Future of manufacturing
SMEs CEO Network Enhancing Project –
Internationalisation policy measure (Japan)

Born globals and their value chains
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1. Context

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

As stated in the Japanese government’s strategic document of the *Small and Medium Enterprise Charter* (2010), Japan is facing economic stagnation originating from global recession, environmental and energy constraints, a falling birth rate and an ageing population. It is essential, therefore, that small and medium enterprises (SMEs) make full use of their power and ability to revitalise the exhausted local economies and, simultaneously, open up a new future for Japan by capitalising on the growth of Asian and other emerging economies. With this charter, the Japanese government declared in 2010 that it expects leadership by SMEs in implementing change, and that SMEs are a driving force in the endeavour to achieve economic and social change. Thus, helping SMEs to internationalise has become a national agenda in Japan.

As the interviewee pointed out, SMEs account for 99.7% of the total number of companies in Japan (3.8 million companies); and account for 70% of their employees. The number of SMEs closing their businesses has increased over the years and the Japanese economy has shrunk. As a result, the government has upgraded the status of SMEs to be able to provide them more support. The upgrade pertains to the change in how SMEs were defined in the *Small and Medium-sized Enterprise Basic Act*: from companies that are dependent on major large Japanese companies to innovators and contributors to the economy. Moreover, SMEs are now perceived as one of the major factors which contribute to vitalising regional economies. A major part of government policy states clearly that it wants 10,000 SMEs to be international and to do business abroad within a certain number of years (SMEA, 2013).

According to the interviews conducted for this case study, SMEs in Japan traditionally depended on large corporations for their orders and technological demands. SMEs worked hard to meet these, which is why there are many innovative and technologically efficient SMEs in Japan. However, in the 1990s, major large companies started cooperation with enterprises from countries with a cheaper labour force. Loosing orders from large corporations, the SMEs had to become innovators to produce new products. Given the policy push to export, SMEs needed (and still do) to start exporting more directly and find international business partners.

According to the [website of SME Support, JAPAN (in Japanese)](http://www.smea.go.jp/jp/), management support is one of the major SME policies in Japan, and the measure under observation belongs to its subtype ‘overseas expansion (expansion and market expansion)’.

1.2. The process of developing the measure

According to the interviews, based on the situation as described in section 1.1, the policy to support the internationalisation of SMEs was initiated by the SME agency of the Ministry of Economy, Trade and Industry of Japan (METI) that ordered the Organisation for Small and Medium Enterprises and Regional Innovation, JAPAN (SMRJ or SME Support, JAPAN) (see section 4.4 for more information on this organisation) to design an additional policy measure to support Japanese SMEs’ internationalisation. SME Support, JAPAN generated the idea and designed the content of the policy measure under observation. External advisers from various economic sectors (that is, business people with established careers, mostly in automobile and electronics companies) contracted by SME Support, JAPAN were involved in the creation and development of the policy measure, as in the case of other policy measures implemented by the organisation.

According to the interviews and Tamura (2010), the policy measure was integrated as part of activities within the development of a collaboration network with SMEs’ support organisations in Asia. One of such collaboration activities is East Asia SME Round Table Meeting, which provides support to SMEs to participate in exhibitions held in respective countries. These are overseas governmental organisations that SME Support, JAPAN cooperates with based on memoranda of cooperation (first
one signed in 1997). These meetings have a broader scope than SMEs’ internationalisation and aim to help Japanese SMEs and overseas companies to improve their performance by sharing information on their respective SME policies and policy measures, SME-related legal systems, etc.

1.3. Any changes in policy context over time
There have been no changes in policy over time since the introduction of the measure in 2012.

1.4. Evidence of complementarity and/or overlap between the measure and other policy measures
According to the interviews, there are several national policy measures that SME Support, JAPAN complements. They provide additional value for beneficiaries of the ‘SMEs’ CEO Network Enhancing Project’. These policy measures are:

1. J-GoodTech, an online business matching website. This business-to-business (B2B) platform connects Japanese SMEs with foreign companies and major domestic companies. There are approximately 10,000 Japanese SMEs and overseas companies in the database. Companies from other countries can see and learn about technologies of Japanese companies and can become members to communicate with these companies.

2. Small Business World Business Support (SWBS), a support measure to help matching between SMEs that have overseas ambitions and organisations that support overseas expansion, like translators and accountants specialised in overseas development. There is an online platform for SMEs to find these professionals online.

3. A sales channel development and manufacturing support project called ‘Rin crossing’, supporting various Japanese local manufacturers that are eagerly committed to producing items using local resources and traditional crafts. The project supports various activities targeted towards foreign and local buyers and business events. In particular, this is by arranging meetings through matching in the form of:
   a. An online platform with description of not only product specifications and terms and conditions, but also the background manufacturing story for foreign and domestic buyers;
   b. Supporting company participation at major foreign and domestic exhibitions and holding product proposal trade fairs;
   c. Holding seminar events on themes such as manufacturing and marketing, and exchange meetings;
   d. Offering planning assistance and cooperative management of special sales events run at foreign and domestic department stores, e-commerce sites, and the like; and
   e. Supporting product development from the perspectives of foreign and local buyers through product development projects with collaboration among manufacturers and creators, buyers, students, and the like.

The SME Support, JAPAN help desk which consults businesses on overseas expansion – a regular activity of the organisation - might also be considered as a complementary service to the policy measure under observation. Companies consulted by SME Support, JAPAN might be offered to participate in the SMEs’ CEO Network Enhancing Projects.

No overlap with the policy measure under observation might be observed in case of the abovementioned programmes as none of them focuses on arranging meetings between CEOs.

In addition, Japan External Trade Organization (JETRO), with its more than 70 overseas offices in over 50 countries across the world and 40 regional offices, provides various services to companies in order to promote foreign direct investment into Japan (by providing information and consultations for foreign companies) and helps Japanese SMEs maximise their global export potential. According to the JETRO’s website, one of JETRO’s services within the cross-border cooperation network is the Business Matching Event with Asian Cross-border EC Companies (in Japanese) by providing business
networking opportunities for foreign-affiliated Japanese companies to meet with potential partners in Japan to help such companies further expand their business in Japan. According to one of the interviewees, the design of the two measures have similar components. Though the focus of SME Support, JAPAN is on smaller medium enterprises and the focus of JETRO is on supporting trade, the two measures that are implemented independently by these organisations compete with each other. Importantly, overseas companies should report their previous experiences with Japanese organisations, including JETRO, in the application form used in the assessment and selection process. The measure under observation is sometimes combined with the ministerial visits of other countries if ministers come with a group of companies. Then, SME Support, JAPAN organises business meeting events between companies during these visits.

2. Content

2.1. Objectives of the measure

As stated on its website (as of 10 March 2017), the measure aims to promote Japanese SMEs’ overseas business expansion through collaboration with overseas companies, and to provide overseas companies with opportunities to access Japanese SMEs’ technology, products, and the Japanese market. As one of the interviewees pointed out, the government is trying to increase the number of SMEs which have experience in overseas business. The policy measure is regarded also as an Asian countries targeted programme by providing help for emerging economies in terms of covering costs of the events and in case of selected projects by reimbursing transportation and accommodation costs. With a focus on providing a platform for face-to-face meetings, the instruments’ objectives have not been operationalised in the respective programming documents.

2.2. General description of the measure

Since 2012, SME Support, JAPAN has implemented the measure to invite executives of successful Asian enterprises seeking business opportunities with Japanese SMEs that support Japanese SMEs’ overseas expansion, and to hold business meetings to connect Japanese SMEs and the invited Asian companies (as it is stated on the website of the measure as of 10 March 2017). The policy measure focuses on building relationships for ‘collaboration’ between Japanese SMEs and overseas companies, rather than sales of products displayed at exhibits (Tamura, 2010). As claimed in the video about the measure by SME Support, JAPAN, activities conducted within the measure enable the discussion of joint venture investments and technological interchange, among other themes. According to the interviews, within the measure under observation, SME Support, JAPAN invites about 20 CEOs/executives on average to Japan per project (and around 100 Japanese companies). Each project is delivered through a one-week programme, consisting of four elements (described based on the interviews, Tamura (2010) and information on the SME Support, JAPAN’s website):

1. **Business meeting events** as individual business meetings between Japanese SMEs and Asian companies. The matching programme is based on interests and needs of each company from both sides. Business meetings last for two or three days. A conference hall, a central conference centre, a regional conference centre or if the project is small scale, rooms in the building of SME Support, JAPAN is/are booked for conducting business meetings and each overseas company is provided with one table. Each overseas company has approximately 10 individual business meetings per day, 30 minutes each. Interpreters assigned for every overseas company offer support and translation during the business meetings. SME Support, JAPAN’s advisers with expert knowledge also accompany meetings to assist seamless business meetings. The ultimate goal is to create as many business matches through this programme as possible. Before each project, companies are provided with guidelines
Companies often collect information about other companies from websites and other sources beforehand and prepare a list of questions.

2. **Company visits.** Overseas companies visit some Japanese SMEs that are in the industrial machinery, infrastructure and machinery/parts industries, to learn about Japanese know-how management, company efforts and product features, to observe factories and to exchange opinions.

3. **Network enhancing events** (stand-up cocktail party style with refreshments and beverage in informal settings), organised between top executives of Japanese SMEs and Asian companies. SME Support, JAPAN encourages an active exchange of information and cultural familiarisation. Communication between companies that did not meet during the business meeting event is another added value of the network enhancing event.

4. **Training seminars** for overseas companies on Japanese production management, the Japanese business start-up ecosystem, and possibilities to collaborate with Japanese companies. There is usually also a separate seminar about a participating partner country for Japanese companies. Seminars are conducted mainly in the same place where the business meeting events are conducted. The lecturers who are experts in their fields are sought by SME Support, JAPAN or in cooperation with overseas governmental organisations mentioned in section 1.2.

As described by one of the interviewees, overseas companies are usually taken to different cities. For example, one event would take place early in the week in Osaka and participants meet companies in this region; then they would travel to Tokyo for the end of the week and meet companies there; participants might also be taken sightseeing or to company visits between Osaka and Tokyo. Training seminars usually take place in the morning, business meeting events in the afternoon and a network enhancing event in the evening.

In addition to personal interpreters during business meeting events, two or three permanent reassigned coordinators provide translation to overseas companies during the whole project and they are always with the delegation.

There might be one or a mixture of sectors of the economy as a focus of a project (for example, auto parts manufacturing industry, transportation equipment, electronics parts, industrial machinery, medical and assistive equipment industries). Companies from overseas are usually invited from one specific country, but sometimes SMEs from multiple countries are invited to participate in the project (for example, Vietnam, Thailand, Indonesia and Malaysia in February 2017). Therefore, the policy measure can be considered flexible as regards the design of each programme, the selection of the economic sector in focus and the number of partner countries.

Based on the results of a survey (see section 5.1), the policy measure has been run without any significant change since its launch. Only slight adjustments were made, for example, to the number of company visits and the content of seminars, in order to meet the expectations of participants.

### 2.3. Available budget

According to one of the interviews, the annual budget of the measure amounts to approximately USD 2 million, corresponding to approximately €1.8 million as of 24 May 2017 (exact budget numbers of the measure cannot be disclosed). SME Support, JAPAN covers 75–80% of total costs; other costs are covered by counterpart organisations from partner countries based on the memoranda of cooperation. SME Support, JAPAN is 100% funded from the national budget through the METI budget.

### 2.4. Target groups of the measure

The target group is SMEs in Japan and Asian countries (Thailand, Vietnam, Indonesia, Malaysia, Myanmar and some other Asian countries; see section 4.2 on SME definition). Asian countries are...
selected for cooperation based on the suggestions of consulting firms, central government and researchers of SME Support, JAPAN.

As one of the interviewees pointed out, the economic sectors for each project are chosen by the implementing agency based on current priorities of the Japanese economy and strengths and needs of Japanese SMEs. In most cases they consist of competitive sectors of the Japanese manufacturing economy (for example, as it is listed in the leaflet of the measure, transportation equipment, electronic and electrical equipment, mould industry, aircraft parts, industrial machinery, medical equipment, food processing, infrastructure, building materials, IT, etc.).

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

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

The measure is relevant to various types and stages of internationalisation of overseas companies, including SMEs (having international business experience is not a requirement for overseas companies to participate in the project). There is no limitation to companies’ age to participate in the programme. In the case of Japanese companies, it is essential that they are capable of international business cooperation (assessed by advisers – see section 4.2).

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

The measure supports cooperation between enterprises internationally. It facilitates contacts between Japanese SMEs and companies from other selected Asian countries to develop their international cooperation.

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

In terms of facilitating international cooperation between SMEs, the present measure enables companies to find contacts of possible future international business partners in the most efficient way and because of pre-selection of SMEs, also to have efficient business meetings with decision-makers of those companies. Additionally, activities of the measure enable companies to start familiarising themselves with foreign markets (for example, conversations during business meetings; company visits) and foreign culture (for example, network enhancing events).

4. The operation of the measure

4.1. Promotion of the measure to internationalising businesses

The information about the policy measure is available on the webpage of SME Support, JAPAN; little information is available in English because SME Support, JAPAN is a public organisation enacted for Japanese companies.

SME Support, JAPAN has its own mailing list, built throughout many years, constantly updated and organised by economic sectors. This mailing list is used for distributing information about possibilities for applying (that is, an application form is made available through a mailing and is not otherwise publicly available). As the information about the policy measure is public, every interested company that is not on the list could approach SME Support, JAPAN for further information.

SME Support, JAPAN approaches counterpart organisations abroad to recruit overseas companies. SME Support, JAPAN gives these organisations marketing materials (leaflets in English to be
distributed via mailing lists on events, seminars, exhibitions and trade shows) that contain information about the policy measure, as well as description and requirements related to the eligible overseas companies.

4.2. The process of application and assessment of applications

According to the interviews conducted for this case study, in order to participate in a project, a company should meet the requirements of the SME definition (one or both criteria should be met):

1. Manufacturing: JPY 300 million (approximately €2.4 million) or less in capital; 300 or fewer employees.
2. Service industry: JPY 15 million (approximately €120,000) or less in capital; 100 or fewer employees.
3. Retail: JPY 15 million (approximately €120,000) or less in capital; 50 or fewer employees.

According to the interviews, Japanese companies that are not interested in conducting international business activities right away or that would like to join the event to gather information for future possible cooperation might not be selected. To select trustworthy Japanese companies, SME Support, JAPAN asks for help from its own regional offices, regional and national industrial associations, and chambers of commerce in industry in order to get contacts of companies. SME Support, JAPAN might also select companies from a list of SMEs that have approached them for help and/or were supported by SME Support, JAPAN in the past. In case SME Support, JAPAN does not have any information about the company, background information is collected to make a decision whether to invite the company to participate in any given project or not (for example, to do a telephone interview; to check a business plan).

According to one of the interviewees, SME support organisations in the respective countries send a list of high-performing companies with a good reputation to SME Support, JAPAN. Counterpart organisations contact companies from their own list of SMEs that they provide support to; these organisations might contact local associations to get contact details of SMEs interested in international business. There is no requirement for overseas companies (though it is advisable) to have international business experiences. SME support organisations in the respective countries send invitations, leaflets and application forms to be filled in by overseas companies by email. The application forms contain questions regarding, for example, the business profile of a company, business history, experiences in overseas trade, import and export, experiences with various Japanese policy and support programmes (some of them are delivered outside Japan), and in case of manufacturing companies also about the countries from where they hire people. Foreign companies which already have international business experience with Japanese companies could be excluded from invitation. After overseas companies enter their information in the application forms, a counterpart organisation selects approximately 30–40 companies and sends the list to SME Support, JAPAN which makes the final selection of 10–20 companies based on the assessment of external advisers. There are assessment criteria which have their own threshold scores (for example, sales, growth rate, business history). A list of participants with the names of selected overseas companies is sent by email to Japanese companies, which then have an opportunity to express an interest to meet specific companies. Overseas companies are advised to seek information about Japanese companies on the online database J-GoodTech (see section 1.4) upon participating in the project to increase chances of successful business meetings.

The matching for business meetings is made by the advisers of SME Support, JAPAN based on overseas business experience, history or the financial capacity to conduct business overseas.

4.3. Delivery mechanism of the measure

The measure is delivered by SME Support, JAPAN in cooperation with overseas counterpart organisations. As one of the interviewees pointed out, both Japanese and overseas companies cover all their participation costs. Reimbursement of flight tickets and accommodation costs for overseas companies takes place if an additional motivational aspect is needed to attract overseas companies to
participate in the programme. The same principle applies to providing free meals; however, there is always one or two official dinners for all participants. The networking party is always free of charge. According to the interviews, based on memoranda of cooperation (see section 1.2), organisations supporting overseas companies sometimes provide subsidies to their SMEs that are selected to participate in the programme.

4.4. Administration of the measure
SME policies in Japan are mainly coordinated by the SME Agency of METI (which is responsible for formulating nationwide SME policies) and implemented by a number of related organisations working in partnership (Izumi, 2015; SMEA, 2013). One of these organisations is SME Support, JAPAN which is responsible for implementing the SMEs’ CEO Network Enhancing Project.
SME Support, JAPAN is a national administrative agency, which primarily implements SME related policy measures in cooperation with the SME Agency of METI. It is a government funded but independent organisation. The organisation was enacted by the Small and Medium-sized Enterprise Basic Act. SME Support, JAPAN provides SMEs with comprehensive support measures, which give solutions for the challenges of SMEs and local economies, as well as various services (such as management support, fund schemes for loans and for disaster recovery and so on). SME Support, JAPAN has about 800 employees and USD 9 billion (approximately €8 billion) in capital, 100% funded by the national budget (Tamura, 2010).
SME Support, JAPAN developed and established the conditions for providing support, monitoring the performance and administering the budget of the measure. The results of the monitoring process are presented to the METI to prove the efficiency of the measure and to secure funding for the following year.

5. Monitoring and evaluation
5.1. Monitoring of the implementation and take-up of the measure: method and contents
According to one of the interviews, the results of the monitoring process are for internal use only (except sharing with the competent ministry and the SME Agency of METI). Basic information is monitored (for example, the number of actual meetings, the number of conversations held, the number of participating overseas companies, etc.; also return sales of participating Japanese companies after the event).
In terms of effectiveness, SME Support, JAPAN conducts surveys among Japanese and foreign companies, also among interpreters (see section 2.2) at the end of every business meeting. Questionnaires for all three types of participants (Japanese companies, overseas companies and interpreters) in business meetings contain information about actual business transactions taken. Outcomes of individual business meetings are marked with numbered levels for further analysis of effectiveness. Level 1 means that participants are not interested in cooperation; Level 2 means that there is an interest but participants only exchanged information; Level 3 means that participants are very interested, and they promised each other to make mutual company visits; Level 4 means that probably there would be a match on the spot; Level 5 means signing an agreement on the spot. In case of Level 3 and Level 4 transactions, SME Support, JAPAN conducts further monitoring of business progress (not public) and delivers the analysis to METI.

5.2. Evaluation of the measure: methods and contents
There has been no evaluation of the measure.
According to the interviews, the information from the feedback after each event (part of feedback is incorporated into reports on each project) and the analysis of return sales of participating Japanese companies is considered sufficient by the implementing agency to assess the ongoing success of the support measure. This is possibly due to the non-financial focus of the measure (an evaluation might have been conducted in case the policy measure had included financial support of companies). The measure will be offered to SMEs as long as SME Support, JAPAN gets positive feedback from participating companies and the measure contributes to implementing the SME policy (assessed by METI in cooperation with SME Support, JAPAN based on SME Support, JAPAN’s non-public analysis).

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

Based on the feedback of participants, there have been some changes regarding the design of the policy measure, mainly in aspects related to the duration of each business meeting (from 20 to 40, then to 30 minutes), the number and duration of company visits, and the number of business meetings during one day (from 8 to 11).

6. Evidence of outcomes and impact

6.1. Evolution of the measure’s spending

Data on the evolution of the measure’s spending is not publicly available (see section 2.3). However, according to one of the interviews conducted for this case study, the budget varied across the years depending on the current priorities of the government.

6.2. The quantitative and qualitative outcomes of the measure

According to one of the interviews, there have been 56 projects with a total of 10,285 business meetings from 2012 to 2016. Companies from Thailand, Myanmar, Vietnam, the Philippines, Indonesia, Malaysia, Brunei, Cambodia, Laos, Singapore, and Taiwan have participated in the projects. These involved CEOs or business owners of 775 overseas companies (usually one person per company) and 3,288 Japanese companies.

There has been no evaluation made and SME Support, JAPAN conducts only the monitoring of the measure (see section 5.1). Thus, no other specific quantitative and qualitative outcomes of the measure are reported.

According to the interviews, the measure under observation is easily transferable to other countries. The needs and interests of local SMEs and local policies should be taken into consideration while designing the content of the measure.

This policy measure is innovative in terms of targeting only companies’ CEOs, focusing on ambitious Japanese SMEs and combining various mutually beneficial events during a one-week programme.

6.3. Impact of the measure on its beneficiaries and other actors

Based on the reports of meetings (found on the new and not active old versions of the website of the measure) and a YouTube video about the measure, it might be concluded that business meetings enable overseas companies to get in contact with Japanese businesses to discuss business cooperation (investments, entering the markets and so on) and Japanese companies get an easier opportunity to develop collaboration with overseas companies, and for both sides to make a deal or to create a basis for further contact to develop cooperation. The measure is particularly effective in supporting negotiations between companies, because it involves CEOs as participants (rather than department heads or other companies’ employees) and decisions are made on the spot. This is an important added value, as it is often hard to meet SMEs’ CEOs (who are usually the owners of the companies) directly.
According to one of the interviews, this measure has contributed to providing Japanese SMEs with more chances for business meetings with SMEs from South East Asia. According to the interviews, there are overseas companies that often lack technological capacity to develop locally and internationally competitive products. Japanese SMEs provide technology, experience and sometimes even management of projects to their overseas business partners, whereas companies in other Asian countries provide cheaper labour, production sites or materials for Japanese companies.

6.4 Evidence of economic and employment impact
As stated during the interviews, no evaluation of the measure has been made. However, there were some reports on every past project on the old version of the website of the implementing agency with numbers of total amounts of deals that show a direct impact on increased turnover of involved companies (exact numbers cannot be disclosed). Moreover, the measure has a direct effect on increasing the number of Japanese companies involved in international business and the extent of international cooperation.

7. Strengths and weaknesses of the measure

7.1. Strengths of the measure
Based on the information from the interview, the reports of meetings, the following strengths were identified:

1. Direct meetings with decision-makers (namely, CEOs) of companies: to discuss possible cooperation or even make a deal directly with the top manager who is usually an owner of the company.
2. An opportunity for Japanese SMEs to meet many overseas companies in a short period of time.
3. Saving of travel costs and time for Japanese companies as they do not need to go overseas to meet CEOs.
4. Matching companies for business meetings. Since there is a countless number of overseas companies, it would be difficult for some participants to find potential partners on their own.
5. Careful selection of participating companies: SME Support, JAPAN acts as a mediator and creates a sense of credibility on both sides.
6. An opportunity for Japanese SMEs to meet with companies from countries whose markets are not yet explored by Japanese SMEs.
7. Mitigation of language barrier thanks to the provision of free interpreters.
8. Positive effect of network events that follow business meetings: active exchange of information and cultural familiarisation.

7.2. Weaknesses of the measure
1. There is no plan to evaluate the impact of the measure.
2. Dependency on the performance of counterpart organisations and/or facing obstacles connected to business culture of a foreign country during the organisation process. For instance, information might not be received on time, which is especially important during the pre-screening of companies.

7.3. Evidence of policy learning over time
Direct meetings between CEOs are an effective and efficient tool for SMEs to make agreements for international business cooperation. Pre-selection or pre-screening of companies and matching of companies according to their profiles strongly contribute to the positive outcomes of events.
8. Recommendations

8.1. Overall recommendations regarding the measure
According to the interviewees, it would be beneficial to establish a network with local or national governments of partner countries, which would accelerate various processes while organising events (especially in terms of getting information on time) and thus further increase the quality of projects.

8.2. Recommendations on the national support system for SME/BG internationalisation
No specific recommendations are given, as there is a wide range of various support measures available to SMEs in Japan.

8.3. Any gaps in the provision of policy support and suggestions
No gaps are perceived in the provision of policy support.
References

All Eurofound publications are available at www.eurofound.europa.eu


All accessed on 20 November 2018.
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