Future of manufacturing

BMWi-Markterschließungsprogramm – Internationalisation policy measure
(Germany)

Born globals and their value chains

Disclaimer: This working paper has not been subject to the full Eurofound evaluation, editorial and publication process.
Author: Thomas Oberholzner (Austrian Institute for SME Research)

Research managers: Irene Mandl and Valentina Patrini

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European Foundation for the Improvement of Living and Working Conditions

Telephone: (+353 1) 204 31 00

Email: information@eurofound.europa.eu

Web: www.eurofound.europa.eu

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Contact details

Donald Storrie (Project Manager) Donald.Storrie@eurofound.europa.eu

Alessandra Massaro (Project Administrator) Alessandra.Massaro@eurofound.europa.eu
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1. Context

1.1. Circumstances in which the measure was introduced, rationale, and relevance

The programme was launched in 2012. It was initiated by Bundesministerium für Wirtschaft und Energie (Federal Ministry for Economic Affairs and Energy) – BMWi.

There were three predecessor support programmes for internationalisation, one specifically for Eastern Germany, one for knowledge-intensive services, and one for SMEs. These programmes and their contents were mainly defined top-down that is by public authorities. The German business sector, however, demanded a more bottom-up and user-driven approach in shaping contents and forms of support. The idea was to develop a programme where specific internationalisation support initiatives, measures and areas of focus are being proposed by the business community itself. Thus the ‘Markterschließungsprogramm’ was devised as a kind of framework for user-driven support initiatives especially for SMEs. It replaces the predecessor programmes.

1.2. The process of developing the measure

At the very outset a strategic advisory board (Strategie-Beirat) had been created where – next to the BMWi and other institutions – the business community (in particular chambers of commerce and other business associations) is well represented. Meetings were held with that board to develop and define the programme and as of 2017 it is still in place to govern the programme. The board monitors the programme to ensure its continuous improvement.

1.3. Any changes in policy context over time

No major changes.

1.4. Evidence of complementarity and/or overlap between the measure and other policy measures

The programme is complementary to and avoids overlapping with similar sector-specific export support programmes at federal level by excluding such sectors from eligibility (for example, renewable energy).

The 2016 evaluation (InterVal, 2016) showed that there is some overlap with support offers provided at regional level (Länder), but these regional offers are usually more limited to certain sectors and are offered less regularly.

2. Content

2.1. Objectives of the measure

The programme supports German enterprises in developing markets in foreign countries through providing quality market information, making companies known abroad, creating networks and contacts abroad, meeting business partners etc. in a cost-efficient manner. The eventual aim is to increase awareness of German technologies and services around the world and export sales of German companies. While some corresponding indicators are monitored, no specific target values have been set.

The programme focuses on thematic fields and mega-trends entailing worldwide future business opportunities – such as environmental and health care technologies - as well as on rather traditional areas of industry, crafts and services.

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The programme can also be used by German firms to access foreign import markets and tap new sources for inputs.

2.2. General description of the measure

The ‘BMWi-Markterschließungsprogramm’ comprises various types/forms of support (so-called modules) related to market development activities of German companies in foreign countries. These modules take the form of events and include the following:

- **Information events** (usually one day) in Germany focus on certain target countries and industries (for example, railway technology in Italy). Next to German experts, also experts from the target countries deliver inputs (for example on framework conditions, market opportunities, trends, technical standards, procedures, taxation) and are available at the events. This module mostly addresses newcomers to exporting or to the relevant target country. The average number of participants is approximately 20 firms.

- **Market exploration**: German companies can participate in study tours to foreign countries, including information events and workshops, visits to authorities, agencies, potential business partners (clients, importing agencies, distribution partners etc.), and interesting premises for possible investment. It may be connected to visiting trade fairs in the country. Market exploration tours focus on specific industries and they are often used in the case of developing and transition countries (for example, aviation and space industry in India). The number of participating German companies usually ranges from 10-20.

- **Symposiums in target countries**: At these ‘symposiums’, which are usually focusing on a particular industry, German companies can present their products and services to an interested audience (potential clients) abroad (for example, chemicals/petroleum industry equipment in Russia). So, the purpose of presentation of the companies’ own products and services is central in this module, while in the market exploration module companies focus more on obtaining information about the foreign market. The symposium is, however, often supplemented by activities such as visits to organisations, briefings about the target market and market analyses. The average number of participating German companies is 8-12.

- **Business initiation trips**: These are business trips to individual target clients, importing agencies or other potential partners. Compared to market exploration tours and symposiums, the visit agendas are more individualised for each participating German company and include mainly bilateral meetings (next to a joint general information event). Business initiation trips also focus on a specific industry and target country/region (for example, water management in Turkey, automotive supply industry in the US, monument preservation in the UK). They usually last for 4-5 days. The average number of participating German companies is 8-12.

- **Buyer visits to Germany**: Potential importers (buyers) from foreign countries are invited to Germany to participate in events, featuring presentations of German companies, and/or to visit German companies. Buyer visits are usually focusing on a particular industry or technology and their duration is 3-5 days. Visiting a trade fair in Germany may be part of the buyer visits. The average number of participating German companies is approximately 12.

- **Similarly, visits to Germany are also organised for foreign media and other multipliers (politics, administration) to inform them about what German enterprises are offering (for example with a focus on certain technologies). The agenda usually includes various events and visits and the duration is about 3-5 days. Visiting a trade fair in Germany may be part of the visits.**

- **Pilot projects**: Other initiatives aiming at the development of foreign markets can be carried out or supported upon request.

The various modules are seen to cover different phases of market development following the logic of: inform – explore – contact.

A specific programme of events is designed on an annual basis. For each individual event there is a ‘promoter’ (that is an executing organisation) who is responsible for designing, organising, and...
implementing the event. The ‘promoters’ of events are selected on the basis of public tender procedures and are awarded contracts to carry out the individual events of the annual programme. For more details see chapter 4.

The annual programme of upcoming events, including detailed information on target countries, target industries and the events’ promoters, as well as a full list of past events are published on the programme’s website.

2.3. Available budget

BMWi has made available between € 4 and 5 million per year for the programme.

Management and governance costs amount to approximately 20% of the total budget which is relatively high. This is due to the multi-stage implementation process, extensive quality assurance measures and the large number of targeted and tailored events.

For events taking place in Germany, participating companies are being charged a small fee (own contribution) of € 30 per day. For tours and trips to foreign countries, participating companies are being charged a lump sum (own contribution) of € 500 to 1,000 depending on the size of the business. In addition, travel and accommodation costs have to be borne by the participants themselves.

2.4. Target groups of the measure

The target group are SMEs and self-employed persons. They need to have less than 500 staff and less than € 50 million of annual turnover. Larger companies may participate if there are free places at an event.

Certain areas such as renewable energy, energy efficiency, fishery, and agriculture are not covered as there are other specific measures in place for these sectors.

3. Relevance of the measure to SMEs/born globals and internationalisation

3.1. Relevance in relation to different types and stages of internationalisation

Overall, the 2016 evaluation of the programme confirmed that what the programme offers indeed addresses the key challenges of international market development of companies (InterVal, 2016). The different modules address different phases or stages of market development along the process of (i) getting information on a market, (ii) exploring a market and (iii) finally establishing concrete contacts to clients in a foreign market.

The approach of highly industry-specific events ensures that support is geared towards and is relevant for different (industry-specific) forms of internationalisation.

3.2. Support for cooperation between SMEs/born globals and wider international collaboration (if any)

The programme certainly supports cross-border cooperation between companies in Germany and companies in foreign countries as this is at the centre of most of the modules. There is no explicit aim or intention to foster cooperation between German companies with a view to exporting. However, collaboration between participating German companies may often be a by-product.

3.3. Contribution of the measure to tackle SMEs'/born globals' internationalisation support needs

The 2016 evaluation of the programme (InterVal, 2016) confirmed that what the programme offers indeed addresses the key challenges of international market development of companies of different
industries (in particular the challenges of access to business partners and dealing with legal and institutional framework conditions). The bottom-up logic of the programme implicitly ensures that the main challenges of SMEs are actually addressed.

4. The operation of the measure

4.1. Promotion of the measure to internationalising businesses

Overall responsibility for promoting the BMWi-Markterschließungsprogramm and its individual events is with the ‘Geschäftsstelle Markterschließung für KMU’ (Office for market development for SMEs) at the Bundesamt für Wirtschaft und Ausfuhrkontrolle BAFA (Federal Office for Economic Affairs and Export Control). For each event under the programme there is a project promoter who would also conduct his own promotional measures depending on the target group of the event.

A full list of upcoming events, including detailed information on target countries, target industries and the events’ promoters, is published on the programme’s website.

The most important way of recruiting participants is via multipliers such as chambers of commerce and business associations. Also, event ‘promoters’ often approach candidate companies pro-actively. The recruitment of a sufficient number of participating German companies constitutes a challenge for those events which focus on a small foreign target market and a narrowly defined industry. However, still 90% of all planned events could be implemented according to the 2016 evaluation (InterVal, 2016).

4.2. The process of application and assessment of applications

Applications of companies for participation at a specific event are to be submitted to the relevant promoter of the event. The detailed application processes are defined by the promoters. The participants are selected by the promoters of each individual event. Selection criteria include the marketability of their products and services in the relevant target countries.

4.3. Delivery mechanism of the measure

There is a process involving several steps:

1. Submission of proposals for specific events: Various institutions can submit proposals for events to be carried out to the ‘Office for market development for SMEs’ at BAFA. This includes chambers of commerce, business associations, German representations abroad, relevant ministry departments, and so on. Proposals need to be submitted online and need to specify target country, industry, type of event, and a justification. The final selection of event proposals is done with the help of the federal trade agency German Trade & Invest (GTAI), BMWi and the strategic advisory board. Usually the number of proposals exceeds the available budget; only between a quarter and a third of the proposals are selected for funding.

2. Public tender procedures are then launched by another organisational unit of BAFA (unit 414) to select ‘promoters’ (that is, executing organisations) for the pre-selected events/proposals. The calls for tender pre-define at least the type of event, the target countries or regions as well as the focus industries or technologies of the events. The final award decision is taken by a procurement committee consisting of representatives of BAFA and BMWi. The selected ‘promoter’ is awarded a contract to carry out the individual event and is responsible for designing, organising, and implementing the event (that is, recruiting relevant speakers, contributors, experts, etc.). ‘Promoters’ are mostly chamber organisations, (business) associations, and specialised consultants. In some cases, the selected promoters may be those who initially proposed the event. However, the submission of proposals and the selection of promoters are always fully separate procedures.
3. The events are then implemented by the ‘promoters’ in accordance with an ‘implementation guideline’ developed by BAFA. The guideline prescribes for example mandatory contents and services for each type of event such as the production of a written market analysis. Before implementation starts there is a briefing meeting between the ‘promoter’ and the two BAFA units. Alongside project implementation promoters have several reporting obligations, and BAFA is responsible for supervision and assistance.

The fees (own contributions of companies) mentioned above have to be collected by the ‘promoters’.

A short report (a few pages) on each event is published on the programme’s website.

If a full market study has been produced in the context of an event, that study is also published on the website mentioned above.

4.4. Administration of the measure

The main bodies involved in managing the measure are:

- Bundesministerium für Wirtschaft und Energie (Federal Ministry for Economic Affairs and Energy) – BMWi;
- Bundesamt für Wirtschaft und Ausfuhrkontrolle (Federal Office for Economic Affairs and Export Control) – BAFA, two units:
  - Geschäftsstelle Markterschließung für KMU (Office for market development for SMEs)
  - BAFA unit 414 (foreign trade and trade fairs);
- German Trade & Invest (GTAI); and
- The strategic advisory board (Strategie-Beirat).

The Federal Ministry for Economic Affairs and Energy (BMWi) is the owner and funder of the programme. They are involved in and take final decisions regarding the strategic design. They participate in the strategic advisory board and in the procurement committee.

The office for market development for SMEs at BAFA is in charge of designing, organising and implementing the content, that is the annual programme and offer of events, and is responsible for quality assurance and monitoring. The office assists the ‘promoters’ of the individual events in designing, organising, implementing and following up their events and in particular with involving relevant German and foreign organisations and experts in each event. The office is also promoting the whole programme and its single events to the public.

The office for market development for SMEs is assisted by a strategic advisory board in designing the annual programme of events. In that board – which consists of approximately 20 people - the business sector (for example chambers of commerce and other business associations) is well represented. In addition, the office is also assisted by German Trade & Invest (GTAI) – being experts in internationalisation - to ensure the quality of the overall programme and its specific events. GTAI is involved, for example, in selecting the proposals in the first step of the process.

The BAFA unit 414 (‘foreign trade and trade fairs’) is in charge of tender/procurement procedures and awarding and concluding contracts for the individual events of the annual programme, for the administrative execution of the events, and for approving the accounts and costs of the individual events, and for payments to ‘promoters’.

5. Monitoring and evaluation

5.1. Monitoring of the implementation and take-up of the measure: method and contents

The 2016 evaluation assessed the monitoring system to be very comprehensive (InterVal, 2016). BAFA collects basic data on all participating companies (industry code, size, contact details etc.)
based on their registrations. Furthermore, event ‘promoters’ are obliged to collect feedback from participants immediately after the event via a questionnaire. Questionnaire responses are submitted to BAFA, which then performs analyses across all events. Since 2015, ‘promoters’ are also obliged to do another feedback loop approximately 6-8 months after the event, again using a standardised questionnaire. This is mainly to collect information from participating companies on long-term impacts of the programme (for example, contacts maintained, contracts, exports realised). The survey results are again submitted to BAFA for further analysis. Response rates of the surveys are on average 80%, which is very high.

5.2. Evaluation of the measure: methods and contents

There was an external evaluation of the programme completed and published in December 2016 and covering the period from 2012 to 2015.

The evaluation used available monitoring data about participants and events, feedback data from participants, in-depth interviews with officers and experts involved in managing the programme (from BAFA, BMWi etc.), a survey among ‘promoters’ of individual events, a survey among participating SMEs (sample 170 firms), a survey among a ‘control group’ of SMEs that are exporting or interested in exporting but did not participate in the programme, in-depth interviews of other relevant stakeholders and experts (for example from business associations), and desk research about similar support offers at federal and regional level.

The main topics of the evaluation were:

- Assessing the achievements and impacts of the programme;
- Assessing the appropriateness of the support strategy and approach applied;
- Assessing the appropriateness of implementation and management procedures; and
- Assessing the programme’s role and position within the overall offer of internationalisation support in Germany

5.3. Any changes to the content or delivery of the measure following monitoring and evaluation

Following the evaluation, the following changes have been made or are currently (August 2017) under way:

- The definition and categorisation of some types of events have been made more flexible and less rigid;
- The briefings for promoters before starting the events (see above) have been extended; and
- For some types of events the possibility of continual submission of proposals (instead of submission deadlines) has been introduced.

6. Evidence of outcomes and impact

6.1. Evolution of the measure’s spending

The measure’s budget varies between € 4 and 5 million per year, but there is no clear upward or downward trend. In some years there may be extra budget lines added to the general budget, for example for specific sectors such as environmental technologies.

The measure’s administration looks to raise the budget with an aim to make possible the funding of 50% of the proposals received, while this ratio so far has only been between a quarter and third.

6.2. The quantitative and qualitative outcomes of the measure

According to the list of past events, the number of tours and visits organised per year are as follows:

- 2012: 66;
As can be seen the most important type of event is business initiation trips. This is not only true for 2016 but also for earlier years. On average, 1,200 SMEs have been participating in the events per year. According to the 2016 evaluation, about 15% of participating companies used more than one event (InterVal, 2016).

6.3. Impact of the measure on its beneficiaries and other actors
The 2016 evaluation of the programme identified the following effects (InterVal, 2016):

- An information effect, that is an increased level of useful information on the target market, has been found for 71% of participants at information events, 77% of market exploration participants, and 88% of participants of business initiation trips.
- A networking or contacts effect, that is new or closer contacts to business partners abroad, has been found for 45% of participants across all outbound events. For some 30% to 40% these contacts have been sustainable over a longer period of time.
- Business effects, that are enquiries from the target country, agreements, or even contracts, have been found for 49% of participants at events. (This effect does not necessarily involve any turnover yet.)
- Export effects, that are additional export sales, have been found for 21% of participants at business initiation trips only eight months after the event took place. The total amount of these sales is estimated at € 37 million in 2015 or € 116,000 per participating firm.
- An employment or jobs effect has been found for 18% of participating companies. The total employment effect was 110 jobs created.

6.4 Evidence of economic and employment impact
As mentioned above, according to the 2016 evaluation (InterVal, 2016), the programme and its events have induced an additional turnover of € 37 million in 2015 and have created 110 additional jobs in German companies.

7. Strengths and weaknesses of the measure

7.1. Strengths of the measure
The 2016 evaluation of the programme points out the following strengths of the measure (InterVal, 2016):
• Different standardised modules address different phases or stages of market development along the process of (i) getting information on a market, (ii) exploring a market and (iii) finally establishing concrete contacts to clients in a foreign market;
• Highly industry-specific events ensure that support is geared towards the specific needs and circumstances of different industries;
• A broad coverage of different geographic target markets (countries);
• High quality of the individual events. Satisfaction levels of participants are high for all types of events. (Amongst others, this may be because participation quickly translates into visible and tangible results for companies);
• The structuring of the different modules is clear and comprehensible for SMEs;
• The programme addresses the key challenge of finding business partners abroad; and
• Different amounts of companies’ own financial contributions in accordance with firm size.

7.2. Weaknesses of the measure
• The management and administration of the programme is relatively cost intensive; and
• Mobilising a sufficient number of participants is often a challenge and awareness of the programme in the business community is still limited.

7.3. Evidence of policy learning over time
See section 5.3.
Another positive change in the programme was the differentiation of companies’ own financial contributions according to firm size (previously the same lump sum applied for all). This was especially helpful for micro enterprises. 25% of participants are micro enterprises.

On transferability:
In principle the measure seems to be transferable to other countries. However, the measure relies very much on the initiatives of business associations, networks and so on to implement the events. A strong and well developed system of such business community organisations appears to be a precondition for this support format to be successful.

8. Recommendations

8.1. Overall recommendations regarding the measure
The 2016 evaluation recommended, amongst others, the following (InterVal, 2016):
• A more transparent selection of proposals for events based on clear selection criteria.
• Reducing the time between submission of an event proposal and implementation of the event by allowing for submission of proposals in shorter intervals. (This has already been addressed by the programme’s management).
• Facilitating the recruitment of participants to the events, for example through exchange of good practices among ‘promoters’ or by introducing a database of relevant companies. In addition, communication and branding of the entire programme could be raised.
• Having representatives of the ministry (BMWi) attend all visits abroad as this can raise the profile of the delegation (especially vis-à-vis foreign authorities) and thus increase the success and results of the visits.
8.2. **Recommendations on the national support system for SME/BG internationalisation**

A need is seen for specifically supporting joint/cooperative internationalisation projects of two or more companies, that is where two or more companies join forces to enter a foreign market. Such alliances may emerge as a by-product in the events of the ‘Markterschließungsprogramm’ but it is not systematically encouraged.

Supporting joint/cooperative internationalisation projects could be a possible future extension of the portfolio of the ‘Markterschließungsprogramm’ or provided in a separate programme.

8.3. **Any gaps in the provision of policy support and suggestions**

See section 8.2.
References

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