adaptation to norms and regulations abroad. Kent SMEs have primarily identified access to the right partners and distributors abroad as the main internal barrier to internationalisation.

Table 5 External Barriers to Internationalisation

Region	External
UK – Kent	• changes in the business environment such as for instance an institutional reform • Brexit • the existence of unfavourable exchange rates
Spain – Cantabria	• information and uncertainty regarding international markets • Brexit
Czech Rep – Usti	• Large administrative burdens
France – Aquitaine	• inadequate national commercial strategy • tax system and government measures • Brexit
Italy – Molise	• poor quality and efficiency of the institutions
Poland - Kujawsko-Pomorskie	• risk, arising from the fluctuation of foreign currencies exchange rates • conditions and uncertain political situation • large saturation with products and competition in the foreign markets

Table 6 Internal Barriers to Internationalisation

Region	Internal
UK – Kent	• Informational and Functional • finding the right partners and distributors, finding access to local markets and reliable information
Spain – Cantabria	• capacity and capabilities of the enterprises • a small staff structure or size • language skills • adequate knowledge about the regulations of foreign markets
Czech Rep – Usti	• Resource constraints
France – Aquitaine	• Lack of financial resources • Costs too high: transport, prospecting, manpower • Lack of human resources • Knowledge of and adaption to norms and regulations
Italy – Molise	• limited dimension of innovation and insufficiency of the relational system • lower productivity • technological content lower than that of products from other countries
Poland - Kujawsko-Pomorskie	• non recognizable trade names/marks in foreign markets

7. Support Mechanisms

7a. Effectiveness of Support Mechanisms

All studies have asked companies to identify factors that would positively support their internationalisation expansion. These were separated into factors that would facilitate the engagement with international activity but also factors that would support companies that are currently internationalised to expand further. The availability of internal resources has been identified as the key factor that would allow companies to internationalise in the vast majority of studies. This is followed by access to specialised advice on the identification of potential markets and customers, access to specialised resources with regards to marketing abroad and co-operation with reliable distributors.

This access to specialised advice as well as offering access to finance subsidising existing resources are the two main offerings across the regions. A number of challenges have been identified throughout the different studies.

- First, there is usually a large number of support mechanisms across regions offering specialised advice and support to internationalisation activities. In the vast majority of cases support mechanisms are not fully coordinated and this creates two additional problems. The lack of coordination and the inefficiencies experienced are usually expensive and these divert resources from important activities and given the significant number it becomes very difficult for SMEs to identify the most appropriate support mechanism that will offer them specialised support and foster their internationalisation.

- Second, there is a large number of national support mechanisms in the majority of cases. It is not always clear whether these national support mechanisms are overlapping or act in a complimentary way with the regional support mechanisms. In the majority of cases national initiatives are far more generic in nature than the regional ones as they have to cover and cater for the needs of a more diversified company basis. In the vast majority of studies it was evident that the regional support mechanisms are more effective in supporting SMEs internationalisation as they could customise the support offered to the individual or local needs.

- Third, due to the large number of support mechanisms, both at the national and regional level, the degree of awareness for these different support mechanisms is rather low. Most SMEs do not necessarily know about all the potential sources for support neither have the time and resources to search for them. This lower level of awareness in the vast majority of studies

across the six regions was also associated with low levels of engagement, enhancing the issue of wasted resources discussed previously.

7b. Best Practices

Through the six studies, we have identified support mechanisms that aim to address the above three challenges and have acted in an effective and efficient way supporting SMEs internationalisation.

Aquitaine – Parcours de l' export (page 18)

This initiative offers individual coaching of SMEs towards internationalisation. It is a staged approach aiming at identifying SMEs that have strong potential to export and focus support and resources to those companies that have the potential in achieving high levels of internationalisation. It is a proactive approach as it enables the regional agency to approach SMEs directly.

Cantabria – Internationalisation support for clusters (page 72)

This initiative aims at the creation and consequent support of clusters of companies that wish to internationalise. The support is not offered to the individual companies but to the enhancement of the cluster formation that then enables companies to form collaborations. These collaborations make companies internationally competitive and enable sharing of risk and knowledge throughout the internationalisation process.

Kent – Access to specialised information (page 67)

The regional agency has established a support mechanism that provides specialised support and advice to local SMEs wishing to enhance their internationalisation efforts. Kent International Business brings together a number of the local stakeholders aiming at better coordination of efforts to support internationalisation across the region.

Molise – Talent Development (page 56)

The project is aiming at giving the opportunity to Molise graduates to spend 6 months abroad and receiving additional training in specific subjects related to internationalisation and exporting. A number of placements (currently 40) are advertised and then incentives provided to those graduates to return to Molise and start-up their own businesses through subsidies or join existing SMEs and make use of their skills. This initiative is addressing one of the most important internal barriers for SMEs which is the lack of appropriately trained human capital.

Usti – Shared Service Centre

This is an initiative that aims at channelling requests from SMEs to the regional agency with regards to specific training, advice and support related to internationalisation. Whilst most national and regional agencies design policies and support initiatives and then approach businesses this approach works the other way around. It collects information from local SMEs on their needs and then a relevant intervention is designed to cater to those needs. This ensures an effective and efficient use of resources.

Kujawsko-Pomorskie (Torun) – Clustering for Internationalisation

Although not detailed in the regional study, SIE Partner, Torun Regional Development Agency developed an initiative in the Polish region of Kujawsko-Pomorskie to tackle barriers faced by small companies wishing to access international markets. Size and capacity were seen as key issues for SMEs wishing to do business internationally so a scheme was developed to set up a series of clusters which would bid for international contracts. In a similar way to the export consortia in Cantabria, groups of companies received seed funding to establish a cluster before working together to compete as a group of businesses offering complete solutions to potential contractors in other countries; something which would not be feasible for individual companies working alone.

8. Recommendations

8a. Development of a cross regional network of support and links

Lack of access to networks has been identified as an important barrier to internationalisation across the majority of regions. Developing cross border networks is usually a lengthy and resource demanding process for SMEs that does not necessarily bear fruits in the short term. There is a clear cost in the short term with resources committed to the development of a cross border network, whilst the benefits are usually only apparent in the long term. This, in reality, means that SMEs will have to invest in an uncertain activity from an already constraint pool of resources. We recommend that the existing partners in the project underwrite this risk by creating mechanisms that facilitate the creation of cross border networks of SMEs. This can be achieved in two ways:

Acting as direct brokers between SMEs across the regions. Whenever a need is raised by SMEs in the regions the partners will actively seek to match this need with offerings across the regions and will act as brokers to the relationship between SMEs contributing the rapid development of trust between the potential partners. An analysis of each region's strengths and weaknesses, opportunities and threats, on the basis of the profile of SMEs can be the first step towards a more proactive approach. The necessary structures will have to be developed and implemented to ensure an effective and efficient facilitation of the information.

Creation of an online platform that acts as a marketplace for opportunities. A key barrier to the development of cross border networks is the lack of access to information. SMEs do not have the necessary expertise or resources to scan international markets for the identification of appropriate partners. This online platform will aim at reducing this information barrier and can act as match-making service to SMEs in a cross border (or within border) regional way. This service is already offered by a number of financial institutions, i.e. Barclays and Santander in the UK, but it is usually focused on national or regional areas. Replicating this platform in a cross border regional way will enable SMEs across regions to tap into expertise and resources from a much wider pool.

8b. Creation of a policy experimentation laboratory

This recommendation builds on the deepening of links between Universities and Research Institutes in the regions and the local partners. It will have to combine businesses, policy makers and research institutions. This builds on a triple helix approach that has been found in the literature to generate significant externalities with regards to innovation and economic growth. Links already exist between partners and local businesses as well as partners and local research institutes. Links also exist between

cross regional partners. The aim of this recommendation is to create the missing links between research institutes and businesses within regions and between research institutes across regions. This will create a cross border triple helix that can lead to the creation of substantial externalities through sharing knowledge, best practice and expertise.

The policy experimentation laboratory will be responsible to offer advice on sharing of best practices across the regions and then monitor their implementation by measuring the impact of those practices to a small selective number of companies. These SMEs will be the focus of any new policy design and implementation before this is then rolled out to the wider SME population.

The measurement of impact will be based on a number of quantitative and qualitative indicators agreed by the partners. Participating SMEs will also be selected by partners on a regional basis and this will ensure that there is a good representation of the industries active in the region or reflect the strategic development goals of each region. A network of research institutes will be established and the lead as well as the coordinating partner could be Kent Business School, University of Kent.

It is also anticipated that this policy laboratory will seek additional funding from the EU to become self-sustainable and able to continue its support to the local partners well beyond the end of the current Interreg project.

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