Future of manufacturing
ICEX-Next –
Internationalisation policy measure
(Spain)

Born globals and their value chain

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1. Context

The ‘ICEX-Next’ measure was first introduced in 2012. The main goal of the measure is to facilitate either the initial steps in the Spanish SMEs’ exporting activities or consolidate their initial internationalisation activities in third markets. This measure is aligned with one of the main goals of the ‘Strategic Plan for the Internationalisation of the Spanish Economy 2014-2015’, this is, to increase the number of Spanish exporting companies. ICEX-Next is managed by and in the responsibility of the Spanish Institute for Foreign Trade, ICEX, a public corporation of Spain’s Ministry of Economy and Competitiveness, responsible for the internationalisation of the Spanish economy and enterprises, as well as fostering the attraction of foreign investment in Spain.

ICEX-Next is the continuation of a previous measure called ‘PIPE’ (Plan for the Initiation in Foreign Promotion or ‘Plan de Iniciación a la Promoción Exterior’ in Spanish). PIPE was a relevant and successful measure run between 1997 and 2011 and co-managed by three main institutions, namely Chambers of Commerce, regional governments and ICEX. The PIPE measure was cancelled in 2011 due, amongst other reasons, to the changes introduced in the roles1 of the Chambers of Commerce as a consequence of the introduction of the Royal Decree 13/2010, as well as to the expenditure limits established by the Spanish government to the Spanish regional governments in order to reduce existing fiscal deficits. Despite these difficulties, ICEX decided to continue the PIPE measure by initiating the ICEX-Next measure with some slight changes (particularly in relation to the reduction in the number of subsidised consultancy hours).

The ICEX-Next measure is complementary to other measures developed by ICEX (all these measures work independently but have been designed to ensure coherence and avoid overlaps). Good examples of these are the so-called Business Training Programme (‘Programa de Capacitación Empresarial’ in Spanish) intended at enabling businesses to facilitate training to improve businesses’ know-how related to internationalisation, or the so-called ‘ICEX Conecta’ service, that allows Spanish companies to receive individualised advice through bilateral meetings by videoconference with specialists in the Spanish Economic and Commercial Offices attached to the embassies abroad on different issues such as regulations, distribution, installations.

2. Content

2.1. Objectives of the measure

The main goal of the ICEX-Next measure is to promote those Spanish SMEs who wish either to initiate their export activities or consolidate their initial international business activities. With this general goal in mind, the ICEX-Next measure also pursues a number of specific objectives for SMEs, namely to:

- Further internationalise the Spanish SMEs;
- Increase the share of SMEs’ turnover originated in foreign markets;
- Diversify the business risk, enlarging the SMEs’ markets; and
- Improve the Spanish SMEs’ competiveness.

The idea behind the ICEX-Next measure is that internationalisation is not solely an activity suitable for Spanish multinationals and large companies. Any small enterprise can also be involved in successful exporting activities, provided that it has an own product or service, a specific competitive advantage, a sustainable financial situation and a group of qualified employees.

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1 With the introduction of this Royal Decree the Spanish Chambers of Commerce were no longer engaged in the promotion of foreign trade activities.
2.2. General description of the measure

The 18 months programme per beneficiary SME is structured around two main pillars, consisting of personalised and expert advice, carried out by external consultants of proven experience for designing and developing a sound international business plan; and of financial support to boost the international promotion of the SME and its presence in the selected international markets.

Specifically:

a) Regarding personalised and expert advice: The measure foresees up to 45 hours of specialised advice, provided in Spain by external/independent experts in different areas of internationalisation and external competitiveness. 30 of the foreseen hours are compulsory and intended at different strategic internationalisation activities (such as the design and drafting of the internationalisation business plan or the analysis of the SME business model and its international potential). This compulsory expert advice usually takes place on a face-to-face basis (unless the company belongs to a very specific and unique sector specialisation such as biotechnology), so geographical proximity is an asset. Meanwhile, participating SMEs have the possibility to have 15 additional advice hours with other external experts to receive further support for the improvement of their international competitiveness position in very ad-hoc and concrete domains (social media and webpages, financing, logistics, etc., according to a catalogue presented to the participating SME). In this last case, and having in mind the specialised nature of the expert advice, these experts can be located remotely and the advice can be supplied via other tools than physical presence. Selected external experts are certified by another external consultancy firm hired by ICEX for this purpose. These external experts are usually freelance professionals with a long experience in internationalisation activities, and they are proposed and agreed between the ICEX regional delegations and the participating companies. Usually, these expert advice activities are conducted during four to six months, according to an agenda organised and agreed between both parties (the beneficiary SME and the consultant) and adapted to the needs of the SME.

b) Regarding financial support: The ICEX-Next measure provides beneficiary SMEs with up to €10,400 for developing several international support activities, including representation costs, foreign promotion costs (that is, business travels, the development of a catalogue, etc.) or the hiring of specialised personnel during a maximum of 18 months who may assist the SME managers in the development of specific internationalisation-related activities. In this last case, this specialised personnel needs to be hired for at least one year (either full or part-time), with a maximum support from ICEX of up to €6,000 (out of the €8,000 foreseen for the ‘promotion and personnel expenses’).

According to the interviewee, many participating SMEs initially approach ICEX-Next looking for the financial support, although he suggests that in the medium/long run the expert advice activities are more valued as relevant by participating SMEs.

ICEX co-finances up to 50% of the previously suggested expenses carried out by the participating SME, according to the following table.

Table 1 Expenses and co-financing ranks supported by ICEX-Next

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>ICEX</th>
<th>Participating SME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analysis of the business model</td>
<td>€300</td>
<td>€300 (100%)</td>
<td>€0 (0%)</td>
</tr>
<tr>
<td>Analysis of digital marketing</td>
<td>€300</td>
<td>€300 (100%)</td>
<td>€0 (0%)</td>
</tr>
<tr>
<td>Total personalised advice</td>
<td>€3,600</td>
<td>€1,800 (50%)</td>
<td>€1,800 (50%)</td>
</tr>
<tr>
<td>• Compulsory</td>
<td>€2,400</td>
<td>€1,200 (50%)</td>
<td>€1,200 (50%)</td>
</tr>
</tbody>
</table>

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As it can be seen, ICEX-Next contemplates an initial support of €300 for an analysis of the business model of the participating SME, as well as an analysis of its digital marketing activities. This task, conducted during three to four hours by an external expert from a list of ICEX certified experts, is used as a filter to initially identify the possible suitability of the participant in the ICEX-Next measure and it is free of charge for the SME. Thus, it might be the case that some SMEs are discouraged to further participate in the 30-hour expert advice activity, having in mind this initial evaluation of the external expert.

Meanwhile, the subsidies for the compulsory personalised advice are fixed, so ICEX-Next provides a subsidy of €1,200 for the 30 advice hours, according to a standardised rate agreed with all the consultants in the programme. In addition to this, the 15 additional advice hours can be used on an optional basis by the participating SME if it sees a need for help on different competiveness-related elements, with a limit of €600 subsidy by ICEX.

Finally, and in relation to the promotion and personnel expenses, ICEX finances half of the incurred costs, with a maximum of €8,000 per participating SME.

In addition to these two main pillars, those SMEs participating in the ICEX-Next measure (as well as those benefitting from the former PIPE programme) also take part in the so-called ‘Club Next’, a virtual club where current and former participants (including those of the former PIPE measure) qualify for having access to specific services at preferential conditions, such as:

- Free advice on industrial and intellectual property protection;
- Discounts in translation services;
- Analysis of competitive intelligence in technologies;
- Several analysts in specific markets, including France, Italy, Mexico, Portugal and the United Kingdom. These analysts are ICEX staff located in the Spanish Economic and Trade Offices attached to the Spanish embassies in these countries, which provide first-hand information on specific characteristics and requirements of these national markets for those companies initiating activities there. The advice is not given for free, but prices are very reasonable;
- Expert advisors abroad, available in Peru, Colombia, Ecuador, Panama, Chile, Mexico, the United States, Morocco and South Korea. These local external experts, not ICEX staff and usually expats or natives with experience in working with Spanish companies, support the participating SMEs in the definition of an ad-hoc access strategy adapted to the specific market, accompanying them in their initial activities in these markets. If a company uses this service, the prices are a fixed amount (the company pays €490, and ICEX pays the remaining €1,110); and
- Other personalised ICEX services, with a 30% of additional discount, as well as international promotional activities for the club. Also, in 2015 ICEX signed a collaboration agreement with an important Spanish bank for ensuring preferential conditions in the provision of specific financial products and banking services to participant SMEs.
In addition, the ‘Club Next’ facilitates a virtual forum where participating companies can peer-
exchange useful information and requests (discussion of experiences, requests for collaboration,
getting recommendations from each other, etc.). Participating companies can also benefit from the personalised services that are offered by the Spanish Economic and Trade Offices attached to the Spanish embassies abroad. From a time dynamic perspective, and since 2017, the main change in the ICEX-Next measure is related to a reduction in the number of additional advice hours with other external experts from 30 to 15, due to a perception that these 30 optional expert advice hours were not fully used in most cases.

2.3. Available budget
The available budget for 2017 for the ICEX-Next measure is €4.5 million. ICEX has maintained the same budget since 2015. Meanwhile, available budget for 2014 was €4 million. The activities of ICEX as a whole are partially financed by the European Regional Development Fund (ERDF).

2.4. Target groups of the measure
The ICEX-Next measure is the key ICEX measure focused on Spanish SMEs who wish either to initiate their internationalisation activities or consolidate their initial international business activities (see specific requirements foreseen by the ICEX-Next measure for participating SMEs in section 4 of this report). In this sense, the measure is open to all types of SMEs, irrespective of sector or market considerations. Obviously enough, the type of beneficiary companies usually depends on the economic specialisation of each Spanish region, and target markets usually are geographically close EU markets. Also, participating SMEs are usually companies with several years of experience in the national market who want to enlarge their activities in new international markets. Of course, new companies can also participate in ICEX-Next, but they are usually an exception rather than the general rule.

3. Relevance of the measure to SMEs/born globals and internationalisation
As already explained in section 2.4, ICEX-Next is primarily addressed to those Spanish SMEs (including born globals) who wish either to initiate their export activities or consolidate their initial international business activities.

4. The operation of the measure
The ICEX-Next measure is promoted via different tools. To start with, ICEX is the main Spanish public body intended at fostering the internationalisation of the Spanish companies, so it is the ‘natural’ contact point for any enterprise interested in initiating/developing such internationalisation activities. Having been in operation since 1982, ICEX is a very well-known public body amongst Spanish SMEs. Specifically, ICEX carries out some promotional activities of the measure during the year in different geographical locations in Spain, often in collaboration with local institutions such as Chambers of Commerce, sector associations, regional authorities, etc. Also, ICEX has got a webpage specifically devoted to this measure, including a phone number to get further information on it. In addition to this, ICEX makes an active use of social networks (that is, Twitter, Facebook, LinkedIn) to advertise ICEX-Next. In general, it can be argued that the existence of the measure is well promoted through relevant channels. Furthermore, ICEX has got a network of regional delegations where interested SMEs can have access to ICEX personnel who can advise them on the ICEX-Next measure. Finally, the interviewee suggests that ‘word-of-mouth’ dissemination activities are also very important to make the measure known. These promotional activities are carried out by the regional offices of ICEX-Next.

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disseminated in each one of the Spanish Autonomous Communities. Nevertheless, the interviewee also stresses that more efforts should be made to promote the activities, but existing staff limitations also limit the possibilities these regional offices have.

The process of application is very transparent. SMEs interested in participating in the ICEX-Next measure can apply for it directly on the webpage of ICEX, without the need of any intermediary. There are no specific deadlines for applying for the measure, so interested SMEs can apply to the measure throughout the year.

The requirements for an SME to be eligible for the ICEX-Next measure are several:

- The participating company has to be an SME, according to the European definition;
- The SME has to have an own product, service or brand/commercial name;
- The SME has to have export potentials, although its current export share must not be over 35% of the business turnover. If this share is higher, an SME can benefit from the measure provided that i) it does not export to more than five markets or ii) it has got a maximum of three international clients or iii) the export figure is not higher than €80,000 per year;
- The SME has got personnel with formal qualifications (usually a higher-education degree) and committed with the company’s internationalisation project;
- The SME needs to have the necessary financial capacity to execute an internationalisation project (no specific criteria to measure this ‘necessary’ financial capacity, decisions are based on a case-by-case assessment);
- The SME requires a specialised counselling and advice to develop and foster its internationalisation strategy; and
- Finally, the SME has not participated in similar export initiation ICEX programmes, as well as to comply with the ‘de Minimis’ rule.

These requirements are, generally speaking, very generous and intended at facilitating that the largest number of SMEs may participate in the measure. They have been changed since 2017 to increase the group of eligible SMEs (for instance, increase of the export share from 30% to 35%, and introduction of the ‘more than five markets’ element).

Applications are assessed on a continuous basis (twice a month) by the so-called Coordination Unit, located in Madrid, who values amongst other elements the export potential of the applicant SME. Interested applicants are initially assessed by personnel of the ICEX regional delegations, who identify their suitability to the goals of the measure (for instance, and in cases where the international vocation of the company is not clear enough, they are discouraged to participate in the measure). This initial valuation of the candidates is then sent to the Coordination Unit and taken into account for the final decision on the applicants’ participation in the support measure.

Beneficiary SMEs are granted the support on a ‘first come, first served’ basis. Having in mind the limited amounts of subsidies provided to participating SMEs, the available budget for the ICEX-Next measure is not completely spent. Several criteria are used to select the beneficiaries of the ICEX-Next, including the business model (25% of valuation percentage), availability and quality of the management team (25% of valuation percentage), financial capacity of the company (25% of valuation percentage), and other characteristics of the company (25% of valuation percentage). For this purpose, the beneficiary company is requested to present documentation that may proof the fulfillment of these criteria.

Participating SMEs always have to initially pay for the services and afterwards they are reimbursed by ICEX. Expenses are refunded to participating SMEs on a very flexible way, in the sense that ICEX hires an external company who audits every three months the expenses incurred by participating SMEs and supported by required documents (for example, e-tickets, boarding passes, invoices), proceeding to refund these expenses in less than 30 days after auditing. In this way, those SMEs benefitting from ICEX-Next do not need to wait until the end of the year to get their expenses reimbursed.
Finally, the measure is administered by ICEX itself. In this sense, and as already explained, there are regional offices of ICEX-Next, as part of the regional delegations of ICEX in each of the Spanish Autonomous Communities. These regional delegations are engaged with the daily management of activities (for example, interactions with SMEs, promotional activities of the measure), with the only exception of the management of funds (done at central level).

5. Monitoring and evaluation
According to the interviewee, there are no formal published evaluations of the ICEX-Next measure. Of course, ICEX evaluates on a periodical basis the activities of the external consultants, based on the responses and opinions collected amongst participating SMEs. If reiterative negative results are associated to some concrete consultants, then corrective actions are taken. Also, participating companies have to evaluate their general experience with the ICEX-Next measure. Nevertheless, these results are not public and have not been made available for the purpose of this report. Accordingly, the only monitoring results are the ones available in the web page of the measure.

6. Evidence of outcomes and impact
According to the available data published by ICEX, between 2012 and 2016 a total of 1,869 SMEs benefited from the ICEX-Next measure (368 in 2012, 433 in 2013, 332 in 2014, 341 in 2015 and 395 in 2016). Approximately 40% of the beneficiary SMEs are engaged in industrial/technology-based products, 31% belong to tertiary activities, 16% produce consumption goods and the remaining 13% are specialised in the production of agro-food products. Regarding the distribution of ICEX-Next companies by regional origin, Madrid was the Spanish region with the highest presence of participating SMEs, followed by Catalonia, Valencia and Andalusia. According to the web page of ICEX-Next, the companies benefitting from ICEX-Next during the years 2012 and 2013 have increased their export volume by 50% within a period of less than three years.

According to the experience of the interviewee, the share of beneficiary SMEs that leave the ICEX-Next programme before the foreseen date and without finishing it is very low (less than 5%), and they are usually forced by external circumstances (unexpected developments, strategic changes within the company, etc.). The interviewee also stressed that participating SMEs particularly value the external advice offered by the measure, despite the fact that this is not usually the initial interest of participating SMEs (more attracted by the foreseen financial subsidies).

7. Strengths and weaknesses of the policy measure

7.1. Strengths of the measure
ICEX-Next is regarded by companies and relevant stakeholders as one of the most relevant policy measures within ICEX. Thus, the measure can be labelled as very comprehensive, in the sense that it combines personalised advice on different relevant internationalisation-related topics (design of an internationalisation plan, analysis of the SME business model and its international potential) from specialised external personnel with financial support to develop international activities (representation, foreign promotion, hiring of specialised personnel). In this sense, and according to the ICEX interviewee, this expert advice support is particularly important and relevant for the participating SMEs who can benefit from an expert support that may help the company to strategically think about future needs in relation to internationalisation activities.
Also, SMEs benefiting from the ICEX-Next measure enter into a relevant virtual network of contacts and business partners (the ‘Club Next’) in which all SMEs benefitting from the measure may participate, facilitating therefore potential synergies between them (discussion of experiences, requests for collaboration, getting recommendations from each other, etc.). In this way, ICEX-Next helps participating SMEs to overcome some of the most important barriers for internationalisation, including access to expert external advice and financial support.

The ICEX-Next measure relatively easily transferable to other Member States which want to expand their number of exporting SMEs. For this purpose, some required preconditions include the existence of both a need/demand amongst national SMEs for this type of support as well as a public administration interested in efficiently managing and funding the measure. This public administration should also be geographically close to the SMEs in order to successfully interact with them. Finally, another precondition to fruitfully develop such a measure includes the existence of a network of external competent consultants who may provide ‘practical/based-on-real-experiences’ personalised/expert advice on export issues to the SMEs.

7.2. Weaknesses of the measure

The main weakness identified by the ICEX interviewee refers to the limited amount of support for promotion and personnel expenses, particularly in relation to the hiring of specialised personnel for the international department during a maximum of 18 months. The interviewee stressed that the availability of this specialised ad-hoc personnel is extremely relevant to foster and impulse the internationalisation activities of the company.

8. Recommendations

The ICEX-Next policy measure can be regarded as a very interesting policy measure intended at fostering the initial internationalisation activities of SMEs. From the analysis of the available data and the results of the interview, two recommendations can be derived:

- Increase the resources put at disposal per enterprise, especially reinforcing those activities related to the hiring of ad-hoc personnel for the company;
- Reinforce the promotional activities around the measure, assuring that the measure is well-known amongst the entire target SME group.
References

All Eurofound publications are available at www.eurofound.europa.eu
ICEX Next web page, available at http://icexnext.es/
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