Future of manufacturing

Born globals

and their value chains:

Literature review

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*Disclaimer: This working paper has not been subject to the full Eurofound evaluation, editorial and publication process.*
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Introduction

Small and medium-sized enterprises (SMEs) are the backbone of Europe's economy. They represent 99% of all businesses in the EU. Between 2011 and 2016, they have created around 85% of new jobs and provided two-thirds of the total private sector employment in the European Union (EU). The European Commission considers SMEs and entrepreneurship as key to ensuring economic growth, innovation, job creation, and social integration in the EU (European Commission, 2016).\(^1\)

Internationalisation, global value chains (GVCs) and networks are interrelated key dimensions that contribute to the development, performance and growth of SMEs in the EU. This literature review presents an overview of the main types of internationalisation processes (chapter 2) and some key concepts related to GVCs and the role of networks and cooperation for the internationalisation of SMEs and born globals (BGs) (chapter 3). Chapter 4 displays evidence on the scale and characteristics of SMEs’ internationalisation in the EU and is followed by a description of some key influence factors for SMEs’ internationalisation (chapter 5). Chapter 6 proposes some reflections on the effects of internationalisation and networks. Chapter 7 briefly describes the policy context to support SMEs’ internationalisation in Europe, while chapter 8 provides an overview of the main types of support instruments and policy measures available at European and national level and relevant for EU SMEs and BGs.

\(^1\) http://ec.europa.eu/growth/smes/
1. Internationalisation processes

The concept of internationalisation has long been debated. It is explained, among other definitions, as the ‘process of adapting firms’ operations (strategy, structure, resource, etc.) to international environments’ (Calof and Beamish, 1995) or the ‘business activities responding to the opportunities and challenges that globalisation brings’ (European Commission, 2007). The integration of SMEs into the global economy happens in various ways, including inward and outward internationalisation.

Traditional internationalisation theories

Traditional internationalisation theories such as the Uppsala internationalisation model (Johanson and Vahlne, 1977 and 1990) describe the internationalisation of firms as gradual, sequential and evolutionary (the ‘stages theory’). Here, the internationalisation decision mainly depends on the firms’ age, size, resources, information constraints and learning experience, innovativeness (Andersen, 1993) and industry affiliation (Falk et al, 2014). The target markets chosen are usually the ones with limited uncertainty, so that risks are minimised. In this respect, firms generally invest in the home market initially, that they consolidate and mature until achieving a point of saturation (Oviatt and McDougall, 2005). This is when they begin sporadic sales abroad, usually to close foreign markets. The perception of market distance with respect to home markets, defined as ‘psychic distance’ (Johanson and Vahlne, 1977), refers to the firm’s interpretation of the existing geographical distance and of cultural factors such as a common language or a former colonial relationship, political factors and economic factors (Falk et al, 2014). Over time and with increasing international experience, the firm expands from a limited number of closer target markets towards a larger number of (psychically more distant) ones.

This evolution is also reflected in the choice of market entry modes, which can vary according to the firms’ internationalisation phases (Johanson and Wiedersheim-Paul, 1975).

Figure 1 shows that SMEs usually begin their internationalisation process with ad-hoc exporting activities and exporting through independent domestic intermediaries. When the level of sales increases, the firms engage directly in the distribution and selling of their products abroad (direct exporting) and domestic agents are replaced by the firm’s own foreign sales subsidiaries. This exporting mode usually requires a longer-term commitment to a particular foreign market, while it allows for a higher knowledge and involvement in the foreign market in terms of competition monitoring and interaction with the customer base, suppliers and business partners. Rising sales levels might allow firms to establish a production unit abroad, including further foreign direct investment (FDI) and offshoring.

Figure 1: Stages of the internationalisation process of SMEs

![Figure 1: Stages of the internationalisation process of SMEs](source: Falk et al, 2014)

Although this incremental process has been criticised for being valid mainly for large firms (Coviello and Munro, 1995; Knight, 1997; Knight and Cavusgil, 2004; McDougall et al, 1994;
Moen and Servais, 2002), its theory is also applied to SMEs and has often shown validity for the specific case of European SMEs (Falk et al, 2014).

**Born globals**

The traditional internationalisation theory described above was challenged by the identification of the internationalisation model of ‘born global’ companies (BGs) (Bell et al, 2001 and 2003). Due to globalisation and technological advances, these firms begin to export within a couple of years of their inception (Cavusgil and Knight, 2009), skipping some of the steps characterising the traditional stage internationalisation model. According to the Global Entrepreneurship Monitor (GEM)’s data (GEM, 2011), BGs represent 2.5% of all SMEs and 12% of young enterprises (Eurofound, 2016).

So far, there is no universal definition of BGs in the literature; this implies consequences in terms of terminology (existing synonyms being for instance international new ventures, global start-ups, infant multinationals, micro multinationals, born international, innate exporters or similar), data collection, comparability and relevance. As recent research stressed the need for a unique definition (Eurofound, 2012; Censinger et al, 2012; Madsen, 2013), Eurofound (2012) proposed a first approach towards a European definition of BGs building on the different criteria mentioned in extant literature, whereby a BG is an enterprise presenting all of the following characteristics:

- It is an independent, individual company (in line with the respective criteria in the SME definition)\(^2\).
- It has been started, is a spin-off, or has been a business transfer (ownership and management) within the last five years.
- It has an active, strategic intention to internationalise (for example, mentioned in the business plan).
- It has an export share of at least 25% of total sales during at least two of these first five years.
- It is active in at least two foreign countries, with ‘close markets’ (as regards geographic and cultural distance or language) also being considered as different markets. All served countries can be within Europe.
- It is active in any economic sector, but offers an innovative product or service with good market potential or uses new technology or design.
- Company size and market share is irrelevant.

The available research mainly focuses on the specificities of this type of enterprises, the reasons for their emergence, the challenges they face (Eurofound, 2012) and the efficiency of their internationalisation model (Lejko and Bojnc, 2011). Some studies have compared them with other firms’ internationalisation pathways (Harris and Li, 2007; Halldin, 2012; Cavusgil and Knight, 2009; McDougall et al, 2003), by looking at aspects such as their specificities and the strategies they adopt to succeed internationally; others have analysed the main differences in performance with respect to other companies, such as new domestic ventures. Methodologically, most studies adopt qualitative approaches (interviews, case studies) or, if of a quantitative nature, include small sample sizes for standardised questionnaires (Eurofound, 2012); in other occasions, the research is built exclusively on secondary data (Danik and Kowalic, 2013).

The available literature states that BGs have a more proactive approach to internationalisation and are likely to perform better than others in terms of export speed, intensity and scope (Crick, 2009; Kuivalainen et al, 2007; Madsen and Servais, 1997). Often operating in niche markets, these companies ‘have no choice but to internationalise quickly, leaving no time for gradual knowledge accumulation and the resulting slowly increasing international commitment’ (Torkkel et al, 2012). In this respect, BGs derive most of or all their corporate sales from international activities; do not define their internationalisation in function of the psychic distance, but of other factors, such as the urgency to internationalise; and serve multiple markets simultaneously from inception (Leunidou and Samiee, 2012).

While SMEs move to export markets organically, BGs seem to be driven by export market attractiveness, potential growth rate and profit potential of export markets (Moen and Servais, 2002). The market selection of the BGs is often reactive in nature, whereby BGs initially enter the markets where they have identified an existing or potential market demand for their product or services by using their existing network connections and previous experiences (Coviello, 2006). Usually customer-oriented, BGs set the characteristics of their product offering and marketing strategy according to the dynamics of their target market (Gabrielsson et al, 2012). Moreover, BGs do not follow successive stages in terms of entry modes, which can take any shape since the beginning (Leunidou and Samiee, 2012), although given their resource constraints they are expected to adopt less resource-intensive entry modes (Cavusgil and Knight, 2009). They can, for instance, use direct exports through international agents (Crick and Jones, 2000), engage in alternative collaborative governance structures (subcontracting, licensing, franchising or volunteering) to limit their costs and the related entry and exit risks (Leunidou and Samiee, 2012), or network and share their knowledge with partners.

While research focuses on the outward orientation of BGs’ activities and their outgoing entrepreneurial activity, less attention seems to have been paid to the contribution of these companies to inward internationalisation. Emontspool and Servais (2017) stress that the research field of international entrepreneurship could benefit from inputs from other research areas (such as immigrant entrepreneurship) focused on incoming entrepreneurial activity. Similarly, Da Rocha et al (2017) explain how the international entrepreneurship field has progressively shifted from focusing on the geographic configuration of both input sourcing and output marketing to concentrating almost exclusively on the latter. Nonetheless, extant studies (Freeman et al, 2013) highlight the relevance of inward internationalisation also for BGs, being used as a proactive strategic approach to restructure when the company is facing difficult external conditions, such as economic recession or changing competition. In those occasions, BG managers seem to change their internationalisation approach by shifting between outward- and inward-oriented activities as a way to ‘de-internationalize and re-internationalize’ (Freeman et al, 2013).

Building on and expanding the definition and analysis of BGs, other company types and business models have been/are being further developed and analysed. Da Rocha et al (2017), for example, stress that in their detachment from the traditional internationalisation paths, some companies can even be considered as ‘borderless’, defined as ‘the result of the combination, early on, of geographically dispersed resources and capabilities, defying the home-base logic’, and presenting from early on characteristics such as dispersion of value-added activities across different countries, entrepreneurs who are not bound by a home base, founders and/or managers with an international profile, and a multinational workforce. Other authors (Vanninen et al, 2017) stress the need to better focus on ‘born micromultinationals’, whereby ‘born micromultinationals invest and operate in multiple countries from, or soon after, their foundation’.

When taking into account the company life cycle, born-again Global firms (BaGs) are companies that are well established in their home markets, and have suddenly begun rapid internationalisation (Bell et al, 2001 and 2003). The main distinction with respect to BGs is that BaGs undergo this rapid and intensive internationalisation in a much later stage in their life cycle.
Belong globals and their value chains: Literature review

Sheppard and McNaughton, 2012). This type of behaviour is often a response to a combination of ‘critical incidents’—either internal or external—that contributed to a dramatic change in the strategic focus of the firm and led it to rapid internationalisation (Bell et al., 2001). These can consist, for instance, of a change of ownership, an acquisition or a ‘client followership’ (obtaining international business from a new domestic client already operating internationally).

A comparison of the three models is included in Table 1.

<table>
<thead>
<tr>
<th>Time (precocity)</th>
<th>Traditional firms</th>
<th>Born globals</th>
<th>Born-again Globals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operate for a long time in their home markets</td>
<td>Aim for international markets from inception</td>
<td>Operate for a long time in their home markets</td>
<td></td>
</tr>
<tr>
<td>Time (speed)</td>
<td>Gradually increase the number of markets</td>
<td>Reach a certain degree of internationalisation within a small number of years</td>
<td>Reach a certain degree of internationalisation within a small number of years</td>
</tr>
<tr>
<td>Scope</td>
<td>Market concentration (narrow geographic scope at the beginning of international operations)</td>
<td>Market diversification (broad geographic scope almost from inception)</td>
<td>Market diversification (broad geographic scope almost from the first international involvement)</td>
</tr>
<tr>
<td>Scale</td>
<td>Slow, evolutionary path of development</td>
<td>Internationalise rapidly with a high share of foreign sales</td>
<td>Internationalise rapidly with a high share of foreign sales</td>
</tr>
</tbody>
</table>

Source: Falize and Coeurderoy, 2012

When taking into account the firm’s age, BGs are by definition considered to be young firms. More limited research is available about the drivers and the dynamics of BGs’ internationalisation after the initial stage and their maturation, survival and ‘overall growth paths after the first years of existence’ (Almor et al., 2014; Hagen and Zucchella, 2014). The evolution of BGs over time is non-linear and characterised by ‘recurring patterns and turning points which point to specific short- and long-term drivers of growth’ (Hagen and Zucchella, 2014). A number of factors shape this development, and BGs’ growth in the long-term depends ‘on a delicate balance between openness and stability of key entrepreneurial and managerial resources, and on the integration of different sources of learning at the organisational level and around innovative projects’ (Hagen and Zucchella, 2014). BGs (and BaGs) tend to be innovative and to expand quicker in markets abroad when compared to other companies, confirming the observation that firms with highly sophisticated knowledge bases are likely to internationalise much more rapidly than those with more basic capabilities (Bell et al., 2001).

Likewise, the survival chances of mature BGs seem to be supported by choices such as the acquisition and/or merger with other firms. These can help BGs to ensure increases in sales and upgrades in the product line (Almor et al., 2014), although they do not necessarily guarantee an increase in profits. The literature on firms’ early internationalisation has traditionally focused on the entry stage of BGs, while lately more attention has been devoted to the whole life cycle of these companies, thus focusing also on their post-entry growth and survival. Nonetheless, financial, operational aspects and overall effectiveness appear to have different levels of relevance as regards the performance of the BGs according to the company’s development phase, and the more advanced the phase, the more relevant it is to take all of these factors into account in order to understand the BG’s performance. As an example, entrepreneurial capabilities of the founders are observed to play a key role during the first international expansion, while as the company enters the post-entry phase, other aspects are of importance to ensure a sustainable growth, including specific firm resources strategically foreseen for that purpose and the shift from managers’ individual capabilities to the creation of a knowledge base at a company level.
(Romanello and Chiervesio, 2017). Table 2 provides an overview of these factors, as elaborated by Trudgen and Freeman (2014).

**Table 2: BGs’ performance measures across their development phases**

<table>
<thead>
<tr>
<th>Performance measures</th>
<th>Phase of development</th>
<th>Early international entry/ development (immediately after inception, where rapid internationalisation is pursued)</th>
<th>International growth/ consolidation (following initial internationalisation, where the BG becomes established)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial aspects</td>
<td>Pre-start-up/venture creation/development (Preceding BG inception)</td>
<td>Low relevance - The BG is yet to establish operations and therefore unable to generate income</td>
<td>High relevance – Once BGs have established global presence and achieved sustained growth, financial measures gain prevalence</td>
</tr>
<tr>
<td></td>
<td>Early international entry/ development (immediately after inception, where rapid internationalisation is pursued)</td>
<td>Low relevance – The development of BG operations, foreign market entry, and the need to educate potential customers delay the achievement of financial outcomes. Early and rapid internationalisation of BGs inhibits short-term financial performance</td>
<td></td>
</tr>
<tr>
<td>Operational aspects</td>
<td>Pre-start-up/venture creation/development (Preceding BG inception)</td>
<td>Low relevance - The BG is yet to establish operations rendering operational performance inappropriate</td>
<td>High relevance - Due to their niche product strategies, constant improvements in product, processes, and market outcomes remain vital</td>
</tr>
<tr>
<td></td>
<td>Early international entry/ development (immediately after inception, where rapid internationalisation is pursued)</td>
<td>High relevance - In order to secure longer-term financial outcomes, firms focus on product quality and innovation, employee retention, and efficiency</td>
<td></td>
</tr>
<tr>
<td>Overall effectiveness</td>
<td>Pre-start-up/venture creation/development (Preceding BG inception)</td>
<td>High relevance - Entrepreneurial attention is concentrated on idea generation, resource acquisition, network development, and obtaining finance</td>
<td>High relevance – Strong reputation, survival, and performance relative to competition, remains vital for the firm; regardless of whether their intention is continued development or sale of the BG</td>
</tr>
<tr>
<td></td>
<td>Early international entry/ development (immediately after inception, where rapid internationalisation is pursued)</td>
<td>High relevance - Survival, development and maintenance of reputation and achievement of BG goals provides a foundation for future financial success</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Trudgen and Freeman, 2014*
2. Global value chains and networks

The concept of global value chains

With globalization, ‘production processes have become more geographically dispersed as companies increasingly locate different production stages across different countries through networks of independent suppliers and their own affiliates’ (OECD, 2013a). In this context, value chains (intended as the full range of the firms’ activities, from the concept phase of the product/service until its end use, according to Porter’s approach\(^3\)) have also become global.

The concept of the ‘global value chain’ (GVC), introduced at the beginning of the 2000s, takes into account a number of features that characterise the global economy. These include the growing dispersion and fragmentation of the value chain phases across countries, an increasing specialisation of countries on tasks, the role of actors involved in the process (activities undertaken by a single company or divided among several firms) and the function of networks and cooperation as relevant mechanisms in global production. This has mainly originated from the comparative advantage of the locations (OECD, 2013a, 2013b), improvements in telecommunication technology, the reduction of freight costs, the transition towards trade and investment liberalisation, the fall of political and economic barriers (Avendaño et al, 2013; Amador and Cabral, 2014) and the international division of labour.

In this respect, the GVC concept implies a stronger focus on business functions, namely the different activities along the supply chain: R&D, procurement, operations, and marketing and customer services, among others. Economies are more interconnected and specialisation does no longer depend on the overall balance and cooperative advantage of a country in producing final goods (WTO, 2011); ‘countries tend to specialise in specific business functions’, activities and stages of value chains that involve specific tasks instead of specific industries (OECD, 2013b).

GVCs combine outsourcing and offshoring, with the outcome that ‘trade in GVCs therefore involves extensive flows of intermediate goods and services’ (OECD 2013a).

Barua et al (2015) propose a model to summarise the different building blocks of GVCs, as displayed in figure 2.

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\(^3\) Porter, 1985, p. 36. According to the author, ‘a firm can be seen as the set of ‘activities that are performed to design, produce, market, deliver, and support its product’
GVCs have strongly changed the paradigm of world production in terms of international trade and investment, labour market, trade, external competitiveness and the relating policies (Amador and Cabral, 2014). ‘Companies, localities, and entire countries have come to occupy specialised niches within GVCs. Because of this, today’s industrial policies have a different character and generate different outcomes than before. Intentionally or not, governments engage in GVC-oriented industrialisation when targeting key sectors for growth’ (Gereffi, 2016, Gereffi and Sturgeon, 2013).

Therefore, to understand the contributions of the different players within a GVC, it is important to take into account not only the characteristics of the firms, but also of the countries and the industries involved in the GVC.

An additional complexity is related to the nature of the output that is being internationalised, and important differences exist between products’ and services’ internationalisation processes (Amador and Cabral, 2014). From a marketing and logistics viewpoint, products need physical distribution channels, while most pure services do not; thus the role of intermediaries might not be relevant in the case of some service companies. Secondly, the customisation level of the service can be higher, versus more standardised goods. Thirdly, the role of trust tends to be higher for services, as they cannot easily be gauged as products can. Moreover, the inputs required for the delivery of products and services are different, from machinery and raw materials for goods, to skills and experiences for services.

Focusing on the European industry structure (European Commission, 2013a), the inter-linkages between manufacturing and services are indeed growing (European Commission, 2013a), as confirmed by the increase of the service content in manufacturing outputs (more than 2% between 2000 and 2009 across Europe). Production activities now use services in order to increase productivity, reduce costs, innovate and upgrade the quality of products, and embedded services in products and exports are expected to contribute to a future further growth and entrenchment of GVCs. Services which were previously considered as non-tradable are now gaining relevance in world trade (Amador and Cabral, 2014). An example is the growing role of intangibles in manufacturing, such as insurance and banking, R&D and design before production, and marketing or logistics after production. This is especially apparent in the context of the knowledge economy, since a positive relation exists between comparative advantage and
knowledge based assets, such as skills and intangible capital (OECD, 2013c). The share of services-related occupations (R&D, engineering design, software design, market research, marketing, organisational design and after-sales training, maintenance and support services) has also increased.

Both high wages and emerging countries occupy different positions in this process (for instance, China integrated GVCs backwardly, mainly receiving components for assembly; the USA forwardly integrated GVCs, mainly producing components for exports). The position of EU countries tends to be complex with both forward and backward integration and this integration mainly happens within Europe (OECD, 2013c). A publication by the European Central Bank (2016a) sheds light on the more recent developments of GVCs, with a special attention to the relationship between global trade and global economic activity and the contraction of global trade, especially after the economic and financial crisis.

**Governance within GVCs**

Active involvement in GVCs can help SMEs to overcome barriers to internationalisation. Based on a survey of over 25,000 Italian firms, Giovannetti (2014) found a positive and significant relationship between being part of a supply chain and the propensity to export, as well as the intensive margin of trade.

Nonetheless, despite the progress in the available methods and approaches (such as the OECD-WTO Trade in Value Added –TiVA- initiative, to measure the value added at each stage of the GVC), mapping and measurement of GVCs is not yet complete or exhaustive (Amador and Cabral, 2014). Various methods exist to map the GVCs at a sectoral level (international and custom trade data combined with input-output tables), but only limited analysis is available at firm level (Amador and Cabral, 2014). Research on GVCs has mainly dealt with large multinational enterprises (MNEs), while the available studies on SMEs and GVCs mainly focused on aspects such as the geographical spread of business and product-related processes (Gereffi and Lee, 2012). More limited evidence is available on aspects such as SMEs’ international sourcing and offshoring (Falk et al, 2014).

The fragmentation of production combined with the ICT development, as well as the spreading of subcontracting, generates new entrepreneurial possibilities for SMEs, since they ‘enter global markets as components or services suppliers, without having to build a product’s entire value chain’ (OECD, 2013a). Firms collaborate with others for outsourcing activities in which they have less expertise/higher costs. In the case of traditional small suppliers, for example, this fragmentation provides them with the opportunity to engage in complementary activities with final firms and to improve their performance. Collaboration is also fundamental between manufacturing and service companies, to ensure competitiveness and added value creation – despite the differences existing between their activities (Raymond et al, 2014).

The connections between industry activities within a value chain are characterised by specific interfirm relationships and networks (Gereffi et al, 2005).

A firm’s local and foreign relationships and networks can be divided into the following main categories based on their nature (Julkunen et al, 2015; Jack, 2005):

- **Formal relationship**, including all business relationships that firms possess (Coviello and Munro, 1995 and 1997), being embedded internally in departments, units and employees and externally with customers, suppliers and competitors of a company.
• Personal (non-business) and informal relationships, including family and friends (Coviello and Munro, 1995 and 1997). When comparing SMEs and BGs, ‘traditional’ internationalising SMEs tend to rely more on conventional distribution channels, while BGs tend to make more use of personal networks. Entrepreneurs’/CEOs’ personal contacts often provide the main network for BGs and have an influence on market selection and how actively a firm seeks foreign contacts in their market entry process. The personal network contacts of BGs’ managers and staff can be critical for the development, rapid internationalisation and performance of BGs (McDougall et al, 1994 and Freeman et al, 2006). For BGs, trust, mutual commitment, control and power balance and moral obligations can play a stronger role than other formal ties (Oviatt and McDougall, 1994). Trust is vital for relationship development internationally and for the knowledge transfer to take place effectively, but trust building is time and resource consuming. Mutual coordination and integration of the interacting parties’ activities are particularly relevant when interdependent actors affect each other’s market performance. In cases of mutual creation of value that is sharable among the actors, these are inclined to continue their relationship and to further invest in trust and mutual coordination (Andersson and Baffour Awuah, 2015). As an example, in the case of key suppliers where a strong bilateral dependency exists, a BG may seek to adopt normative or ‘soft’ contracts, providing both the BG and its partner(s) with enough flexibility to use techniques and processes that are mutually beneficial as regards their performance. If issues arise, the BG and its partner(s) can handle them without recurring to legal courts, even if explicit contracts exist (Okoroafo et al, 2014).

• In addition to the above, networks of employees have been identified as useful to the management on two main levels: as a source for the identification of new or potential employees, and as a way to monitor the external environment and gather information on developments in the local area (Jack, 2005).

• There are also third party actors that constitute the category of intermediary relationships. Intermediaries (also defined as ‘agents’ or ‘brokers’) can consist of governmental actors, (local) consultancy firms and individuals with industrial experience, among others. Through indirect ties, the intermediary helps otherwise disconnected companies to communicate and create relationships, and ensures links between buyers and sellers in various markets (Julkunen et al, 2015; Oviatt and McDougall, 2005). In a context where the inability to contact potential overseas customers is a key barrier to internationalisation (OECD, 2009), finding adequate representation abroad (Crick, 2007) and a suitable distribution channel have proved key to SMEs moving to exportation (Rundh, 2007). Communication, cooperation, trust and commitment are key aspects for the quality of the relationship between exporter and intermediary and a positive linkage seems to exist between relationship quality and intermediary performance (Kuhlmeier and Knight, 2010). Extant research shows that local and foreign intermediaries represent a significant part of the overall trade of new and small firms, and that the smaller the firm, the higher its propensity to indirect exporting (Hessel and Terjesen, 2010). This relates to the low profitability of small firms when
compared to the high costs of building an own distribution network abroad (Falk et al, 2014).

Different governance structures of interfirm relationships exist. The connections between actors in GVCs extend along a continuum from the market, consisting of arm’s length relationships, to modular, relational and captive forms of interfirm governance, and hierarchical value chains, where a firm has direct ownership of the production processes (Figure 3).

**Figure 3: Five types of governance structure**

These governance structures can be described as follows (Gereffi et al, 2005):

- **Market governance** relates to simple transactions in GVCs where firms and individuals buy and sell products to one another with little interaction or formal cooperation beyond the exchange of goods and services for money. Information on product specifications is transmitted easily, and suppliers can produce with little input from buyers. Switching partners comes at a low cost for producers and buyers, and the key mechanism for governance is price rather than a powerful lead firm.

- **Modular governance** relates to a system of complex transactions that are relatively easy to codify. Products are usually made to a customer’s specification and suppliers take full responsibility for process technology using generic machinery, spreading the investment across a wide customer base. This keeps switching costs low and limits transaction-specific investments, although the interactions between buyer and supplier can be very complex. Linkages are stronger than in simple markets because of the high volume of information flowing across the interfirm link. Information technology, standards and codification are key in the information exchange.

- **Relational governance** occurs when the parties in the value chain rely on complex information that is difficult to transmit or learn. This implies frequent interactions and knowledge sharing between actors, requiring trust and generating mutual reliance, regulated through reputation and factors as social proximity, family and ethnicity. Despite mutual dependence, buyers from lead firms will be
able to attain a certain amount of control of suppliers, by specifying production requirements. Producers will supply products differing in terms of quality, geographic origin or other unique characteristics. Since these relational linkages take time to build up, switching to a new partner tends to be complex and has high costs.

- **Captive governance** occurs in chains with small suppliers highly dependent on just one or a few larger, dominant buyers, who tend to have great control over the relationship. Such networks feature a high degree of monitoring and control by the lead firm. Given the power asymmetry, suppliers often link to their buyer by complying with the conditions that the latter establishes. This leads to strong ties and high switching costs for both parties. In most cases, the core competence of the lead firms does not lie in the area of production. Thus, the buyers may invest in enhancing the supplier’s production capabilities should this guarantee greater efficiency. Suppliers should be able to receive a fair treatment and share of the market price if this type of governance is under an ethical leadership.

- Finally, **hierarchical governance** describes chains characterised by vertical integration (for instance, when transactions take place inside a single firm) and managerial control within lead firms that develop and manufacture products in-house. This normally happens in those cases where product specifications cannot be codified, products are complex, or highly competent suppliers cannot be found.

### Role of SMEs within GVCs

GVCs have been promoted as a path for countries to achieve economic development, and this is especially relevant provided that most developing countries rely mainly on SMEs, rather than on larger firms (Fung Global Institute et al, 2013). Nonetheless, the access and positioning of SMEs in GVCs is not without its challenges and it is not equal among all SMEs either. As stressed by the OECD (2017), SMEs tend to be underrepresented in international trade in terms of direct exports. Nonetheless, when taking into account their indirect contribution to exports (for instance as suppliers to larger firms that export or are involved in international activities), their role proves more prominent. GVCs display a few BGs and highly innovative SMEs fully integrated into global markets and a sizeable share of SMEs that either export directly or are embedded in GVCs as suppliers of exporters, but the duration and sustainability of export-relationships is also not homogenous. ‘Smaller and less experienced exporters are typically more vulnerable to a sharp drop in external demand, such as in the aftermath of a global crisis’ (OECD, 2017). Buckley and Prashantham (2016) stress the complexity of global interfirm networks and propose to analyse them through the concept of division of **entrepreneurial labour**. ‘Specialization is not of task, as in manual labor, but of competence and judgment between the decision makers in different organizations’, involving specialised judgments regarding ‘(1) what to be proactive about, (2) what to be innovative in, and (3) when and how to undertake risk’ (Buckley and Prashantham, 2016). The potential for the division of entrepreneurial labour between SMEs and large MNEs results from these actors leveraging their assets and mitigating their liabilities of smallness/newness and largeness/oldness, respectively. Hence, SMEs and large MNEs are proactively anticipating the size of niches and markets, leveraging upstream and downstream capability (assets) innovatively, and taking risks by relying on the capacity of GVC actors’ to compensate for any deficits (liabilities) of the focal actor in legitimacy and flexibility.

Research on the **positioning of SMEs in GVCs** shows that, within the GVC, SMEs focus on their competitive advantages and that the position of the firm and scope for specialisation within the supply chain are relevant to support and secure the role of the companies in international...
markets. SMEs increasingly choose to outsource - even to offshore - non-core activities if this allows them to gain competitiveness from the rationalisation of production and the optimisation of resources allocation (OECD, 2008).

This is particularly relevant during the creation of niche markets and the supply of new and innovative products and services, where SMEs can position themselves thanks to their speed, flexibility, quality of their offer and personalised services and can become specialised suppliers for different GVCs (OECD, 2008).

In most cases, the coordination of GVCs is carried out by large MNEs, which can be brand-name designers of products, retailers, or intermediaries and facilitators (OECD, 2014) and which ‘increasingly allocate stages of production to different locations on the basis of relative specialisations (skills, access to natural resources, infrastructure, regulatory environment) and access to markets, driving disproportionate growth in trade in intermediates’ (OECD, 2015).

Benefits of upstream and downstream interfirm linkages within the GVC happen in both directions, as ‘the quality and responsiveness of specialised suppliers, largely SMEs or even micro firms, can be crucial for the competitiveness of entire supply chains, at both local and global levels, and of larger groups that are directly engaged in fierce global competition. In this respect, close interdependence and coordination between large and small businesses can be an important source of value and competitiveness along supply chains’ (OECD, 2017).

From the perspective of large MNEs, collaboration with SMEs can provide them with a degree of flexibility they may not possess, and also with learning opportunities. Small firms play an increasing role in international strategic alliances, becoming targets of cross-border mergers and acquisitions, and providing them with specialised supplies. As an additional example, BGs can serve as a reference for other firms (including well-established large MNEs), as they provide them with benchmark orientations and strategies (Vapola et al, 2008; Vapola, 2012). These firms can learn from BGs ‘about new technological and market opportunities, which eventually leads to enhanced innovation performance also in these related firms’ (Eurofound, 2012).

MNEs play a key role in determining the location of high-value activities and the conditions under which other firms participate in GVCs. Thus, the strategies and management of these lead firms condition the opportunities to upgrade offered by GVC participation (process upgrading, by increasing the efficiency of the internal processes; product upgrading, by producing components or retailing more competitive products developed by lead firms; functional upgrading, by changing the activity mix within the GVC; and chain upgrading, by moving to a new value chain) (United Nations, 2010). These conditions can include the need to cover larger and more complex sets of tasks (such as contributing to product development, organising and monitoring networks of sub-suppliers, ensuring compliance with standards, or ensuring competitive prices) (OECD, 2013a).

The absence of networks hinders market expansion for SMEs and BGs (Sullivan-Mort and Weerawardena, 2005) and networking and GVCs positively contribute to the performance and value of firms. Interdependent actors affect each other’s market performance, ‘no matter how that is measured - for example, market share, customer satisfaction, profitability, innovativeness, growth or competitiveness’ (Andersson and Baffour Awuah, 2015). Along this line, GVC cooperation can benefit all the actors belonging to the GVC by producing synergistic relationships. For instance, learning within GVCs stems from cooperation among upstream and downstream partners and mainly consists of information flows, technology transfer and learning opportunities. It generates knowledge spillovers, supports human and technological capital upgrading, thus innovation (OECD, 2008), whereby products can become more knowledge-intensive in nature.

SMEs’ performance benefits from networks, through strengthened trust and mutual commitment between partners, and leveraging key assets from their partners, namely reputation (OECD, 2008;
Coviello, 2006). Similarly, large firms assisting SMEs with standards and certification issues can facilitate SMEs’ participation in GVCs. Involvement in GVCs also supports the development or improvement of firms’ organisational capabilities, business and international practices (for instance, through human resources’ mobility along the supply chain), international vision and managerial openness (Oviatt and McDougall, 2005).

The benefits that SMEs can realise from the value chain are often linked to intangible elements, and are affected by the SMEs’ position and intervention mode within the GVC. The considerable spread of subcontracting in GVCs is an example: it increases SMEs’ access to business opportunities (Ellis, 2000, 2011; Sharma and Blomstermo, 2003), ensuring more stability in the volume of work (OECD, 2008) and allows them to engage in more complementary activities with final firms, thus improving their performance (Giovannetti, 2014). Participation in GVCs as a subcontractor is less costly than entering as an individual small-scale producer, thanks to the intermediary role assured by the contractor. Moreover, firms become able to devote extra resources to downstream activities after offshoring technical and administrative services (Di Gregorio et al., 2008). The virtuous cycles generated by GVCs provide smaller partners with capabilities to offer increasingly important services to the GVC, but also to engage in GVCs with other partners, to access new market niches, or even to better service their domestic customers (OECD, 2014). Other modes may be equally or even more effective: Giovannetti (2014) showed that the benefits deriving from the participation in supply chains are particularly apparent for downstream firms (such as final-good producers) and firms with self-designed proprietary products, compared to upstream firms or subcontractors. Furthermore, companies can in some occasions benefit from their subsidiaries in terms of knowledge and practice learning (Le Borgne-Larivière and Schier, 2010).

A survey among Canadian SMEs (Krywulak and Kukushkin, 2009) confirmed that, for both experienced SME suppliers and those looking to become MNEs’ suppliers, the collaboration with a larger MNE is often a way to increase profits and growth in the short term, and to create a solid reputation and commitment in the longer term. Moreover, SMEs aiming at becoming suppliers place emphasis on accessing expertise, advice and financing from potential partners. Relevant aspects that SME suppliers look for in their MNE partners correspond to solid firm reputation, long-term commitment to suppliers, a good management team, good MNE-SME relationships, strong growth potential, large volume of business, effective communication and fast turnaround on payments (Krywulak and Kukushkin, 2009).

However, (small) firms often face specific challenges for participating in and meeting the requirements of GVCs (OECD, 2008, 2013a and 2014). They may lack the necessary managerial resources and capacity to comply with the conditions mentioned above, as well as the capacity to understand the structure, characteristics and dynamics of the GVC(s), which are typically complex. Difficulties relate mainly to the access to information on GVCs, the identification of their competitive strengths, the availability of resources, the compliance with product quality standards, the protection of intellectual property rights and in-house technology, the power within the GVCs, and the competition with larger companies. Moreover, in cases where tasks are easily replicable, SMEs are under constant need to maintain process efficiency and product quality, under the threat of numerous potential substitutes (Avendaño et al., 2013).

From an operational perspective, getting the attention, connecting and establishing a level of trust with large counterparts is a main challenge that SMEs face, whereby informal networking, trade fairs, industry conferences and cold calls are some of the most effective methods for connecting with MNEs, both for young suppliers (with fewer than 10 years of experience) and SMEs looking to become MNEs’ suppliers (Krywulak and Kukushkin, 2009). Moreover, SMEs looking to become MNEs’ suppliers may be overly optimistic as regards the potential benefits of this collaboration, especially regarding access to new markets.
Role of BGs within GVCs
Focusing on the role of BGs in GVCs, and building on Porter’s value chain model (1985), Oviatt and McDougall (1994) propose a classification of BGs according to the number of value chain activities that are coordinated and by the number of countries entered, as summarised in figure 4.

Figure 4: Types of BGs according to activities and countries

Source: Eurofound based on Oviatt and McDougall, 1994

New international market makers (quadrants I and II) are an age-old type of firm, trading goods from nations where they are supplied to nations where they are demanded. The most important value chain activities are the systems and knowledge of inbound and outbound logistics, while transactions involving other activities are usually governed by alternative structures, and FDI is rarely used.

The advantage of such companies exists in their ability to discover imbalances of resources between countries and in creating markets where none existed previously. Sustained competitive advantage depends on the identification and action on emerging opportunities, the knowledge of markets and suppliers, and the ability to attract and maintain a loyal network of business associates. New international market makers may be either export/import start-ups or multinational traders. Export/import start-ups focus on serving a few countries with which the entrepreneur is familiar. Multinational traders serve an array of countries and are constantly scanning for trading opportunities where their networks are established or where they can quickly be established.

Geographically focused start-ups (quadrant III) derive advantages by serving the specialised needs of a particular region of the world through the use of foreign resources. They are different from the multinational traders as they are geographically restricted to the location of the specialised need, and other activities besides inbound and outbound logistics are coordinated. This latter respect is the only difference they have from the export/import start-ups.

Thus, the competitive advantage lies in the coordination of multiple value chain activities, relating for instance to technological development, human resources and production, and successful coordination can be difficult to imitate given its social complexity, or the involvement of tacit knowledge. This advantage may be further enhanced and protected through a close, exclusive network of alliances in the targeted geographical area.
Global start-ups (quadrant IV) are the strongest manifestation of BGs, and the competitive advantage derives from broad coordination among multiple organisational activities, which are not geographically restricted. These firms are in the position to face globalising markets, and to be proactive in terms of opportunities to acquire resources and to sell outputs in the most relevant geographic area in terms of value.

Global start-ups can be a complicated model to develop, since they need to be skilled in both geographic and activity coordination aspects. ‘However, once successfully established, they appear to have the most sustainable competitive advantages due to a combination of historically unique, causally ambiguous, and socially complex inimitability with close network alliances in multiple countries’ (Oviatt and McDougall, 1994).

BGs’ networks types, creation and development

BGs are commonly associated with limited resources and power, and they often internalise only those resources essential to survival, and use other modes of control for the remaining assets (Vesper, 1990).

One of these modes is networking (Coviello and Munro, 1997; Sharma and Blomstermo, 2003; Madsen and Servais, 1997; OECD, 2009), as they, like other SMEs, often do not have the capacity to enter GVCs autonomously (Giovannetti, 2014): ‘players gain access to various kinds of resources that accrue to them by virtue of their engagement in various kinds of relationships. Whereas human capital refers to individual ability, social capital refers to opportunity’ (Burt, 1997). Social capital relates to the sum of the actual and potential resources embedded within, available through, and derived from the network. It thus comprises both the network itself (resources embedded within the network) and the assets that may be mobilised through the network. Networking produces a ‘flow’ of resources, in and out of the firm (Coviello and Cox, 2006), which can be dynamic and reconfigured to meet the firm’s needs (Barney, 1991), and contributes to a series of outcomes for the BG itself and beyond. Moreover, networks enhance firm performance via acquisition of competitive advantages and risk management (Freeman et al, 2006).

BGs can count on existing networks, often resulting from previous international experience and personal contacts of managers, which act as key enablers for firms to enter foreign markets and as a source of network knowledge. The development of relationships with another firm which is part of a network in a foreign market is often described as reactive; that is, the initiative is taken by another actor, such as a customer or supplier (Bell, 1995; Sharma and Blomstermo, 2003), and based on network relationships that exist already (Coviello, 2006; Sharma and Blomstermo, 2003). Among existing networks, some will be ‘fundamental’ (Sullivan-Mort and Weerawardena, 2006), helping the BG’s owner/manager to identify and exploit initial global market opportunities.

Nonetheless, BGs may have no pre-existing internal networks at their start to assist with developing international capabilities and will need to build new networks to initiate internationalisation (Loane and Bell, 2006).

Empirical evidence is limited as regards the process of creation of and entering networks by SMEs and BGs (Schweizer, 2012). Important exceptions are the studies of Coviello (2006) and Coviello and Munro (1997), proposing models of the SMEs’ and BGs’ networks’ evolution over time.

The BG’s entrepreneurial orientation influences the approach used for the management of a firm’s networks, whereby the owners/managers have a critical role in identifying and establishing networks along the firms’ growth process with the objective to exploit market opportunities, respond to market competition and further advance the firm’s growth and internationalisation process (Sullivan-Mort and Weerawardena, 2006). BGs’ networking capability is key to access
the necessary sources of market knowledge and the financial and human resources to perform needed R&D functions and product development that they could not cover otherwise. Once the BGs gain this information and satisfy the related conditions existing in the international markets, they can activate them to rapidly internationalise. The process of network creation and development evolves over time, and so does the BGs’ network capability through a path dependent process (Sullivan-Mort and Weerawardena, 2005).

The framework represented in figure 5 suggests that, along a BG’s growth, its network development depends on two main elements: the accumulation and development of the BG’s resources, and its entrepreneurial behaviour. The internal resource development is relevant as regards the content, structure and centrality of the BG’s network over time, and to develop dynamic capabilities in order to operate in a changing and previously unknown environment. Complementarily, **external networks** represent additional sources through which growing businesses can compensate for the lack of internal resources, by taking advantage of external actors in the network.

**Figure 5: Conceptual framework of BGs’ network development**

![](image)

**Source:** Sepulveda and Gabrielson, 2013

**Actors in BGs’ networks and network ties**

**General considerations**

A network can be considered as a collection of actors consisting of either organisations or individuals that include people, departments or businesses, and their strategic links to others such as family, community as well as financial or business alliances (Coviello and Cox, 2006). Also, these ties may consist of both economic and non-economic bonds, for long or short-term periods (Johansson and Mattsson, 1988).

The selection of the ‘right’ partner is crucial in partnership establishment (Cavusgil and Evirgen, 1997), the main selection criteria mentioned in extant literature being: complementary capabilities, unique competencies, industry attractiveness, capability for quality products, managerial capabilities, financial assets, special skills to learn from the partner, intangible assets, willingness to share experience, previous alliance experience, market knowledge/access, cost of alternatives, partner’s ability to acquire skills, and technical capabilities (Haskell et al, 2016).

Partner-selection criteria for BGs mainly relate to the operational skills and resources the venture requires for competitiveness and those associated with the efficiency and effectiveness of the partners’ cooperation. While analysing partner selection processes, the macro-environment, the industry and the company levels need to be taken into account. The relative importance of each of them is contingent on the context of the BG (Cavusgil and Evirgen, 1997). In addition, the ties
that BGs form in networks are considered firm specific and thus difficult to replicate or imitate (Gilmore et al, 2006). At the same time, the way networks are managed is key for BGs, as ‘resource ownership is likely to lie predominantly with the global interorganizational network rather than be directly owned by the firm’. In addition, as opposed to exclusively exporting, the constellation modes that normally imply a continuous communication and coordination with foreign market counterparts are observed to be key for BGs’ access to information and knowledge on foreign markets (Stoian et al, 2017).

The choice of one global multinational corporation partner (‘MNC’ in figure 6) over another seems to be based on the added-value offered by MNE constellations and BGs’ expectations of capturing value directly, in the form of financial returns, and indirectly, by accessing the MNE’s market reach, reputation, and technology leadership domains (Vapola, 2010).

Figure 6: MNE’s attractiveness as a partner firm for start-ups

![Diagram](source: Vapola, 2010)

Strong relationships with large foreign partners can help to overcome constraints to rapid internationalisation, such as lack of economies of scale, and insufficient financial and knowledge resources (Freeman et al, 2006). Given their limited resources to scale up their service operations for their globally spread customers, BGs may need to rely on external partners to perform both upstream and downstream activities. This would translate into collaborations with key suppliers, subcontractors and complementary product providers, as well as raw material and standard component suppliers, among others. MNEs can act as ‘system integrators’ and/or distribute BGs’ products and services (Gabrielsson and Kirpalani, 2004). In this respect, it should be noted that:

- Different types of sourcing networks of BGs exist, and are distinctive in terms of their roles and contribution in the overall business concept, according to their level of replaceability (to which extent the BG depends on a specific supplier) and geographic location (Partanen and Servais, 2012). Complexity is a key dimension for a firm to position and evolve in the GVC. The degree of cooperation between firms can be interpreted as a function of the complexity of the product or service, and cooperation tends to be lower in the case of manufacturing simple components and higher in more complex products (OECD, 2008). Generally, subcontractors, complementary product providers, and raw material and standard component suppliers can easily be replaced, confirming that geographical
proximity between BGs and their sourcing partners has only limited importance: ‘well-performing markets and the availability of the specific component or material enables BGs to seek cost-efficient partners regardless of where they are located’ (Partanen and Servais, 2012).

- On the other hand, **key suppliers** can also contribute to the cost efficiency, quality and responsiveness and innovation activity of SMEs. BGs and suppliers often mutually acknowledge the relevance of this collaboration for their success in the marketplace, as they can reach a higher number of customers than what they could do separately.

- Finally, the category of **complementary product providers** is also valuable, as ‘these actors complement the resource pool of a born global firm by providing products outside the born global’s competency domain and, as a consequence, satisfy the needs of a demanding global clientele’ (Partanen and Servais, 2012).

**BGs and large MNEs**

The **relationship between MNEs and BGs** deserves special attention, especially because it is not always homogenous in terms of benefits of power distribution.

In the case of **high technological content** and experience, for instance, cooperation between MNEs and BGs can demand collaborative relationships that can allow rapid transfer and creation of new knowledge, process development, generation of a shared research competence and even technology transfer. This can support competitiveness and speed against competitors and create co-dependency between the MNE and the BG while generating common mutual benefits from these trade deals (Coviello and Munro, 1995). Such collaboration often derives from the willingness of both partners to engage in a committed long-term relationship.

Similarly, a BG may form a collaborative strategy with a large company to help with a new **product speed** to market. This can happen in cases where the large MNE is in an urgent need of a specialised product, and relying on a BG within its network for the provision of this product may be the key to success in a specified market in terms of time. Here, BGs benefit from the larger company’s network whilst they themselves are relied upon for their speed and flexibility (Coviello and Munro, 1995).

Nonetheless, evolution of these situations and collaboration models could prove riskier for BGs than for other actors. As an example, as a consequence of the development of GVCs, large companies **demand more** of their partners, that is not only to manufacture a product or provide a service, but also to contribute to its development, to organise and monitor a network of sub-suppliers, to implement internal systems of quality control and assure compliance with an increasing set of standards, and to ensure delivery and quality at competitive costs. The diversification and intensification of subcontracted tasks can, in certain occasions, even result in pressure on SMEs and BGs to merge in order to achieve the critical dimension necessary to support R&D costs, training of personnel, control of firms in lower tiers of the chains, and fulfilment of requirements in terms of standards and quality. ‘One particular challenge for SME participation comes from the pressures of lead firms to push inventory costs down on the suppliers. For larger firms or those with secure financing, the costs of holding inventory might be manageable. For SMEs, these costs are prohibitive’ (Fung Global Institute et al, 2013).

Other ‘risky’ situations for BGs can occur when **large institutional buyers** seek specialised products/services and purchase them directly from BGs. If the quantity of products is high, these large MNEs may require a volume discount. These would generate a trade-off between high sales - beneficial for BGs - and low margins - risky because they do not allow for reinvestment (Gabrielsson and Kirpalani, 2004). Moreover, production capacities might also not be sufficient,
and if the BGs increase them on demand of the single client, this could be very risky to them (Eurofound, 2013).

Additionally, in some occasions partners may act opportunistically, for example aiming at asset appropriation by forming a relationship specifically for the acquisition of knowledge, and then turning to competitors. An example is large companies’ formation of predatory alliances with young high-technology start-ups, with the objective to absorb the smaller company’s technological knowhow (Oviatt and McDougall, 1994). An excessive reliance of BGs on larger partners during expansion can also create, or increase, differences in terms of power and influence in decision-making processes.

From a large MNEs’ perspective, other concerns relate to the sustainability of the relationship with BGs, mainly regarding the extent to which the large MNE’s activities should be subcontracted or outsourced within the network (Stoian and Ghauri, 2015).

**BGs’ network ties**

Network analysis gives special attention to the network ties (a combination of amount of time, emotional intensity, intimacy, reciprocity of services), and especially the ‘tie-strength’ (Granovetter, 1973), which can be considered as the importance and degree of influence existing between a company and a certain relationship, in either direction (Coviello, 2006). Weak network ties allow connections between companies which are distant and otherwise disconnected, without requiring the co-development of a common and similar knowledge base over a long period as a prerequisite to cooperate. On the contrary, strong ties can restrict access to network unconnected resources and prevent members from consorting with non-members (Sepulveda and Gabrielsson, 2013).

Weak ties seem to be beneficial for BGs as they provide them with access to novel information, new or unconnected network actors, and new information flows and are less costly to maintain than strong ties (Sepulveda and Gabrielsson, 2013). Moreover, they are more supportive towards adaptive behaviours that BGs can adopt, as opposed to them relying on previous knowledge and decisions (Sharma and Blomstermo, 2003). From a different perspective, strong ties could be favourable by protecting BGs from potential competitors or substitutes in the network/GVC. Indeed, evidence does not allow identifying a clear and single pattern as regards the nature of BGs ties, that vary in each individual case (Coviello, 2006). As an example, Sepulveda and Gabrielsson (2013) observed the prevalence of a mix of tie-strength in relationships, but that BGs ‘worked to achieve a mix of relationships in which strong ties would eventually predominate - regardless of which tie-strength was dominant in the early stages’ (Sepulveda and Gabrielsson, 2013). Overall, it is important to acknowledge that the nature of the network ties of BGs changes over time.

**BGs’ networks and access to markets**

The analysis of BGs’ relationships with other actors can shed light on a number of aspects related to the selection and access to global markets, and the relating roles and activities performed by BGs:

- Concerning the geographic target areas and partners, Fernhaber and Li (2013) posit that new ventures focus increasingly less on geographically proximate firms (informal relationship) over time, being these more important among young new ventures. On the other hand, as the age of the company increases, so does the focus on alliance partners (formal relationship), as they are supposed to provide greater resources and reduce environmental uncertainty.
The selection of the **channels to market** is equally fundamental, as they need to ‘have global reach and deliver large enough revenue and cash flow rapidly, for the born global firm to flourish and grow’ (Gabrielson and Kirpalani, 2004). The **entry modes** and foreign market selection implemented by BGs strongly depend on the opportunities created through network contacts, rather than from purely managerial decisions (Coviello, 2006) or the firm’s international experience, as the market entry strategy is defined by the interplay between the company and the actors in the foreign market (Johanson and Vahlne, 1992). As an example, strong host country networks can increase the firm’s orientation to choose equity entry modes when asset specificity is low (Maekelburger et al, 2012). Relationships also affect changes implemented by companies in foreign markets, thus defining their evolutionary process.

Regarding the **activities** in the GVC, small firms and BGs may begin their international expansion with any type of value chain activity. Nonetheless, some studies highlight that the most typical path for SME entry into GVCs is by selling their goods and services to larger, multinational firms (OECD, 2014). These opportunities relate to the globalisation of value chains and the deriving disengagement of lead companies from several stages of production along the value chain, which has implied the transfer of greater responsibilities to subcontractors (OECD, 2008). Cooperation has proved to enhance firm and market upgrading (Avendaño et al, 2013), improving the position of the firm within the GVC and lowering the risks related to competition. The effects are heterogeneous across forms of GVC governance.

**Networks to access knowledge and support innovation**

Using a strong network to the firm’s advantage (Freeman et al, 2006) is particularly relevant as a solution to the **liability of outsidership** characterising internationalising small firms, whereby an outsider firm does not belong to a network of relationship that would have provided opportunities for learning, trust-building and commitment.

Networks are relevant for BGs’ absorptive capability, which is the ‘ability of the firm to recognize the value of new, external information, assimilate it, and apply it to commercial ends’ (Cohen and Levinthal, 1990). Building on the understanding of **knowledge acquisition** as a key focus of BGs for achievement of competitive advantage and survival (Freeman et al, 2010), for BGs it is key to maintain sustainable relationships in order to get access to new knowledge (Stoian and Ghauri, 2015, Sullivan-Mort and Weerawardena, 2006).

Since the information needs vary at different stages of internationalisation, managers usually devote their attention to different sources and expose the BG to different network relationships. BGs use networks for **business development**, to lower the risks that they face through the acquisition of knowledge and information about foreign markets, to obtain specific intelligence about the target markets, to identify opportunities, to gather information from the external environment, to acquire general knowledge to make sure that they are following a good path for survival and success, and to spot additional opportunities in the new markets or abroad (Sharma and Blomstermo, 2003). This can support to shape the products and services for the foreign market, to be more active in them and to realise higher sales (Boari et al, 2005).

International exposure from alliance partners can enable BGs to access key knowledge or opportunities which could be difficult to access otherwise. If explicit knowledge such as market size or foreign market regulations can be gathered through informal social contacts, alliances are more relevant for the acquisition of required tacit knowledge. This can also be achieved by
interacting with local and international networks, hiring new staff or contracting business partners with knowledge of the new markets (Coviello, 2006).

**Innovation and R&D** also cover special relevance in the shape of BGs’ networking activities (combination between fast technological change and need to innovate under limited resources and time pressure). BGs show a strong tendency towards the formation of open innovation networks, that is the networked organisation of firms’ innovation activities, which results from a combination of outsourcing and offshoring of R&D and other innovation inputs. According to Zijdemans and Tanev (2014) ‘under these circumstances, networks with hierarchies are not efficient enough, which often forces the firms to engage in open innovation initiatives and networked R&D activities catering to more flexibility, fast access to information, and high responsiveness’. Falize and Coeurderoy (2012) stress that ‘this sharing of technology, capital, between firms, universities, incubators, and partners within the Global Innovation Network opens up an array of opportunities that would otherwise not be available to internationalising SMEs’.

In addition, findings from some OECD case studies (OECD, 2008) show that SMEs’ location in a **cluster** boosts cooperation and facilitates technology upgrading to the benefit of internationalisation. Clustered firms can increase their extra-regional sales and purchases. Nonetheless, the choice of the type of cluster and network also seems to play a role in terms of the benefits SMEs can get from that cooperation (Elo, 2016).

**BGs’ networks beyond initial growth**

Networks do not only have a central role in the early internationalisation of BGs. They are ‘a dynamic source of resources that support BGs’ survival, internationalization and growth well beyond their initial stages’ (Sepulveda and Gabrielsson, 2013). BGs’ networks evolve in order to adapt to the changing resource types and needs of BGs. Similarly, the evolution of GVCs also affects the international behaviour of companies.

The BGs’ internal resources’ accumulation and evolution, and their entrepreneurial behaviour, indeed influence **networks’ development** (Sepulveda and Gabrielsson, 2013). Resource accumulation influences network characteristics, such as its content, centrality, and tie-strength. Moreover, the life cycle of the company also plays a role, and it would be of interest to understand ‘how the resource dynamic patterns impact performance over time’ (Coviello, 2006).

For example, start-ups investing in external network development at the cost of internal capability development risk not being successful in the long term (Lee et al, 2001).

These changes in the networks over time, from conception to internationalisation and growth, can be related to various aspects (Coviello, 2006). **Network range** (the size of the BG’s network determined by a count of the number of ties to other actors) will tend to increase over time - probably up to a point where the network achieves an ideal size and still serves the BGs’ scope. Although network relationships support BGs in their early and rapid internationalisation, in the longer term they may hinder further market expansion efforts, especially in cases where the company strongly depends on a main, large buyer (Sullivan-Mort and Weerawardena, 2005) or on its ‘supply network of licensees, dealers, and distributors operating in various host countries’ (Okoroafo et al, 2014).

As a result of firm growth and the related resource development, the **role** of the BG’s network tends to be strengthened as regards its bridging role between actors. In parallel, the **network content** usually becomes progressively more strategic over time (Sepulveda and Gabrielsson, 2013): the firms increasingly engage in business relationships with key strategic firms, strengthen their position and reputation in GVCs, and gain more knowledge and stronger influence in the policy context. **Network interactions** will be mainly based on economic ties, and to a lesser extent on social ties, and the duration of each tie will depend on the contribution and commitment of each of these relationships (Coviello, 2006).
3. Internationalisation of EU SMEs

Involvement in international business

According to the Eurobarometer survey (European Commission, 2015a), around half of SMEs (52%) in the EU are involved in international business, either inside or outside the Single Market, ranging from the highest proportions in Cyprus (62%), Latvia (52%) and Austria (51%) to the lowest ones in Bulgaria (16%), Estonia (13%) and Italy (12%). These data have a certain coherence with the results of the EIM (2010) survey, where 44% of SMEs were engaged in at least one type of international activity (among exports, imports, foreign investment, technological cooperation with enterprises abroad, subcontracting to a foreign main contractor, and having foreign subcontractors). The EIM results also showed that the smaller the country, the larger the share of SMEs with international activities.

As displayed in figure 7, the Eurobarometer survey (European Commission, 2015a) shows that imports (39%) and exports (33%) are the far most common internationalisation activities. Moreover, 16% of companies have used a subcontractor based abroad, while 13% have worked as a subcontractor for a company based abroad. International activities are much lower when it comes to working on R&D with a partner based abroad (8%), or investing in a company based abroad (4%). These results are coherent with the findings from the EIM survey (2010), showing slightly more conservative values, probably due also to the context of economic depression that characterised Europe in the years 2007-2009: 30% of SMEs reported to be engaged in imports, 26% in exports, while less than 10% of SMEs were engaged in each of the other types of international activity.

Figure 7: Internationalisation activities of EU SMEs

The Eurobarometer survey (European Commission, 2015a) data show that, during the period 2012-2014, European SMEs overall were significantly more likely to have been engaged in business activity inside the Single Market than outside.

While overall 39% of the SMEs imported from another country in 2012-2014, 36% did so from another EU country, while 19% imported from a non-EU country (European Commission, 2015a;
multiple answers possible). Specifically, China (19%) is the second most important source of imports for EU SMEs, followed by the USA (14%) and India and South East Asia (11%). 70% of non-importing companies said that they would probably never import in the future.

While 33% of EU SMEs exported, 30% did so within the Single Market, and 20% exported outside the Single Market.

The EU was the main destination of goods or services for SMEs that export (81%), followed by Middle East and North Africa (15%), Eastern Europe, Caucasus and Balkans (14%), the USA (13%), 11% exported to India and South East Asia, and to China, Russia or Latin America (all 10%). (European Commission, 2015a; multiple responses allowed).

In 2012, more than 600,000 EU SMEs exported goods and services to the rest of the world, representing over 80% of the EU exporting firms, accounting for one third of total EU exports and employing over 6 million people in Europe (European Commission, 2015b, based on Fouré et al, 2012).

The value of the intra- and extra-EU exports of goods also shows a higher volume of intra-EU exports (Figure 8).

Figure 8: Intra and extra-EU exports of goods (€ billion)

Source: European Commission, AMECO Database

As highlighted by Blackburn (2016), ‘evidence suggests that there is distance-decay in the exporting intentions and activity of SMEs and those that do export only do so to a few countries’. Cernat et al (2014) stress that 60% of all exporting firms export to only one or two extra-EU countries, a proportion that could be even higher for SMEs due to their limited scale and resource base.

74% of the surveyed companies (European Commission, 2015a) said that they would probably never export in the future.

Companies’ age and size

The proportion of internationally active young SMEs (less than four years old) is half of mature firms (over 25 years in operation) (European Commission, 2014a). Figure 9 displays that - with the exception of the small sample of firms founded in 2015 - the international activity as a whole (both in the EU and beyond) increases with the firm’s age.
The Eurobarometer (European Commission, 2015a) results show that 38% of older companies (established before 2008) compared to 30% of younger companies (established between 2008 and 2014) have imported from another country in the EU, and 32% of older companies, versus 23% of younger ones, have exported to another country in the EU. Also beyond the Single Market, older companies are more likely than younger ones to both import (20% versus 15%) and export (21% versus 15%).

Focusing on the youngest companies, import is the main international activity performed (by 31% of SMEs established between 2011 and 2014, and 42% of the ones established in 2015). On the other hand, the engagement in exports seems more complicated, especially for the newly established companies (20% of SMEs established between 2011 and 2014, and 5% of the ones established in 2015). Nonetheless, within ICT and business services, younger firms are more likely to export than in other sectors (European Commission, 2014b).

Interestingly, a higher proportion of youngest companies engage in R&D activities with a partner abroad, when compared to older companies (at least 10% for firms established after 2011, versus approximately 8% of the ones established before).

Data from both the Eurobarometer survey (European Commission, 2015a) and EIM (2010) confirm that, for both imports and exports, firms’ engagement increases with firm size (with the exception of the youngest firms, being only 55 in the Eurobarometer sample).
29% of micro enterprises exported to another EU country in 2012-2014, compared to 43% and 59% of small and medium-sized firms. The values for exports outside the Single Market are 19%, 30% and 45% respectively (European Commission, 2015a). While among the SMEs not exporting the smallest SMEs are the most likely not to export in the future, size does not seem to strongly influence the choice of non-importers to engage in importing activities in the future (European Commission, 2015a).

A direct relationship exists between SMEs’ turnover and the company’s likelihood to have engaged in international activities, both importing and exporting to and from the Single Market and beyond. A small proportion of EU companies with turnover of up to €100,000 have engaged in international activities, consisting mainly of importing from and exporting to another EU country (13% and 8% respectively). On the contrary, the respective values for companies with a turnover above €2 million are 57% and 53%.

Companies’ sector
SMEs’ internationalisation behaviour differs tremendously according to the industry sectors. Sectors with the highest share of exporting SMEs are mining (58%), manufacturing (56%), wholesale trade (54%), research (54%), sales of motor vehicles (53%), and transport and communication (39%) (EIM, 2010). Evidence shows that the proportion of SMEs in manufacturing and retail planning to import from non-EU markets is approximately three times higher than those in services and industry sectors. In terms of foreign destinations, manufacturing SMEs are considered the most active exporters to both inside and outside the Single Market (European Commission, 2015a). Moreover, companies selling goods to other companies are more heavily engaged in international activities than those selling goods or services to consumers.
Most European BGs operate in the service sectors. Moreover, given their export orientation, a higher share of BGs is active in manufacturing when compared to other young enterprises or SMEs in general. The opposite happens in community, social and personal services, agriculture and construction, which have a stronger domestic orientation (Eurofound, 2016).

A type of BG that is receiving growing attention in Europe are young, technological and innovative firms characterised by a strong international attitude and exponential growth. Among European ICT scale-ups, a relevant percentage follows the so-called ‘dual model’ – a phenomenon by which ‘scale-ups initially founded in a European country that subsequently moved their headquarters abroad, while maintaining a strong operational presence (such as R&D activities) in their country of origin’ – being their country of destination typically the US (and in most occasions the Silicon Valley (Onetti, 2017).

**Corporate governance and strategy**

Companies that form part of an international group are significantly more likely to have been involved in business activities in the Single Market and beyond, compared to companies that are independent or part of a national group.

Data from the Community Innovation Survey (CIS) inform about the importance of certain strategies for reaching the company’s goals, and about cooperation with international innovation partners.

Only a minority of innovative small enterprises (10–49 employees) find it very important to develop markets abroad, with higher percentages for cooperation within Europe. The share of small companies considering developing new markets within Europe as highly important varied between 8% in Sweden and 44% in Hungary. Concerning target markets outside Europe, values vary from 8% in Slovakia to 28% in Portugal.

The share of small enterprises (10–49 employees) that cooperate with any type of innovation partner in Europe varies from 50% in Cyprus (followed by other small countries: Belgium – 43.3%, Slovenia – 40.3% and Austria – 37.6%) to 10.9% in Italy (preceded by Bulgaria – 13.1%, Malta – 13.3% and Portugal – 13.7%).

As far as the cooperation with India or China is concerned, shares vary between 0 in Luxembourg and Romania and 4.9% in Lithuania.

Taking medium-sized enterprises (50-249 employees) into account, the share of enterprises cooperating with at least one innovation partner in Europe varies from 62% in Slovakia (followed by Cyprus - 60.9%, Estonia – 54.5% and Belgium – 53.5%) to 15.7% in Italy (preceded by Bulgaria – 16.5% and Malta–18.7%).

Concerning cooperation with India or China, shares vary from less than 1% in Italy and Romania to 8.3% in Sweden.

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5 The Community Innovation Survey (CIS) is carried out with two years’ frequency by EU Member States and a number of ESS member countries. The CIS is a survey of innovation activity in enterprises and provides information on the innovativeness of sectors by type of enterprises, on the different types of innovation and on various aspects of the development of an innovation, including the cooperation with innovation partners. Most recent data available at the time of writing are from 2012. Limitations of the data include the following: data are available for most countries but not for the whole of EU28; data are not available for micro enterprises; data are not available by specific types of cooperation partners. Available at [http://ec.europa.eu/eurostat/web/microdata/community-innovation-survey](http://ec.europa.eu/eurostat/web/microdata/community-innovation-survey)
4. Influence factors of (SMEs’) internationalisation

Overview

A number of factors influence the internationalisation choices and processes of companies. Different studies classify them as barriers and drivers for internationalisation, but in different situations these can cause both positive and negative effects on the motivation for companies’ internationalisation. Other classifications refer to SMEs’ internationalisation motives as internal and external, proactive and reactive.

Internal factors mainly correspond to differential firm advantages, networks, available production capacity, accumulated unsold inventory, and economies resulting from additional orders. External factors consist of foreign country regulations, availability of foreign market information, increased competition, value chain advantages, export promotion programmes, profit and growth opportunities, and serendipitous events including receipt of unsolicited orders, among others (Crick, 2007).

Complementarily, proactive motives are based on internal decisions of the company, and on its interests in using specific competencies or market opportunities, based on its available bundle of resources (Kubičková et al, 2014). The main types of proactive motives consist of profit and growth objectives, managerial initiatives, technological competences, uniqueness of the product, foreign market opportunities, market information, economies of scale, and tax benefits (Hollensen, 2008). Reactive motives, in contrast, mainly derive from pressures or threats in the domestic or foreign markets, or even in the internal environment of the enterprise, such as competitive pressure, small domestic market and lack of domestic demand, overproduction or excess capacity, unsolicited foreign orders, possibility to extend sales of seasonal products, and proximity to international customers or psychological distance (Hollensen, 2008).

The section below displays an overview of the main influence and motivational factors identified in the literature review, presenting a general description derived from existing research on SMEs, and specificities on BGs.

Resource base and firm’s size and age

According to the resource-based view, firms can be considered as a bundle of resources (Barney, 1991) which include people, financial, technological and managerial assets. Given the resource heterogeneity, this bundle is unique to each firm and creates a basis for its competitive advantage. A shortage of any of these assets can lead to resource-related barriers (Kahiya, 2013).

The most likely factors hindering SMEs’ international activity relate to the internal resource base, including the lack of financial resources, partially deriving from the shortage of creditors willing to support small firms and limitations pertaining to short-term financing; labour skill shortages and the impossibility to attract the same skilled work force that large firms can, as the latter can offer better employment conditions and career perspectives; the cost of doing international business, including the high interest rate payments and administrative costs to

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6 A key source is the literature review performed by Falk at al (2014). Their analysis is based on the classification proposed by Leonidou (2004 and 2007) of internal and external barriers and drivers. The focus on endogenous and exogenous factors is also adopted by the European Commission and the European Parliament (2016), which distinguish between the factors that influence SMEs’ internationalisation decisions as firm-specific (that is, firm size and age; available human resources, labour productivity and skill intensity; reputational resources, trust and credibility; physical and financial resources; knowledge and innovation; and foreign ownership) and external factors (home- and host-country characteristics such as export promotion programmes, costs and time involved in exporting, and transport costs; tariffs, regulations and administration; standards and IPR; political risk factors; and geographical and cultural distance, among others). As stated in the EIM report (2010), ‘the two types of barriers are closely related: the bigger the enterprise's resources the easier it is to deal with external barriers’.
comply with various governmental regulations; but also the specification of the firm’s products, physical productive capacity constraints and language barriers (EIM, 2010; Falk et al, 2014 and OECD, 2009). The latter, though, were not found to be a major problem for already internationally active SMEs, although still perceived as an important barrier by SMEs planning to go international (EIM, 2010 and European Commission, 2015a).

Accordingly, the size of SMEs is one of the key aspects determining their international capabilities and activity level and, despite its positive effects in terms of flexibility, barriers to internationalisation are systematically higher for SMEs than for larger companies (Falk et al, 2014). Large firms can usually find economies of scale to address the barriers, whilst SMEs must overcome the ‘liability of smallness’ (Oviatt and McDougall, 1995).

In certain occasions, the relatively small size of many European SMEs can prevent them to venture beyond their regional or national market. ‘The smaller the company, the greater its difficulty in investing in innovation, exporting and integrating global value chains, thus compromising their competitiveness’ (European Commission, 2014c). The average SME is smaller in Europe than in the USA and differences exist also between SME sizes within the EU, where, as an example, the average SME in Germany has 7.6 workers, compared to 3.6 workers in Spain and 3.2 in Italy (European Commission, 2014c).

As a reaction to the resource constraints, growth motives and perceived opportunities associated with international markets are one of the key drivers for SMEs’ internationalisation. Resource seeking efforts can focus on different aspects, including physical and labour resources. The firms’ internationalisation decision also seems to be motivated by a need to achieve business growth, profits, an increased market size, a stronger market position, and to reduce dependence on a single or smaller number of markets (OECD, 2009).

Considering the company age, the Uppsala model observes that the internationalisation process increases in a gradual and evolutionary manner, whereby the decision to internationalise is influenced mainly by the age and size of the company. This derives from the observation that the older the company, the more its resources and capabilities. Age and size do not have the same effects in the case of BGs, whose young age has indeed been confirmed as an impetus to internationalise (Oviatt and McDougall, 1995). This is mainly related to the new venture’s ‘advantage of newness’, whereby younger firms appear to be more able and flexible to learn and adapt to changes in the business environment than more mature firms (Autio et al, 2000).

**Finance and capital**

In comparison to large MNEs with higher cash flow, turnover and asset levels, SMEs have greater financial and working capital barriers. Consistent with relatively higher costs deriving from the information asymmetry on finance opportunities, younger and smaller firms are relatively more likely to need external financial capital, but also to experience higher refusal rates as regards their applications for commercial loans (Riding et al, 2012). These issues usually grow alongside their levels of international exposure.

Moreover, banks and other financers tend to prefer lending to domestic firms, while for SMEs undertaking FDI a lack of collateral makes foreign investment or financing more difficult, given the technological and technical risks associated with the internationalisation projects – which adds to the viability issues that are traditionally associated with SMEs (Love and Roper, 2015).

This seems to be confirmed also in the case of European companies. On one hand, the results of surveys to Euro area enterprises (covering both domestically-oriented and international companies) show access to finance as a less important impediment to the businesses as compared to finding customers, the availability of skilled labour, increases in costs of production and labour, competitive pressures and regulation (European Central Bank, 2016b). On the other hand, fixed costs of entry in export markets, difficulties to access capital and market failures specific to
the activities of SMEs often discourage European SMEs to internationalise (European Commission, 2015c), and the inaugural capacity of the firm may depend on the availability of external financing (Riding et al, 2012).

Access to finance is thus a particular concern for those companies undertaking or planning to undertake international operations. While too large financial investment are perceived as the fourth most relevant barrier by internationally active European SMEs, they are reported to be the major barrier to internationalisation by SMEs planning to go international (European Commission, 2015c). Moreover, the perception of the barriers related to access to finance is stronger among EU SMEs that only export outside the Single Market as compared to the ones only exporting inside the EU (European Commission, 2015c). Focusing on the barriers existing in the Single Market, 75% of companies (Eurochambres, 2015) identified ‘concerns about payment recovery’ as a key barrier for their operations.

In the specific case of BGs, given the limited personal and private resources at the disposal of the owner at the inception stage, companies are likely to have strong financing needs. Moreover, they are observed to face stronger problems related to the lack of capital requirements and disadvantages in regard to accessing operating and term loans when compared with their more established counterparts (OECD, 2009), as they usually require specific financing products that take into account the provision of risk or other forms of venture capital with the risks associated to the exporting activities. Private investors, venture capitalists and governmental support are some of their most common sources of funding (Murremäki, 2010).

In Europe, the fragmentation of the Single Market for capital affects BGs more heavily than other companies, as these financial products are not equally available in all Member States. In addition, BGs report special difficulties of access to finance even in those Member States having a more diversified availability of financial products (Eurofound, 2016).

**Information and knowledge**

The knowledge a firm possesses can be a strong driver to internationalisation, especially if it constitutes the basis of its competitive advantage (Gassman and Keup, 2007).

Moreover, in the international market, SMEs must seek, capture, retain and capitalise upon knowledge and information, and main obstacles can relate to market analysis, finding international market data, business opportunities for firm’s products abroad and customer contact (Leonidou, 2004). **Access to information** is indeed perceived as a key obstacle for the cross-border activity of companies within the Single Market (Eurochambres, 2015): 81% and 74% of surveyed businesses indicated the ‘inaccessibility of information on rules and requirements’ and ‘insufficient legal/financial information about potential business partners in other countries’ respectively as relevant obstacles.

SMEs can suffer from limited capacity to understand the **characteristics of their GVCs**, which can depend on the role and position that the SME has within the GVCs (especially when occupying a low position in the GVC), the characteristics of the sector and the complexity of the GVCs themselves (OECD, 2008, 2013a and 2014). Evidence from OECD case studies (OECD, 2008) shows that most SMEs acting as sub-suppliers for tier 1 companies (tier 1 companies being the ones providing products/services directly to the main contractor) suffer from poor or insufficient information flow, as they rely mostly on information transmitted from other suppliers working at levels between them and the contractor. In other occasions, close cooperation is observed between these firms, whereby tier 1 firms assist their sub-suppliers to improve the quality of their offer. Nonetheless, this usually happens when required as part of their contractual obligations to the main contractor.

**Search for knowledge** assets may also pull SMEs into international markets, and internationalisation and complexity in international market would become both a competitiveness
factor and a learning process (Elo, 2016; Zijdemans and Tanev, 2014). The internationalisation process itself can have ‘triggering effects of knowledge aspects, including R&D investment, innovation capabilities, unique product or technology, and language skills; and firm resource base’ (OECD, 2009), including the capacity to manage human resources (Leonidou, 1995, identifies inadequate or poorly trained staff as barriers to export).

In terms of learning approaches, contemporary literature distinguishes between interactive and non-interactive forms of learning. In the case of SMEs, Love and Roper (2015) recall three key channels through which companies obtain external knowledge useful for internationalising: the ‘being there’ (firms benefiting from unpriced local knowledge), ‘openness’ (deliberate partnering choice in order to acquire technical and market knowledge) and ‘learning by exporting’ (through the internationalisation activities).

The channels above can be used with different timings and speeds. Two main different views exist as regards the ways to overcome the knowledge constraints (Kahiyah, 2013): firms will learn progressively through practice, or they will overcome the obstacles before starting internationalising and through a quick, intense learning process.

The first, traditional view refers to learning as a path-dependent, progressive and evolutionary process that happens throughout a long process (‘absorptive capacity’; Cohen and Levinthal, 1990). Here, knowledge absorption is seen as an antecedent to internationalisation (Eriksson and Chetty, 2003).

Vice versa, in the case of BGs, a faster learning process occurs, especially with respect to foreign markets, international opportunities, potential customers and operations in foreign markets (Knight and Cavusgil, 1996; Oviatt and McDougall, 2005). Due to their young age, BGs cannot seek to acquire knowledge through the usual method of absorption, instead they must develop other methods to learn quickly about how to market and operate in foreign markets (Knight and Cavusgil, 1996; Oviatt and McDougall, 2005; Fernandes Crespo et al, 2015), being their learning capability a crucial factor for the internationalisation process (Weerawardena et al, 2007). The acquisition and creation of knowledge and its high mobility might be one of the key explanatory factors as regards the reason why knowledge-intensive industries have been globalising fast, ‘and why a new venture with valuable knowledge is propelled to instant rather than evolutionary internationalization’ (Oviatt and McDougall, 2005).

The success of SMEs, particularly high tech, in foreign markets is also related to their capacity to protect their intellectual property from opportunist competitors who can possess greater knowledge of local regulations and business rules (Falize and Coeurderoy, 2012). The main forms to protect the commercial value of the knowledge-base (innovation, technology and/or exclusive design) can consist of direct protection (patents or copyrights), secrecy (trade secrets), or licencing. Compared to larger companies, SMEs may be disadvantaged as regards property rights frameworks given the costs related to registration and protection, and have typically fewer patents. Forming part of a large MNE can allow to better capitalise and leverage knowledge, apply for more patents and further innovate thanks to the use of this knowledge, while reducing costs thanks to the access to networks and further resources (Blackburn, 2016).

**Human resources**

Data from a recent European survey (Panteia, 2014) suggest that, over the period 2011-2014, there has been improvement in the SMEs’ ability in seeking international customers. However, SMEs have increasing concerns over insufficiently skilled staff. The labour force is indeed a key factor, whereby SMEs with high labour productivity are more likely to be internationally active, irrespective of the mode of internationalisation (Falk et al, 2014). The ‘lack of sufficiently qualified personnel’ has been identified as the fourth most relevant internal barrier to internationalisation by internationally active European SMEs (EIM, 2010). In addition, in a
survey on the main barriers for businesses in the Single Market (Eurochambres, 2015), obstacles for the recognition of professional qualifications and obstacles related to the temporary posting of workers to another country were indicated as relevant by more than half of the surveyed companies (55% and 52% respectively).

**Management**

Founders and managers of SMEs exercise considerable influence on a firm’s internationalisation process and patterns through their experience and demographic and subjective characteristics (Ciravegna et al, 2014; Fernandes Crespo et al, 2015).

As regards **demographic characteristics**, founders’ and managers’ age and educational level play a relevant role: younger founders seem to be more likely to become exporters, and some national studies identify manager education as a key determinant of export propensity (Falk et al, 2014).

The **idiosyncratic characteristics and behaviours** of the individuals who make up firms (Jones and Coviello, 2005) are equally relevant, as are subjective characteristics such as risk attitude, perception of costs, perception of effects of international activities, commitment and proactivity as regards the motivation to internationalise or the willingness to devote adequate resources to export-related activities (European Commission, 2014b; Cavusgil and Nevin, 1981).

The **global mindset**, international motivation and firms’ internationalisation seem to be strongly correlated (Kyvic et al, 2013). Export-minded and **internationally oriented** management, with an active commitment from an early stage, is likely to lead the firm to internationalise faster, more intensively as well as into more markets (Ciravegna et al, 2014), and to support the creation of a firm’s operating strategy at an international level (Knight and Cavusgil, 2004). The recognition of external stimuli and new opportunities, and the definition of strategic decisions, are particularly relevant in BGs (Madsen and Servais, 1997).

The availability of spare **managerial time, managerial talent, skills and preparation** of managers helps the processes of learning, knowledge accumulation and networking, which can support the identification of business partners and clients abroad and enhance the quality of control of the orders in foreign markets (European Commission, 2015a). Inadequate managerial knowledge (OECD, 2009) and skills (European Commission, 2007) and lack of vision and control of business operations have been shown to be barriers. The entrepreneurial orientation of BGs is associated with an innovative and proactive approach to internationalisation and, because of their unique entrepreneurial competences and outlook, these companies are faster at making the leap into international markets (Knight and Cavusgil, 2004).

The **international profile and previous international experience** of the firms’ directors (Zucchella et al, 2007), including their proficiency in foreign languages and knowledge of handling export documentation/procedures, can boost the internationalisation processes and speed, and hinder them if they are lacking (European Commission, 2007). Gains in international experience also influence the entry mode choice, supporting the shift from exporting to equity investments (Falk et al, 2014). The perception of barriers to internationalisation also differs between international and nationally-oriented companies, whereby companies only planning to enter foreign markets may have altered perceptions and give them more importance (EIM, 2010). Recruiting staff with international experience for key positions in the company can help facing these issues and generate opportunities for SMEs, and even more so in the case of BGs as, ‘due to their newness, (they) usually lack a knowledge heritage’ (Fernandes Crespo et al, 2015).

**Costs and administrative procedures of internationalisation**

European SMEs operating internationally are affected by costs related to the internationalisation process, where certain operating conditions, foreign restrictions, administrative procedures and
fees, large financial investments and expenses of resolving cross-border complaints and disputes, the price of the products or services of the enterprise, and transport packaging requirements represent major barriers to the internationalisation choice and process (European Commission, 2015a; EIM, 2010). The high cost of internationalisation has indeed been identified by European companies as the second most important internal barrier to internationalisation (EIM, 2010). In addition to the above, the European Commission (2015b) highlighted the need to eliminate existing obstacles not only for exports, but also for imports into the EU, whereby ‘reducing barriers to imports into the EU, eliminating restrictions to exports in third countries and improving the efficiency of logistics and transport services are key objectives to preserve the competitiveness of the EU supply chains’. The reduction of the burdens related to these procedures could help lowering the costs related to the internationalisation process.

Furthermore, fixed costs of internationalisation have a far greater effect on the immediate profitability of small firms, and in some occasions the costs can prove too high for some SMEs to attempt expansion abroad (Wagner, 2007). For this reason, small companies (and especially the opportunity-driven ones) do not only need to evaluate the opportunities and obstacles to internationalisation in their home market, but also to analyse the international opportunities in function of the potential entry and operational barriers in the host market (Etemad, 2014).

**Regulatory requirements and administrative costs**

Characteristics and differences in the legislations and regulations in the home and host market can act as entry barriers, particularly for BGs. Disproportionate regulatory burden in a country could increase the cost of doing business and thus have a negative impact on investment decisions or dislocate investment. Bureaucracy can hamper aspects such as business development, upscaling and job creation in smaller firms, and this can result in limitations in terms of competition (European Commission, 2015d).

Common restrictions encountered by companies correspond to compliance-related documentation such as tariffs, quotas, permits and licences (Kahiya, 2013); high regulatory requirements, for instance in VAT registration, and complicated foreign taxation regimes (NESTA et al, 2015; European Commission, 2015a); differences between national company laws and the consequences in terms of legal or administrative requirements in the destination country; and the costs of the legal advice needed to meet those requirements (Eurochambres, 2015).

The EU single market report (European Commission, 2015c) pays particular attention to these aspects for EU SMEs and BGs, at national and European level. The fragmentation of the Single Market in national markets (with different national regulations) implies additional efforts for SMEs and BGs to market their products or services in Europe and beyond. Regulatory efficiency has not been fully achieved in the EU and complicated administrative procedures are one of the main perceived barriers to European SMEs’ internationalisation, for both exporting and importing activities (European Commission, 2015a). Moreover, those SMEs that do not export indicate that expensive resolving of cross-border complaints and disputes are the second most relevant barrier to their internationalisation.

In addition, the European Commission (2016a) identified a number of potentially trade-restrictive measures (figure 11) applied by non–EU countries.
European countries’ trade is affected mainly by border measures applied by other countries and ‘directly affecting imports and exports, typically through tariff increases, quantitative restrictions, import licensing or through outright trade bans’ (European Commission, 2016a). Moreover, additional types of barriers and restrictions correspond to ‘behind-the-border-measures’, intended as other countries’ internal measures and protectionist trends affecting foreign competition, such as restrictions in public procurement, ‘discriminatory tax measures or other discriminatory provisions favouring local business or requiring local content, registration procedures and other standards and technical requirements’ (European Commission, 2016a). This is often combined with countries supporting their own economic operators with subsidies, incentives and other measures.

These restrictions are identified by both European SMEs trading or planning to trade across borders in Europe (European Commission, 2015d; EIM, 2010). Nonetheless, also in this case the perception of these obstacles varies according to the internationalisation status of the company, whereby non-international European SMEs perceive barriers to cross-border expansion in Europe more intensively than internationally active European SMEs (European Commission, 2015a and e). This could suggest that SMEs without international experience may lack confidence and information to enter foreign markets and to deal with foreign regulations (European Commission, 2015d).

Regulatory barriers can also be encountered in the field of staff management. As relevant examples, the temporary posting of workers is often subject to the compliance with burdensome formalities (paperwork, registration obligations and fees charged). Although posting workers is supported by the Single Market, these barriers are observed also across the EU Member States (European Commission, 2015d). Insurance obligations are another example: within the Single Market, Member States follow different approaches, generating legal uncertainty and hindering international expansion. This also happens as regards staff recruitment, since lengthy and complicated application processes in migration legislation ‘make it difficult for (companies) to recruit international talents from outside the EU’ (European Commission, 2015b), a process which is often key for BGs to respond to lack of skills in the home market (Eurofound, 2016).

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7 A detailed ‘Overview of potentially trade restrictive measures identified between 2008 and end 2015’ was published by the European Commission in May 2016: [http://trade.ec.europa.eu/doclib/docs/2016/may/tradoc_154568.pdf](http://trade.ec.europa.eu/doclib/docs/2016/may/tradoc_154568.pdf)
Inefficiencies in the regulatory framework seem to affect SMEs in a more intense way. This could also derive from the fact that the business environment (regulations, taxations, etc.) may in some occasions be mainly oriented to large companies (20th McGill International Entrepreneurship Conference).

As opposed to complicated regulatory frameworks, some countries also promote trade facilitating measures, contributing to the ‘liberalisation of global trade flows and to the mitigation of existing protectionist trends … by reducing import or export duties, facilitating import procedures or relaxing foreign ownership limitations. However, they do not qualify as eliminating existing obstacles’ (European Commission, 2016a).

Non-tariff measures and procedural barriers

Non-tariff measures such as foreign technical standards, licensing procedures and certifications seem to affect SMEs disproportionately when compared to larger firms, due to fixed compliance costs that are not proportional to the amount traded and the inability of SMEs to spread these costs over large export values (Cernat et al, 2014).

GVCs operating in a transparent and accountable way can provide support to SMEs in complying with international standards. This is crucial in certain sectors, such as the agro-food industry. Nonetheless, the compliance with strict standards required for participation in GVCs and international markets is difficult and costly. Moreover, the proliferation of private standards set by contractors, and their heterogeneous characteristics, is an additional burden as far as the costs of compliance as concerned (OECD, 2008, 2013a and 2014).

For many products, quality assurance (such as ISO certification) is a prerequisite for internationalisation. Complex custom procedures, export controls, lack of IPR enforcement, lack of clear mechanisms to control the circulation of knowledge and information within the GVCs, differences in standard-related measures and meeting technical regulations and other requirements can be costly as well, and may hinder the competitiveness of SMEs (OECD, 2008, 2013a and 2014).

Firms can also encounter a number of procedural barriers, consisting of operational challenges such as unfamiliar exporting techniques and/or procedures, communication barriers and slow collection of payments in the market abroad (Leonidou, 2004; Narayanan, 2015). Some of these are classified as controllable, as they can be learned with time and (managerial) experience. Nonetheless, other barriers cannot be controlled systematically and may be related to specific unfavourable operating conditions in the host market. These can include the pace of business in the foreign country, unfavourable economic climate overseas, red tape and bureaucracy, political instability, corruption, and risk of expropriation or nationalisation, among others (Kahiya, 2013). In these cases, these barriers often need to be handled on a case-by-case basis, and possibly by relying on external support, such as consulting firms.

Logistics, transport and distribution costs

Difficulties to find suitable distribution channels, to identify reliable distributors and adequate representation in foreign markets, and high distribution and transportation costs represent main barriers to SMEs’ internationalisation. High delivery costs are indeed reported as the second most relevant barrier by the SMEs that took part in the Eurobarometer survey (European Commission, 2015a).

Transport costs may represent a greater obstacle for young and small companies, as they may lack the experience, expertise and reputation to enter complex international supply chains in the least costly manner. This factor can indeed affect the probability of these companies engaging in exporting (Naudé and Matthee, 2011). Moreover, even after the exporting activity has started, its extent can be discouraged by export costs.
A number of factors can influence the transport costs, including the institutional environment (transport policies and regulations), and external and internal geographical determinants. The institutional environment and governance can imply differences when comparing international transport costs, even between the same two countries. Important cost differences can exist between transporting from country ‘A’ to country ‘B’ and transporting from country ‘B’ to country ‘A’; this happens even between geographically close countries, for instance within Europe (20th McGill International Entrepreneurship Conference, 2016). The external factors relate to physical distance from the market, whereby as distance increases, trade volumes decrease and transaction costs increase in terms of ‘additional transport costs of shipping goods, time costs of shipping date-sensitive goods, the costs of contracting at a distance (search costs), costs of obtaining information on remote economies and costs of communicating with distant locations’ (Naudé and Matthee, 2011).

Not only international, but also domestic transport costs matter. Moreover, the internal factors (the internal geography of a country, which can be landlocked or coastal) also affect transport costs, whereby landlocked countries have higher transport costs and lower volumes of trade compared to coastal countries (Naudé and Matthee, 2011). Even with technological advances in transport, certain locations or even entire countries (for instance, some developing countries) continue to be challenged by geography due to being remote from major markets or being landlocked (Naudé and Matthee, 2011).

**Strategic orientation and marketing**

To export successfully, an SME must be able to adapt its strategy to its foreign markets (Leonidou et al, 2007). A clear and applicable marketing strategy has proven to improve a firm’s long-term growth possibilities, increase foreign market knowledge and therefore profitability of export operations (examples reported by Falk et al, 2014). The strategy orientations within the company influence the choice of the internationalisation patterns and SMEs’ survival and performance of firms that enter the international market (McDougall et al, 2003; Zucchella et al, 2007), especially in the case of ‘niche strategies’ (Zucchella et al, 2007) or when combined with innovation and flexibility (Knight and Cavusgil, 2004). Nonetheless, SMEs often lack both the capacity to identify their competitive strengths within the GVC, and the awareness as regards the relevance of this process for their international success. Limited time and resources to focus on these aspects can translate into ‘an insufficient ability to define the adequate business model to gain or reinforce a firm’s competitiveness’ (OECD, 2008).

Namiki (1989) analysed the types of competitive strategies adopted by exporting SMEs, identifying four main approaches. He observed that the so-called ‘segmentation differentiation’ (ability to offer specialised products to specific customer groups) and ‘innovation differentiation’ (ability to offer new and technologically superior products) strategies seem to support higher performance in SMEs, as opposed to ‘marketing differentiation’ (competitive pricing, brand development, control over distribution, advertising and innovation in terms of marketing techniques) and ‘products service’ (quality of the products and services provided to customers).

Having an explicit exporting strategy, systematic planning, preparation and organisation for exporting are some of the strategic factors linked to export success. Cernat et al (2014) recall that most EU exporting firms have a narrow export strategy, since 60% of them depend on exports to only one or two extra-EU markets. This strong concentration is not necessarily beneficial to the company, and a broader export strategy could reduce the exposure to volatility in markets, while enhancing the SMEs’ potential to reach a higher number of international customers. This relates to one of the key features of international firms, that distinguish themselves from domestic ones.

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8 Eurostat Trade by Enterprise Characteristics – TEC, including SMEs
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through a location advantage element: ‘firms are international because they find advantage in transferring some moveable resources (e.g. raw material, knowledge, intermediate products) across a national border to be combined with an immobile, or less mobile, resource or opportunity (e.g., raw material, a market’) (Oviatt and McDougall, 2005). Strategic capabilities also seem to affect firms’ internationalisation speed (McDougall et al, 2003).

Alongside barriers related to high delivery costs, exporting presents a challenge to SMEs in Europe from a marketing perspective. Marketing obstacles for SMEs mainly relate to market entry barriers, such as generating sales leads, suitable distribution channels and reliable distributors, logistics, dealing with intermediaries, and marketing mix barriers, such as pricing strategy, promotion approach and product modification in order to differentiate from the competition (Kahiya, 2013) and to adapt to the consumers’ preferences and uses. The quality and the specifications of the firm’s product have indeed been identified as some of the main barriers by internationally active European SMEs (EIM, 2010).

In the BG literature, empirical contributions confirm the mediating role of strategy between antecedents and internationalisation and BGs’ performance outcomes. Given their limited resources and rapid internationalisation strategy, BGs need brand-building strategies that have a rapid impact on global markets, require limited managerial skills and are cost effective (Gabrielson, 2005).

Evidence on the characteristics of BGs’ product offer and international marketing strategies is varied. Some studies observe that these aspects are respectively less extended and more standardised compared with traditional internationalisers, this being possibly related to resource scarcity and the effects of globalisation (Eurofound, 2012, referring to Gabrielson et al, 2012). Other studies, on the contrary, argue that BGs’ products are since the beginning developed for and thus adjusted to the requirements of the international market, stressing the global mindset and customer-orientation of these firms (Eurofound, 2012 referring to Lehmann and Schlange, 2004). Overall, the role and international orientation of the owner/manager is stressed as a key characteristic in extant research, where BGs also appear to be more entrepreneurial as regards their export entry behaviour into foreign markets when compared to companies exporting in a gradual way (Rialp et al, 2005).

**Innovation and R&D (products and processes)**

The interrelations between innovation and internationalisation have been confirmed by different studies, but evidence on the causality in this relationship and on the relationship between internationalisation, innovation and performance is not treated consistently in available research.

As Love and Roper (2015) stress in their review of existing evidence on the relationship between these factors, the empirical literature suggesting that innovation fosters exporting is considerable, while the one suggesting the reverse effect is smaller. Firms selling to foreign markets tend to be ex-ante more innovative; at the same time, internationalisation can lead to further innovations as foreign marketplace knowledge increases (Falk et al, 2014). In some occasions, the internationalisation process is seen as an innovation in itself (Eurofound, 2012).

Both product and process innovation, as well as investments in technology, can motivate firms to go international. Firms involved in product innovation tend to internationalise early/fast due to a number of reasons: innovation can be driven by domestic demand, and only when the demand for new products expands abroad, entrepreneurs begin to export; innovation allows companies to serve niche markets and to respond to an increased foreign demand for new products; and innovation may enhance product quality, increasing the probability of internationalisation. Product innovation is particularly relevant as regards young ventures’ internationalisation because it mainly happens at early stages in the product life cycle (Lamotte and Colovic, 2013; Cassiman et al, 2010). Lileeva and Trefler (2010) showed that exporting Canadian firms were more likely to
introduce product innovation, employ new manufacturing techniques and invest in other
technologies to improve performance.

Moreover, innovation capabilities on processes can also be a prerequisite to SMEs’ entry and
capacity to prospect in foreign markets (Raymond et al, 2014). This relates to the capacity to
lower the production costs and offer competitive pricing, alongside additional services and
processes such as quality assurance of these products and the supply of technical support.

In the case of BGs, innovation can act as a stimulus towards internationalisation, especially in
cases where the firm only relies on a unique product, or in case the company wants to exploit its
innovation before it is imitated or replicated by competitors (Oviatt and McDougall, 1995). Also
in this case it is not known whether the higher innovation level fosters internationalisation or vice
versa (Lamotte and Colovic, 2013).

These factors can be identified also among European SMEs, whose productivity levels,
technological innovation, R&D activities, and skill intensity are strongly positively related with
export participation levels (Falk et al, 2014). The EIM (2010) survey results confirmed that EU
innovative firms (introducing new products or services in the market) show a stronger
international orientation when compared to the non-innovative ones. Moreover, SMEs that are
engaged internationally tend to introduce more product and service innovations as compared to
those operating only in the domestic market.

When compared to EU SMEs, BGs seem to be more innovative, as displayed in figure 12, and
those competitive firms that introduce new products and services in the market are also likely to
live longer and grow more than their competitors.

Figure 12: Innovativeness by type of company, selected Member States (2011)

According to GEM data (2011), 45% of European BGs state to have none or only few
competitors, compared to around one-third of SMEs. 37% of BGs consider that their
products/services are new for their customers, compared to 26% of SMEs. Moreover, around 30%
of both BG and other start-ups state that the technology required for their products has been
available for a maximum of five years, compared to a proportion of 20% among SMEs. Similar
results are also confirmed by available national data (Eurofound, 2016).

The high competition intensity (higher than within the national market) and the deriving need for
a firm to reinvent its products through modifications or production changes, make R&D
activities, knowledge capture and business intelligence of high importance (Raymond et al., 2014). Despite evidence on a direct relationship between R&D and exports is not clear, R&D and innovation are positively linked and, in certain occasions, R&D capacities have positively contributed to innovation outputs (Love and Roper, 2015). Evidence also supports that innovation in smaller firms has a weaker dependence on internal R&D, while it is more strongly related with the acquisition of external knowledge through partnerships or spillovers (Ganotakis and Love, 2011). Technology driven BGs manifest a particular need to internationalise rapidly, given the fast changes occurring in the industry (Murremäki, 2010). High-tech and niche sectors have been identified as enablers for the BGs to test and improve the product quickly, helping them to fill gaps in GVCs (Eurofound, 2012).

**Information and communication technologies (ICT)**

ICT and internationalisation are positively correlated, but the causality in this relationship has not been exhaustively determined so far (Pezderka et al., 2012; Shneor, 2012). ICT is generally considered as a facilitator of internationalisation in SMEs, whereby ICT users are more likely to export (Hagsten and Kotnik, 2014): ‘thanks to the internet, SMEs are going global, facilitating business contacts, having direct access to customers and suppliers, and reducing costs in marketing and distribution’ (European Commission, 2015b). Complementarily, SMEs that embrace ICT internationalise faster and into more markets (Aspelund and Moen, 2004) and online channel support has shown improved export performance (Sinkovics et al., 2013). Internationalisation can be assisted by the internet on the output side (e-marketing and distribution), on the input side (e-procurement and outsourcing) and within firms (use of intranets for managing information) (Etemad et al., 2010).

Etemad et al (2010) introduced the concept of ‘internetisation’, providing for the ‘increasing involvement of practically all influential agents whose involvement and connection through the internet linkages are crucial for acquiring, transmitting, and processing information that enables the firm to capture the ultimate customers’ value expectation’.

Information processing technology, especially through the internet, plays a central role in accelerating smaller firms’ and BGs’ internationalisation and access to international networks, supporting learning processes, allowing a cost-effective access to foreign market knowledge, improving market intelligence and competitor analysis, providing broader opportunities with respect to the traditional marketplace, and linking the internationalising firm with its local counterparts and customers (Etemad et al., 2010; Nowiski and Rialp, 2013). Moreover, studies on the association between employees and ICT showed that employees trained in ICT can have an influence in terms of determining the export activities of a firm (Falk et al., 2014). ‘Even the smallest and youngest enterprises can execute a global vision if their business model is built on digital technologies’, and ‘the biggest social media platforms represent a huge base of potential customers with built-in ways to reach them effectively and directly’ (McKinsey, 2016).

Regarding European SMEs, the possibility to sell products or services online (for instance through e-commerce) has shown positive correlations with export or import activities (EIM, 2010). This is in line with the results of another survey on EU SMEs (UPS, 2015), showing that SMEs identified the online sales channel as a key enabler for their engagement into exports, and that e-commerce is increasing thanks to a number of benefits that online trading entails (such as the minimisation of in-country costs in destination markets and transparency on shipping and customs compliance costs). On the other hand, internet security represents an important concern related to this channel.

ICT capacities embrace different aspects (Hagsten and Kotnik, 2014), such as online presence (having a website can enable a firm to share information and communicate with customers), the proportion of employees with broadband internet (encompassing complementary ICT and human resources beneficial for exporting activities), use of online transactions (e-sales can facilitate
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Economic exchange between buyers and sellers and ICT schooled employees (ICT-intensive human capital reflecting highly specialised employees). These are positively related with export participation levels of European SMEs (Falk et al., 2014). As an example, a study of 330 Norwegian SMEs showed that those investing in ICT internationalised faster, developed a long-term ambition for foreign markets and achieved and measured their targets better than those who invested less (Aspelund and Moen, 2004). Nonetheless, the influence of each one of these capacities on the engagement in exporting activities seems to vary across countries in Europe (Hagsten and Kotnik, 2014).

A few studies have examined the role of ICT in the international performance of BGs. Among other uses, BGs use the internet in order to proactively face the initial liabilities, and deploy it for communication with value-chain partners, for marketing communications, and for managing customer relationships as well as sales transactions and fulfilment (Loane and Bell, 2006). When compared to other types of companies, BGs seem to rely on the internet in a more intensive way. Nonetheless, this heavy reliance is not always the key to success. There is a risk of overrelying on - and overinvesting in - the use of ICT, which can potentially lead to financial damage, if not correctly aligned with the company’s strategy (Pezderka et al., 2012).

**Business environment and demand in home and target markets**

Both home and foreign market characteristics play a moderating role as regards SMEs’ internationalisation choices and entry modes. A number of interrelated environmental, internal and strategic aspects, such as the economic, political, socio-cultural, geographical, institutional and technological characteristics of the home and foreign market and industries, the related dynamism and hostility, and the existing demand have been largely studied as regards their effects on SMEs’ internationalisation and performance. The context matters and influences the firms’ behaviour and their internationalisation choices and paths.

Lack of capital, of adequate public support and of public information have been identified by the whole sample of enterprises as the main types of business environment barriers in EU-EEA and non-EU-EEA markets, followed by the costs or difficulties in compiling the required paperwork for transport, laws and regulations in foreign countries and tariffs and trade barriers (EIM, 2010; figure 13).

*Figure 13: Barriers related to the business environment for SMEs as a whole in the EU-EEA markets and non EU-EEA markets (SMEs that state them as important)*

Source: EIM, 2010
**Industry structure, demand and production capacity**

Demand-side factors can be of the push type and pull type, and the decision for a firm to go international often derives from the interaction (or differences) between conditions in both the home and the target market.

Export intensity, internationalisation scope and international performance are also driven by the hostility, dynamism and heterogeneity of firms’ **domestic competitive environment** (Zahra and Garvis, 2000). Faster internationalisation processes are more likely to happen in correspondence to higher industry competition (Oviatt and McDougall, 2005). Industry concentration also affects the internationalisation patterns of companies. A highly concentrated industry, dominated by a few major firms, could stimulate internationalisation of smaller companies as a way to access a larger customer base. Similarly, the **international intensity of a local industry** has demonstrated to positively affect both the probability and the modes to internationalise of other companies operating in the same industry. Here, firms with more limited international experience tend to imitate the internationalisation patterns and entry modes adopted by their predecessors. This process of ‘vicarious learning’ (learning by observing others) is particularly relevant in the case of BGs (Fernhaber et al, 2007), which often learn from network partners in the decision to internationalise early.

Additional **home market push factors** can refer to the saturation and shrinkage of the domestic market and relating low expected rates of profitability and growth, declining domestic demand, the need to reduce the dependence on the domestic market, the competitive pressure in the domestic market, domestic competitors beginning exporting, entry of foreign competitors and an unfavourable domestic economic context. These can lead to an accumulation of unsold inventory/overproduction, the availability of unutilised production capacity and the stagnation/decline in domestic sales/profits, which can push firms to expand abroad (Falk et al, 2014; Leonidou et al, 2007). The lack of sufficient extra production capacity to serve the markets abroad (Mtigwe, 2005) and the general price level in the home market and the level of efficiency of the firms (EIM, 2010) are some of the most important internal barriers to internationalisation.

On the other hand, **target market pull factors** that support the internationalisation of companies can relate to the existence of larger markets, the potential for extra growth and sales and profit advantage abroad, market opportunities and market demand in foreign countries, the enlargement of the customer base and portfolio, higher sales prices in foreign markets, favourable foreign exchange rates and favourable regulations (Kubičková et al, 2014).

**Customers** themselves can also drive the decision to export, some examples being unsolicited orders or orders initiated in a trade fair (Leonidou et al, 2007). In many cases, it is the decision to follow the contractor abroad that determines the offshoring strategy of SMEs. Overseas customers can also enhance a firm’s reputation domestically (Vissak and Francioni, 2013). A survey on EU SMEs (UPS, 2015) confirmed the relevance of customer requests as regards the choice to enter the export business: ‘34% of companies report that requests from new customers were the source of the first export sale and a further 10% report that existing customers drove their first sale’ (UPS, 2015).

Nonetheless, **unfavourable target market-related conditions** can also hinder firms’ internationalisation, corresponding for example to the pace of business, an unfavourable economic climate overseas or high competition in the industry structure in the receiving country. Since SMEs usually suffer from liability of newness when facing a new competitive environment, they are vulnerable against established competitors and usually experience difficulties in creating international partnerships and lack legitimacy and reputation in the foreign market (Kahiya, 2013). Networking and information gathering are important for SMEs to be able to compete effectively against their established, reputable competitors, since they also allow identifying niche
markets abroad. BGs are particularly subject to the liability of newness and do not possess the economies of scale enjoyed by the large MNEs which dominate export markets.

**Socio-cultural and institutional factors**

**Socio-cultural, political and institutional factors** also play a key role as regards the SMEs’ choices to go international, and **target market-related barriers** can prevent them from outward investment.

The role of proximity is largely studied under the Uppsala Model, according to which firms tend to start internationalisation into countries that are close from a linguistic, cultural, political, educational and industrial development viewpoint, while they expand their foreign activities to more distant markets only in a later stage. Looking at the scarce international engagement of EU SMEs outside the Single Market, Blackburn (2016) stresses that this happens ‘despite serious efforts to promote internationalisation of SMEs beyond the EU’ and interprets these findings in function of the concept of ‘psychical’ distance.

Concerning BGs’ selection of their market, no homogenous evidence is reported in the literature (Eurofound, 2012). In certain occasions, the market selection is observed to be based exclusively on market potential considerations, access to networks and managers’ previous international experience, and not on geographic or cultural proximity (Lehmann and Schlange, 2004; Pock and Hinterhuber, 2011). In others, BGs are observed to, at first instance, favour common language markets (Fan and Phan, 2007).

SMEs new to a market may have to acquire extra resources to address new cultures, languages, religions and economic systems. A lack of knowledge of these factors has led to failure of some SME expansions abroad (Barkema and Drogendijk, 2007). This **liability of foreignness**, described as ‘all additional costs a firm operating in a market overseas incurs that a local firm would not incur’ (Zaheer, 1995) can give domestic firms an immediate advantage over internationalising ones. As an example, language proved to be a barrier for 45% of European businesses operating in the Single Market (Eurochambres, 2015).

Perceived **cultural differences** can affect the entry mode and owner preferences in foreign subsidiaries: when culturally distant markets with high perceived risk are addressed, firms usually prefer to use a wholly owned entry mode, whereas in markets suggesting a lower risk, cooperative engagement is preferred (Falk et al, 2014). Similarly, a high level of environmental uncertainty can lead most firms to adopt a non-equity entry strategy.

At an **institutional level**, the existence of governmental support has proved to be beneficial to SMEs’ internationalisation, and most governments are aware that SMEs can help to drive their national economy and will often form policies to help SMEs to prosper when looking to compete in foreign market, such as export promotion plans (Falk et al, 2014). Lack of governmental export support, unfavourable export regulations, inconsistent policies and high inflation and exchange rate fluctuations can also act as a disincentive towards internationalisation, which is stressed to be worse on SME exporters as compared to large exporters (Cernat et al, 2014 and Falk et al, 2014). Other home-market barriers can derive from the lack of banks with international experience and issues relating to tax and trade unions.

Additional target market-related barriers can relate to a lack of **market transparency** along with high political risk and general instability, corruption and bureaucracy, and ineffective justice systems. Inefficiencies in public procurement and uncompetitive practices across EU Member States can also limit cross-border expansion within the EU (European Commission, 2015c).

**Specificities of emerging economies**

An important strand of research is focusing on the relevance of networks in the internationalisation processes in the context of **emerging and transition economies**, which
strongly rely on the growth of new ventures to foster domestic growth and employment and to compete in global markets. The business environment of developing countries is particularly complex, turbulent and changing (lack of support measures for SMEs, fragmented regulations, poor infrastructures, high levels of uncertainty), and combined with difficult access to resources beyond those of natural and human nature. Social and organisational networks play a key role in facilitating entrepreneurship in emerging economies, helping to overcome the resources and capability constraints and institutional barriers.

On the other hand, the context is changing after the global economic and financial crisis. This is related to the increasing relevance of ‘rising power’ countries, characterised by a ‘rapid and sustained economic growth; increasing participation in international trade with dominance in particular sectors; significant economic scale, including population, natural resources, a manufacturing base and a sizeable domestic market; a strong role of the state; local capital (both private and public) with an expanding international presence; and a growing voice for civil society’ (Lee and Gereffi, 2015).

Moreover, research on emerging markets’ firms’ internationalisation shows some indications of a positive relationship between cost advantage in these countries and international performance. Developing countries are increasingly involved in the ‘offshore services industry’, whereby their companies provide services to other companies, including corporate functions (human resource management, customer support, and accounting and finance, among others) (Gereffi, 2016). This context has seen the emergence of ‘rising power’ firms, which threaten the traditional Western organisational model and focus on networks, ICT and the growth possibilities existing in low- and middle-income segments in emerging economies (Lee and Gereffi, 2015).

**Cooperation, networks and involvement in GVCs**

Results from the Eurobarometer survey on SMEs’ internationalisation (European Commission, 2015a) show that the difficult identification of business partners is the third most relevant obstacle to SMEs’ internationalisation for internationally active SMEs, and that it is perceived as the fourth most relevant barrier to internationalisation by those SMEs that are not engaged in international activities.

As explained in chapter 3 on GVCs and networks, although potentially difficult, networking has a key role in fostering and enabling SMEs’ internationalisation, in terms of both speed and degree, and in helping BGs face their liabilities of smallness and newness. It links businesses and institutions across different environments (Freeman et al, 2006; Felzensztein et al, 2015), through either formal or informal relations. Networks can also reduce the ‘psychical distance’ that many SMEs face when looking to internationalise (Ojala, 2009). Beyond firm-specific advantages, the interdependencies of firms are important in their internationalisation processes (Johanson and Mattson, 1988).

**Interventions by government** agencies can play an important role in formal network development through the provision of trade missions, websites, digital platforms and exhibitions (Fernhaber and Li, 2013; Amoros et al, 2015). They can help with all aspects of marketing and to build a solid customer relationship model (Coviello and Cox, 2006). Moreover, the institutional setting and regional cooperation agreements can also support cooperation (Technopolis, 2015).  

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This study distinguishes different types of regions as regards the existing and cooperation modes in the field of advanced manufacturing in Europe, an industry linked by cooperation modes. It identifies ‘Members of a Vertex’, interregional systems of technological cooperation consisting of multiple and strong links amongst strong regions (for example, Germany); ‘National Hubs’, centres of a national network, often capital cities (for example, London or Stockholm) or industrial heartlands (for example, Northern Italy), having a link to secondary centres producing less knowledge, within their own nation; ‘Those Connected’, tech-orientated regions of a secondary nature possibly connected to national hubs; and ‘Those Disconnected’, displaying fragmented activity. The study concludes that
5. Outcomes of SMEs’ involvement in international markets, networks and GVCs

Internationalisation and firm’s economic performance

Extant literature (Zahra and Garvis, 2000) seems to display mainly a positive association between EU SMEs’ and BGs’ internationalisation and performance. Similarly, positive relationships seem to exist between importing and productivity, an aspect that the literature has given less attention to. In addition, only limited data are available on the performance of international SMEs in Europe since no systematic and regular monitoring tool exists.

The shape and the causality of the association between SMEs’ international engagement and productivity have not been explained consistently in the existing research (Love and Roper, 2015). If more evidence is available from large MNEs, studies on new ventures contemplate whether this relationship is U-shaped, inverted U-shaped or S-shaped (Fernhaber, 2013) and, ‘recognizing that new ventures and multinationals do differ in several key ways, caution must be made when applying the findings’ (Fernhaber, 2013). The arguments supporting the U-shaped relationship stress that internationalisation benefits can be attained only after a certain level of internationalisation is achieved, being not possible below that threshold due to insufficient scale economies and the liability of foreignness (Fernhaber, 2013, referring to Lu and Beamish, 2001; Ruigrok and Wagner, 2003). On the other side, the idea of the inverted U-shaped relationship between internationalisation and performance refers to the fact that internationalisation increases performance until an optimal point; but beyond that point the higher complexity of internationalisation would cause higher costs and a performance decrease (Fernhaber, 2013, referring to Gomes and Ramaswamy, 1999). More recently, a combination of the rationale of both approaches has been proposed in the form of a three-stage relationship (often S-shaped) between internationalisation and firm performance (Contractor et al, 2003; Lu and Beamish, 2004).

Heterogeneity in results also derives from the measurement of performance using a diverse array of variable operationalisations (such as income, sales growth, survival), and the diverging findings seem to suggest the need for separate analyses on each of these measures of performance (Love and Roper, 2015; Fernhaber, 2013).

Internationalisation can result in higher survival rates of firms. Exporting SMEs seem to be less exposed to failure than non-exporters, and this effect remains significant even after controlling for variables capturing some of the benefits commonly attributed to learning-by-exporting, such as firm productivity and innovative outcomes. Nonetheless, the ‘resource intensiveness of capability development and the degree to which benefits are attained’ seem to influence BGs’ survivability (Fernhaber, 2013). Concerning BGs, Coviiello (2006, referring to Delmar and Shane, 2004) stresses that ‘in the early part of the new venture’s life, performance is best represented by the fact that the INV has not disbanded’ – encountering in the survival and stability of the firm a sign of good performance.

Productivity differentials between exporters and their counterparts only serving the domestic market is one of the main measures used in the literature on international trade and firm performance (Wagner, 2011). Fragmented findings suggest that productivity and competitiveness levels are higher in the case of EU SME exporters compared to non-exporters.

Exporting has a clear contribution to firms’ growth through sales, on the basis of a broadened customer base, eventually supporting higher production volumes and capacity. For instance, exporting SMEs in Europe are observed to grow more than twice as fast as those that do not

advanced manufacturing does not have the desired level of interregional cooperation and that this hinders the possibility to innovate manufacturing activities in regional and national economies.
(EIM, 2010). As an example at national level, 52% of Italian SMEs that delocalised or increased their foreign activities improved their turnover, due to increased demand, better quality and wider range of products, access to new markets, more competitive prices and investments (Istituto Tagliacarne, 2011). In the specific case of European scale-up companies, the dual-model is proving particularly beneficial, as firms following this model tend to raise more capital than companies adopting a more local growth path (Onetti, 2017). Studies on BGs’ performance in the context of emerging countries (Sozuer et al, 2017) also stress that the organisational culture and specific competencies in these firms influence their product and customer focus, which shows positive effects in terms of export market performance.

Moreover, by enlarging markets and providing possibilities for expansion, exporting allows for economies of scale and contributes to increase labour productivity. Direct export has more proven benefits in comparison with indirect exporting (McCann, 2013; Abel-Koch, 2011). CIS data (2010) covering the years 2008-2010 display higher output growth rates for exporting SMEs when compared to non-exporting ones (0.9 percentage points per year). This evidence is particularly noteworthy given the reference period, corresponding to the economic and financial crisis. Results seem to suggest that ‘exporting SMEs recovered faster from these crises than SMEs that were only present in their domestic markets. An alternative interpretation is that the crisis induced SMEs to engage more in exporting as domestic demand was falling’ (European Commission, 2014b). On the same line, anecdotal evidence suggests that internationalisation has represented a solid way for some European SMEs to face the effects of the economic and financial crisis, whereby working abroad would help companies to decrease production costs and attract customers, thus supporting their competitiveness in response to a depressed home market (Eurofound, 2012). ‘Internationalisation of companies reduces market dependency and broadens market diversification, reducing the effects of economic slowdown and currency fluctuation’ (European Commission, 2015b).

The combination of internationalisation and innovation also seems to support sales growth, performance and productivity. Available evidence points to the potential for a virtuous circle, whereby innovation and exporting positively impact on growth, and the related acquisition of knowledge from export markets further enhances innovation and growth (Golovko and Valentini, 2011). Interestingly, innovation without access to foreign markets does not seem to provide substantial performance benefits. Despite the potential existence of a self-selection factor, whereby productive firms tend to both innovate and export, performance benefits from innovation and exporting are still observed (Love and Roper, 2015). Research has shown that increased exportation has proved positive in terms of firms becoming skilled at innovating their processes (Damijan et al, 2010) and that R&D offshoring seems to give a firm a better chance of a successful product innovation (Nieto and Rodriguez, 2011). Moreover, firms in the service sector can gain benefits at earlier stages of entry than manufacturing firms as they often have a strong R&D focus and because exporting will increase a firm’s R&D activity (Esteve-Pérez and Rodriguez, 2013).

On the same line, studies on French and UK BGs highlight that these young international businesses on average are more profitable than other young firms and are characterised by better financial sustainability (Eurofound, 2012), due to the superiority of the products and services offered, and higher levels of total factor productivity when compared to other enterprises (Harris and Li, 2007). This could be related to the fact that firms may be more forward-looking, motivated or forced to improve their products and services in order to remain competitive in foreign markets, where competition can be stronger (European Commission, 2015b).

The access to a higher degree of knowledge and technology deriving from the foreign exposure and exchange with buyers and competitors can also help to enhance the productivity of firms (Wagner, 2011). Firms that enter into exportation early will develop a ‘learning advantage’ over others whilst having to balance this new growth with threats posed by early internationalisation,
due to its investment requirements and drain on resources. Golovko and Valentini (2011) argue that exporting promotes learning, innovation performance, increases quality and drives higher sales of products. Moreover, the international expansion of BGs also coincides with the development of key dynamic capabilities (those processes that enable a company to reorganise its resources to adapt to a changing environment), having an imprinting effect on their ability to grow and survive (Sapienza et al, 2006).

Wagner (2011) points out that empirical studies only recently started to analyse exports by taking into account the GVC and the breakdown of a firm by destination regions or countries. Evidence from his analysis demonstrates a positive correlation between the number of export destinations and productivity and the existence of self-selection of more productive firms into more demanding markets. Similarly, targeting new markets seems to support better export performance for companies, with the exception of very small firms (Brouthers et al, 2009).

The same happens in the case of geographic diversification, whereby multi-region and more diversified export strategies are deemed to be beneficial to reduce the exposure to volatility in markets (Falk et al, 2014).

Firms that decide on FDI are suggested to have higher productivity than those firms that continue to export. Lu and Beamish (2001) conclude that the level of FDI activity has a non-linear relationship to SMEs’ performance (measured by return on assets), since performance decreases during initial FDI activity, while it increases after reaching a higher level of FDI.

**Internationalisation and job creation**

**Start-ups and young firms** are key actors for job creation (OECD, 2016), and young firms’ contribution to job creation is much higher than their share in total employment (47% versus 21%). Nonetheless, ‘it is only a tiny fraction of start-ups that substantially contribute to job creation, while the majority either fail in the first years of activity, or remain very small … and the rapid scaling up of a small number of very successful start-ups is therefore one of the main drivers of aggregate employment growth’ (OECD, 2016).

The OECD (2016) also observed important differences in start-ups’ dynamics across countries, whereby national policies (such as bankruptcy regulation, contract enforcement, and civil justice efficiency, as well as access to finance) seem to have a significant impact on the companies’ growth dynamics. These effects on growth appear to be stronger in the case of entrants than of incumbents – especially in the case of policy failures. On the other hand, when focusing on companies’ survival, these policies seem to play a more determinant role in the case of incumbents than in the case of entrants. ‘For start-ups, the higher exit rate seems to be more an idiosyncrasy due to experimentation and learning in the first few years of activity, rather than to policy’ (OECD, 2016).

Another important characteristic that plays a role in terms of job creation is these companies’ engagement in international activities. Analyses on the relationship between export activity and SME growth (European Commission, 2014b) observe that exporters have higher percentages of growing firms when compared to non-exporters up to a threshold of 35 employees, and that the portion with growing employment is larger in the case of small firms (between 10 and 20 employees). CIS data covering the period 2008-2010 (European Commission, 2014b referring to CIS, 2010) show that, when controlling for firm characteristics (such as size, innovation output, foreign ownership and industry affiliation) and country effects by broad industry groups, exporting SMEs have significantly higher annual employment growth rates than non-exporting SMEs (0.5 percentage points higher on average for exporting SMEs than for non-exporting ones, between 2008 and 2010).

Moreover, in almost 40% of Member States, SMEs engaged in international activities are more dynamic job creators than those operating exclusively in their domestic market. A number of
examples are available in the literature (Eurofound, 2016). Belgian SMEs that started exporting contributed significantly to net employment growth, as opposed to those firms that continued or stopped exporting activities, which showed declines in employment (Onkelinx and Sleuwaegen, 2010). In Germany, data comparing small and large exporting companies observed better employment development among exporting SMEs (May-Strobl and Wolter, 2013). In Denmark, manufacturing BGs display higher levels of turnover, employment and job growth rates when compared to other Danish manufacturing start-ups (Choquette et al, 2017). The characteristics of the value chain also seem to have an influence on these developments. Research from Italy showed that international SMEs engaged in exporting contributed to employment growth more significantly than domestic-oriented companies, but also showed that international SMEs strongly relying on imported products have a very limited contribution to employment (Istat, 2013). Job creation dynamism is even clearer in the case of BGs, which tend to report job creation plans more frequently than other companies (figure 14).

Figure 14: Expected change in employment within five years, by company type, selected EU Member States, 2011

According to GEM data (Eurofound, 2012 based on GEM data from 2011), BGs indicate higher estimations in terms of number of employees foreseen in five years, when compared to young enterprises on average. As an example, BGs planning to employ only one person are fewer than all young companies (22% versus 26% respectively). Likewise, a higher share of BGs plans to have at least 10 employees in five years when compared to young companies as a whole (25% versus 18% respectively). Moreover, GEM data (2011) display that, on average in European countries, BGs employ more staff than young enterprises or SMEs in general (9.6, 5.6 and 6.7 employees on average, respectively). These behaviours are also confirmed by national data, for instance in the UK, Sweden and Estonia (Eurofound, 2016). The combination of features such as international market orientation, young age and innovation-orientation indeed seem to be relevant for employment growth (Eurofound, 2016; European Commission, 2014a). In addition, Eurofound (2012) observed that BGs tend to create jobs characterised by good quality and of a sustainable nature.
6. EU policy approach towards SMEs’ internationalisation

The expansion of European SMEs into international markets is an important EU policy objective. Europe 2020 (European Commission, 2010), the European Union’s ten-year growth strategy until 2020 aiming at achieving smart, sustainable and inclusive growth, identifies internationalisation as a priority of the European Commission. Supporting the internationalisation of EU SMEs is also part of the objectives of the European Commission’s Communication ‘Small Business Act for Europe’ (SBA) (European Commission, 2008), among other policy documents.

A recent European Commission’s white paper on globalisation (European Commission, 2017f) provides an assessment of the impact of globalisation for Europe and Europeans, highlighting the importance of the actions and initiatives presented in this chapter. For Europe and Europeans, globalisation has boosted Europe’s economic growth, helped Europe to stay competitive, and created multiple opportunities for people and companies of different sizes.

**Internationalisation in Europe 2020**

Europe 2020 defines a vision of Europe’s social market economy post 2010, focusing on how the EU can overcome the crisis and become a smart, sustainable and inclusive economy delivering high levels of employment, productivity and social cohesion.

It focuses on three mutually reinforcing priorities, namely smart growth (developing an economy based on knowledge and innovation), sustainable growth (promoting a more resource efficient, greener and more competitive economy), and inclusive growth (fostering a high-employment economy delivering social and territorial cohesion).

The strategy has identified seven flagship initiatives to boost innovation and growth, one of which has a specific focus on SMEs. ‘An integrated industrial policy for the globalisation era’ (European Commission, 2014d) is a communication stemming from Europe 2020, recognising the central role of industry for the competitiveness and sustainability of the EU while capitalising on globalisation. It explicitly recognises the challenges faced by SMEs in internationalisation and the need to provide SMEs with the right information and supplementary support in markets outside the EU as a key priority of action.

**The Small Business Act (SBA) for Europe and related actions**

Adopted in 2008, the SBA is an overarching framework for the EU policy on SMEs, which reflects the European Commission’s recognition of the central role of SMEs in the EU economy. It aims at the improvement of the approach to entrepreneurship in Europe, the simplification of the regulatory and policy environment for SMEs, and at the removal of the existing barriers to SMEs’ development.

The SBA sets out a policy programme with the objectives to promote entrepreneurship, to apply the ‘Think Small First’ principle in policy making (responding to the SMEs’ liabilities of limited resources and the potential risks involved in the foreign markets), and to promote SMEs’ growth by helping them tackle the remaining problems which hinder their development.

The strategy has four main priorities: facilitating SMEs’ access to finance and to markets, reducing administrative burden and promoting entrepreneurship. The promotion of market access aims at both improving SMEs’ access to the Single Market and at supporting SMEs to do business outside the EU. The SBA is built around 10 principles, guiding the conception and implementation of policies at EU and Member State level (European Commission, 2008) also in terms of internationalisation (opening up of third and neighbourhood countries’ markets, trade facilitation, coaching of SMEs by large companies in order to bring them to international markets, etc.).
The SBA was updated in 2011, shifting the focus to actions most likely to help SMEs cope with the economic crisis (facilitating access to finance, cutting red tape, promoting access to markets and stimulating entrepreneurship). Particularly, it stressed the needs for the EU and the Member States to provide support to SMEs and encouraged them to take advantage of the growth of markets outside the EU, for instance providing market-specific support and business training activities (European Commission, 2014a). This was followed up in more detail in the Commission’s 2011 communication ‘Small Business, Big World - a new partnership to help SMEs seize global opportunities’ (European Commission, 2011), which sets out six fields of action, namely: strengthening and mapping the existing supply of support services; creating a single virtual gateway to information for SMEs; making support schemes at EU level more consistent; promoting clusters and networks for SME internationalisation; rationalising new activities in priority markets; and leveraging existing EU external policies.

As a follow up to the SBA review, the European Commission also proposed a specific plan to foster entrepreneurship, the ‘Entrepreneurship 2020 Action Plan - Reigniting the entrepreneurial spirit in Europe (European Commission, 2013a). Among the different actions considered, the plan also refers to internationalisation, inviting the Member States to set up one-stop-shops for entrepreneurs to bring together all business support services including mentoring, facilitation and advice on access to conventional and non-conventional finance, access to 'incubators' and 'business accelerators' and support for early internationalisation of young enterprises. All relevant stakeholders should be involved to ensure a partnership approach, including education and training providers’ (European Commission, 2013a).

Further developments were foreseen with the public consultation on the SBA (European Commission, 2015f), launched in 2014 to review the act in light of the future needs for the years 2015-2020. The results displayed a general agreement on the need for an integrated Commission strategy to support SMEs’ internationalisation outside the EU; related action proposals refer to strengthening the links between EU support programmes and to establishing and monitoring SME dialogues with key EU trade partners.

**Small Business Acts in Europe and abroad**

The EU SBA is not unique in the world and during the elaboration process, the European Commission examined similar policies of other countries (Dilger, 2016). For instance, the US established a small business act already in 1953 and Japan in 1963, and the US significantly amended the act in 1999 (US International Trade Commission, 2010; Small and Medium Enterprise Agency, 2017). Especially the US has a long history with supporting SMEs. The EU SBA has a similar purpose and relatively similar policies as the US. Both were established to correct market failures SMEs face and assist them to become more competitive in home and foreign markets. However, the EU SBA places more emphasis on job creation through SMEs and on specific industries, like ICT. According to Dilger (2016), this is because the EU SBA was created as the aftermath of the financial crisis whereas the US SBA draws on the economic situation of its time. In addition, in the EU there is a focus on inward internationalisation (attracting FDI) as a support measure for outward internationalisation which is not found in the US SBA.

The EU and US SBAs’ main differences relate to the fact that the EU SBA is not a legal instrument (as opposed to the US SBA) and to the eligibility criteria for companies’ support (Dilger, 2016). In the EU, Member States take the lead in supporting SMEs - the European Commission is responsible for supplementing their efforts (Dilger, 2016). This is the opposite of...
the US, where the federal government has the responsibility of creating and implementing all rules and regulations relating to the SBA and the states are required to implement them as such. Smaller differences are related to types of support instruments offered. For instance, the US offers a broad range of trade-financing programmes and pre-export financing to support exporting activities of SMEs whereas the EU Member States offer very few provisions in that area. On the other hand, the EU has a wider network of assistance in foreign markets and it provides more support for trade fair participating, as it is seen as the most cost-efficient way to support SMEs (US International Trade Commission, 2010).

Implementation of the internationalisation pillar in Member States

The European Commission follows the implementation of SBA on a yearly basis with a SME Performance Review. According to the European Commission (2017d), by the start of 2016, the overall implementation of the SBA was not yet complete and showed important differences in terms of progress across Member States. The measures adopted in the areas of internationalisation and responsive administration displayed the highest rates, as opposed to the lowest performance recorded within the entrepreneurship principle.

The implementation of the internationalisation pillar is measured by six indicators: time to import for documentary compliance in hours; cost to export for documentary compliance (in USD); time to export for documentary compliance (in hours); SMEs with extra-EU imports of goods (percentage of SMEs in industry); SMEs with extra-EU exports of goods (percentage of SMEs in industry); and cost to import for documentary compliance (in USD) (European Commission, 2017d). All measures concerning the pillar have been adopted by the Member States, as creating incentives for companies to support export activities, trade missions and cluster development has not been difficult as these activities are cost-efficient for the provider and provide tangible benefits for the companies (European Commission, 2017d).

Of all measures implemented in relation to the SBA, only 8% were related to internationalisation, placing the pillar as sixth (first two were access to finance with 22% and entrepreneurship with 16%) (European Commission, 2017d). Furthermore, 22 Member States have established a one-stop-shop providing various support measures targeted to SMEs for internationalisation and 26 countries have clusters, trade organisations or accelerators in place for boosting internationalisation of companies of different sizes, not just SMEs. Trade support measures are available in all Member States as well.

Between 2008 and 2016, the indicators under the internationalisation pillar did not enjoy significant performance improvements, measured by the six aforementioned indicators, despite political will and efforts by the Member States. For example, the EU28 factsheet states that the average time needed to export only decreased by a day (European Commission, 2017d). There was an increase in the percentage of EU-based SMEs importing and exporting to outside of Europe, although still only 25% of them were engaged in export activities and 7% of SMEs exported outside of the EU borders. Figure 15 shows the relative position of each Member State.
The EU Single Market Strategy

SMEs’ economic activities within the EU are supported by the EU Single Market, which refers to ‘the EU as one territory without any internal borders or other regulatory obstacles to the free movement of goods and services’ (European Commission)\(^{10}\). EU companies can thus operate in a large home market, which is supposed to foster competition and trade, facilitate productivity improvements by reducing input costs, allow efficient business processes, enhance quality, and increase returns on innovation (European Commission, 2014c). The Single Market Strategy is the European Commission’s plan to unlock the full potential of the Single Market.

The European Commission (2015c) underlined that, despite the improvement of the EU economy after the crisis, an important challenge across EU economies corresponds to investment, and that the investment gap between the US and the EU has widened in recent years. Moreover, it stressed that barriers to competitiveness and Single Market integration still exist, in parallel to structural, behavioural and regulatory barriers that still hinder the overall performance of the Single Market. Governance structures have been upgraded, but releasing the full potential of the internal market has not been achieved yet, and a further integration of the financial markets, better integration of infrastructures, and a more stable and simpler regulatory framework are needed (European Commission, 2014c). In this line, the 2014 Communication, ‘For a European Industrial Renaissance’ has established ‘maximising the potential of the internal market’ as one of its key priorities. As related actions, the European Commission is committed to develop infrastructures, promote market surveillance and product safety, and veil to ensure the Single Market for services’ contribution to industrial competitiveness (European Commission, 2014e).

To monitor the implementation of the EU Single Market Strategy, The European Commission has elaborated a tool, called ‘Single Market Scoreboard’, to show how Member States are performing.

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in relation to monitored governance tools and the indicators they are based on. As of 2017, the Single Market Scoreboard is still work in progress but the aim is to expand the performance overview in future, especially the trade integration and market openness areas (European Commission, 2017e).

The two indicators analysed here, trade in goods and services and FDI, reflect how overall the Single Market is performing in terms of trade integration and openness. The EU trade integration is measured by the percentage of a country’s GDP that is accounted for by trade with EU countries in goods or services, as well as total imports and exports as indicators. The indicators reflect for example how open the country is to imports, how integrated it is into European value chains, and competitiveness. In terms of FDI, the indicators used as a basis for the overall situation are inward and outward FDI stocks and flows. Similarly to the trade integration, the indicators reflect the relative attractiveness of investment in the economy, the size of the economy, the relative investment position of the country and the overall level of openness, competition and integration in global value chains.

According to the 2017 Single Market Scoreboard (figure 16), most Member States are performing within or above average in terms of trade in goods and services and FDI, with only two exceptions being Finland in terms of FDI and Greece in terms of trade integration. The situation in both countries has deteriorated from 2016 to 2017 and they are currently performing below the EU average. Compared to 2016 traffic light chart, the overall trade integration and market openness situation has improved slightly in the EU. Many Member States, for example Ireland and the Netherlands have improved their attractiveness for FDI and are performing better than the average.

Figure 16: Traffic light chart - Integration and Market Openness in 2016 (above) and 2017 (below)

![Traffic light chart](http://ec.europa.eu/internal_market/scoreboard/performance_overview/index_en.htm)

The European Commission is committed to ‘upgrade the Single Market’, in order to provide more opportunities for both people and businesses. Its focus is on practical measures helping SMEs and start-ups to grow and expand, promoting innovation, unlocking investments and empowering consumers, and in October 2015 it presented a new Single Market Strategy (European Commission, 2015g). These measures complement a number of sectoral initiatives, of which the

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11 Note: This section shows how the Members States are performing in terms of trade integration and market openness and their evolution over time. They cover intra-EU and extra-EU imports and exports and foreign direct investment (inward and outward). Integration and openness are important indicators of how the Single Market is performing overall and the extent to which policy goals have been reached - partly as a result of national policy measures taken. [http://ec.europa.eu/internal_market/scoreboard/performance_overview/index_en.htm](http://ec.europa.eu/internal_market/scoreboard/performance_overview/index_en.htm)
following ones are of special relevance as regards the international business activities of SMEs (also following the Think Small First’ principle - European Commission, 2015h:

- **The Start-up and scale-up initiative** is part of the EU’s broader Single Market strategy and aims to improve the environment for European start-ups and fast growing firms. It followed initiatives such as ‘the Start-up Manifesto’, launched by the most successful start-up entrepreneurs of Europe, and Start-up Europe Partnership, a pan-European platform that aims to support start-ups to scale-up their activities and go global. The initiative focuses on addressing start-ups’ needs throughout their life cycle through solutions, policies and/or support measures at EU and Member State level, so to foster serial entrepreneurs and a healthy entrepreneurial ecosystem (European Commission, 2016b). Actions taken face barriers for scaling up, the shortage of partners and opportunities and difficulties regarding access to finance and information. The initiative also focuses on cooperation between the European Commission and the Enterprise Europe Network as well as on coordinating work to connect clusters and ecosystems across Europe. In addition, it supports procurement, skills and innovation opportunities for European start-ups and scale-ups (European Commission, 2016f).

- **Digital economy.** The European Commission’s Digital Single Market Strategy (2015)\(^{12}\) aims, among other objectives, at ensuring better access for consumers and businesses to digital goods and services across Europe, also facing challenges related to extra costs to adapt to national laws when selling cross-border in the EU. Under this strategy, the Single Digital Gateway\(^{13}\) aims to address the existing information gap and fragmentation by integrating, completing and improving relevant EU and national-level online information, assistance services and procedures - with a potential to address start-ups and facilitate their cross-border operations across Europe.

- **Access to finance.** Relevant actions are established in the Investment Plan for Europe, including the use of EU funding programmes and funds (Horizon 2020, COSME and the European Structural Investment Funds…) and initiatives related to the Capital Markets Union (European Commission, 2015i).

- **Trade.** The Communication Trade for All (European Commission, 2015j), redesigned the European Commission’s trade and investment policy, to increase its effectiveness and transparency. For SMEs, the initiative seeks to make it easier to benefit from the EU trade agreements by proposing SME-specific provisions. See the objectives of the Transatlantic Trade and Investment Partnership - TTIP\(^{14}\) in section 7.4 below.

- **Rights of employees.** The forthcoming Labour Mobility package\(^{15}\) will foster the coordination of social security systems in order to better support labour mobility. In this line, the European Commission (2016c)\(^{16}\) proposed a revision of

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\(^{15}\) [https://ec.europa.eu/priorities/work-programme-2016_en](https://ec.europa.eu/priorities/work-programme-2016_en)

the rules on posting of workers within the EU to ensure they remain fit for purpose.

- **Tax.** The European Commission is analysing tax rulings in a number of Member States and fostering the implementation of the related Directive (2015)\(^{17}\), so to eliminate possibilities of exploiting differences and loopholes in national tax within the Single Market. The *Action Plan for fair and efficient corporate taxation* (2015)\(^ {18}\) presents the European Commission’s planned actions to ensure that the payment of taxes happens where profits are generated.

- **Cross-border VAT regulations.** The *Digital Single Market Strategy*\(^ {19}\) announced a legislative VAT simplification measure to support small e-commerce businesses in their cross-border operations. In addition, the European Commission has included, as part of the *Action Plan for a fraud-proof VAT system*\(^ {20}\) (2016), simplification actions for SMEs to reduce the administrative burdens and support their growth and cross-border trade.

- **Collaborative economy.** The Digital Single Market Strategy is analysing the role of platforms in the collaborative economy. On top of this, the European Commission adopted a *European agenda for the collaborative economy*\(^ {21}\) (2016), also taking into account collaborative e-platforms across countries.

- **Company law.** In order to face the uncertainties in company law, the European Commission launched the Single Member Company proposal\(^ {22}\) (2014), aiming at reducing the costs of company registration and simplifying procedures. Given the great difficulties faced by SMEs in particular when operating at a cross-border level, the European Commission has planned to analyse the need to update the existing rules on cross-border mergers\(^ {23}\) and to complement them with rules on cross-border divisions.

- **Services.** The European Commission has planned to enhance the clarity of the requirements existing in each Member State that can be applied to the cross-border provision of services. This also included an initial proposal of a ‘service passport’, which was finally not implemented, but replaced with a ‘European services e-card’, aiming to ‘reduce administrative complexity for service providers that want to expand their activities to other Member States’ (European Commission, 2017a). The e-card would be an alternative way for service providers to show compliance with national laws and regulations of the target country.

- **Goods.** Through the new Single Market Strategy ‘Upgrading the Single Market: More Opportunities for People and Business’, the European Commission has


\(^{19}\) [https://ec.europa.eu/priorities/digital-single-market_en](https://ec.europa.eu/priorities/digital-single-market_en)


\(^{23}\) See Directive 2005/56/EC on cross-border mergers of limited liability companies.
foreseen to present an EU-wide Action Plan\textsuperscript{24} to raise awareness of the principle of mutual recognition - meaning that goods that are lawfully marketed in one Member State enjoy the right to free movement and can be sold in another Member State.

- **Geographically-based restrictions.** Article 20 of the Services Directive (European Commission, 2006) prohibits unjustified territorial restrictions. In its Strategy for a Digital Single Market (European Commission, 2015\textsuperscript{j}), the European Commission announced legislative proposals to end unjustified geo-blocking (a public consultation was launched in 2015)\textsuperscript{25}.

- **Standards.** In order to modernise the European Standardisation System\textsuperscript{26}, which has been operating for the past decades, the European Commission launched a ‘Joint initiative on Standardisation’\textsuperscript{27} with the European standardisation community. The initiative came into action in 2016. It aims at enhancing the confidence of both businesses and consumers in cross-border services, ultimately contributing to strengthen cross-border trade. It also aims to help SMEs to have their voices heard in international standardisation bodies (European Commission, 2017\textsuperscript{g}). Furthermore, the 2018 work programme accompanying the initiative highlights creating data/contract registries, the electronic European Single Procurement Document (eESPD) and the accreditation of e-procurement platforms to support SMEs to have a mutual standing in procurement procedures and participation in multiple markets (European Commission, 2017\textsuperscript{h}).

- **IPR.** The European Commission is committed to launch initiatives to ‘consolidate and modernise the intellectual property framework, including measures to support the use of intellectual property by SMEs’ (European Commission, 2015\textsuperscript{d}). In this context, it has prepared a Unitary Patent System (built on the European Patent Convention) that will become operational in the first quarter of 2018. Under the Unitary Patent, the inventor only has to apply for a single patent that automatically protects their invention in those 26 Member States that ratified the new patent system. This new system is intended to streamline administrative procedures for patents and decrease costs of applying for and maintaining the patent protection. Patents granted under this convention are not supranational and must be promulgated in each country (not all countries applying this are EU Member States) where the applicant wishes to have patent protection. The Unitary Patent changes the process so that the applicant only has to request a unitary effect from the European Patent Office which will operate as a one-stop-shop for all patent applications under Unitary Patent System (European Patent Office, 2017).

**Internationalisation outside the EU**

In parallel to the focus within the EU, European strategic documents also recognise the need to support international economic activities outside the EU (some key documents are the Europe

\textsuperscript{24} \url{http://ec.europa.eu/growth/single-market/goods/free-movement-sectors/mutual-recognition_en}
\textsuperscript{25} \url{https://ec.europa.eu/digital-single-market/en/geo-blocking-digital-single-market}
\textsuperscript{26} \url{https://ec.europa.eu/growth/single-market/european-standards/policy/framework_en}
\textsuperscript{27} \url{http://ec.europa.eu/growth/tools-databases/newsroom/cf/itemdetail.cfm?item_id=8852}

The Communication ‘For a European Industrial Renaissance’ (European Commission, 2014c), stresses the need for Europe to focus on post-crisis growth and modernisation. In a context where the European domestic public and private demand has decreased because of the crisis, access to third country markets and continued export performance are seen as a key feature for Europe’s competitiveness and as a stabilising source for growth in the EU, having ‘helped Europe to soften the recession by channelling demand from more dynamic economies outside the EU at a time when domestic demand components remained weak’ (European Commission, 2015b). Similarly, trade is seen as a key factor to boost competitiveness and to create jobs, ‘without drawing on severely constrained public finances’ (European Commission, 2013b).

In this context, special attention is paid to the internationalisation of SMEs, recognising the need to increase not only export volumes, but also the number of exporting firms to facilitate the integration of EU firms in GVCs. Hence, the focus is on innovation, trade policies and GVCs to foster the integration in the global economy, confirming the central role of trade policy in the EU’s internationalisation agenda. This can be done through Free Trade Agreements (FTAs) and negotiations on the accession of new countries to the WTO Government Procurement Agreement (GPA). For the EU to strengthen the participation of its companies in GVCs, it can also promote missions for growth and market access strategies (European Commission, 2014e), which serve to promote trade in services, digital trade and the mobility of professionals, address regulatory fragmentation, secure access to raw materials, protect innovation and ensure the swift management of customs (European Commission, 2015j).

FTAs are expected to support SMEs’ internationalisation outside the EU through the elimination of tariffs and non-tariff barriers and can imply a number of benefits to the EU economy in terms of growth, competitiveness and job creation. In 2014, the EU concluded negotiations for the first FTAs containing investment protection provisions with Canada and Singapore, and initiated negotiations for stand-alone investment agreements with China and Myanmar. Other negotiations for FTAs have followed, including the US (Bierbrauer, 2016), Japan, and India, among others. As an example of provisions included in FTAs for SMEs, CETA contains a special investment provisions on mediation (dispute settlement) that can help the parties to reach an agreement to adopt possible ceilings for costs of claims brought by SMEs in dispute settlement system (European Commission, 2016h). The upcoming EU-Japan FTA in its initial textual proposal includes provisions that emphasise information sharing between the EU and Japan about customs duties, rules of origin and sanitary and phytosanitary measures that matter the most for SMEs. The EU-Japan FTA will also require an establishment of contact points for each side whose responsibility is to make sure SMEs’ needs are taken into account during and after the implementation of the FTA (European Commission, 2017b).

Furthermore, Blackburn (2016) stresses that the EU’s initial textual proposal on EU-US Transatlantic Trade and Investment Partnership (TTIP) includes specific references to ease EU companies’ operations in terms of customs procedures, regulations, intellectual property rights, internationalisation support programmes, and business registration regulations. However, as of summer 2017, negotiations on TTIP are on hold. According to the TTIP advisory group, no formal engagement with the new US administration has taken place and the future of the agreement is uncertain. Nonetheless, the expected impacts of this agreement are still unclear (Veblen Institute for Economic Reforms, 2015) and ‘several sensitive and important issues are still open’ (BusinessEurope, 2016).

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This halt in the negotiations is a part of a wider slowdown in bi- and multilateral efforts to decrease barriers to trade. Protectionism has been on rise since the financial crisis of 2007-2009 and even countries that have traditionally advocated free trade are now looking into protecting their economies from foreign imports and migration. For Europe, 10% increase in trade restrictions would mean 4% loss of national income and decreased access to new products, services, and technologies (European Commission, 2017f). In addition, according to a White Paper by the European Commission (2017f), protectionism would decrease Europe’s competitiveness, increase prices for consumers and disturb production. Thus, the EU intends to continue to advance rules-based trading and investment agendas and also enforce the existing ones (European Commission, 2017f).
7. Internationalisation support instruments

According to the data from the Eurobarometer survey on SMEs’ internationalisation (2015), support in the form of grants, subsidies or low interest loans is seen as the best measure to help SMEs internationalise (selected by 30% of SMEs). Other relevant support instruments are tax incentives (28%) and provision of support for finding business partners and networking (27%).

A variety of support instruments and measures are available for EU companies willing to internationalise, and some of them would be suitable for (or target explicitly) SMEs and/or BGs. Such instruments and policies are provided at EU, national or sub-national level.

As recalled by Blackburn (2016), ‘the amount of funding for SME internationalisation by the EU is substantial. … However, pinning down an overall amount for the whole of the EU’s interventions for SMEs is problematic: there appears to be a variety of budget allocations within a range of EU interventions, reflecting the complexity of what is available’.

The main EU instruments and measures that are currently available are summarised in table 3.

<table>
<thead>
<tr>
<th>Name</th>
<th>Period</th>
<th>Budget</th>
<th>Objectives</th>
</tr>
</thead>
</table>
| COSME\(^{29}\) (in charge: DG GROWTH) | 2014-2020 | €2.3 billion | The main priorities of the programme relate to access to finance; access to markets; creating better framework conditions for competitiveness; and encouraging entrepreneurship. It supports internationalisation and access to foreign markets. Examples of measures:  
- Enterprise Europe Network (EEN) (2015-2021)  
- EU-Japan Centre for Industrial Cooperation  
- Cluster internationalisation programme SMEs (2014-2020)  
- Financial instruments (EFG and LGF)  
- IPR SME Helpdesks  
- Small Business Act (SBA)  
- Business Beyond Borders  
- Ready2GO  
- Network of European Business Organisations (EBO) in third countries  
- Erasmus for Young Entrepreneurs (2014-2020) |
| Horizon 2020 (in charge: DG RTD and several other DGs, including DG GROWTH) | 2014-2020 | €79.4 billion | Key elements of Horizon 2020 include the development of the technologies and innovations that will underpin tomorrow’s businesses and help innovative European SMEs to grow into world-leading companies. Horizon 2020 promotes cooperation with countries based on common interest and mutual benefit, ensuring access to talent and resources wherever they are located and companies’ participation of companies in GVCs and access to new and emerging markets. Any European business can use Horizon 2020 as a tool to internationalise by partnering with non-European companies or other actors to carry out joint research and innovation activities, such as integration of a technology supply chain; demonstration or piloting of a new product, service or technology; accessing facilities, data or services etc. Examples of measures include:  
- SME-tailored support to stimulate all forms of innovation in SMEs, targeting those with the potential to grow and internationalise across the single market and beyond  
- A dedicated SME instrument and a Fast Track to Innovation pilot scheme to speed up the time from idea to market, and to increase the participation of |
Funding activities that carry EU agendas with partner countries forward, for instance by providing technical assistance such as IPR issues, promoting business cooperation, innovation and knowledge management, as well as underpinning cooperation with international institutions.

Via IPA, the EU supports reforms in the enlargement countries with financial and technical help. The ‘growth and competitiveness’ pillar supports the socio-economic development in the region and contributes to creating a better business environment, in particular for SMEs: it aims to attract foreign investments, improves access to finance, increases clustering, networking and SME internationalisation.

IPA II finances the technical assistance facility of the Western Balkans regional Enterprise Development and Innovation Facility (EDIF) which aims at increasing governments’ support for strategic investments, particularly in infrastructure, energy efficiency and private sector development.

ENI promotes enhanced political cooperation and economic integration between the EU and its neighbour countries. Support is especially provided for improvement of business environment and trade development of Southern Mediterranean.

In parallel, a number of support instruments are also provided by public and private actors at national level in the EU. A study from 2013 (ECSIP) mapped the then available internationalisation support instruments in the EU-27, with the figures displayed in in table 4.

**Table 4: Type of service offered by public and private organisations in the EU-27**

<table>
<thead>
<tr>
<th>EU 27</th>
<th>Public Support services</th>
<th>Share in total</th>
<th>Private Support services</th>
<th>Share in total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Seminars, workshops</td>
<td>355</td>
<td>12%</td>
<td>39</td>
</tr>
<tr>
<td></td>
<td>Staff training</td>
<td>214</td>
<td>7%</td>
<td>26</td>
</tr>
<tr>
<td></td>
<td>Trade missions, trade fairs and matchmaking events</td>
<td>280</td>
<td>9%</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td>Information on rules and regulations</td>
<td>286</td>
<td>9%</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Information on market opportunities</td>
<td>308</td>
<td>10%</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td>Identifying and arranging meetings with potential clients</td>
<td>264</td>
<td>9%</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td>Advice and consultancy</td>
<td>370</td>
<td>12%</td>
<td>51</td>
</tr>
<tr>
<td></td>
<td>Business cooperation and networking</td>
<td>338</td>
<td>11%</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td>Sectoral programmes</td>
<td>180</td>
<td>6%</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>Credit guarantee scheme</td>
<td>105</td>
<td>3%</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>Subsidies, grants</td>
<td>133</td>
<td>4%</td>
<td>16</td>
</tr>
</tbody>
</table>

Sources: European Commission webpages; ECSIP, 2013 and European Commission, 2016d
Table 5 displays a number of relevant instruments for SMEs’ internationalisation, available at EU/international or national/sub-national level. Several of them can also be relevant for, or have a specific focus on, BGs (mainly at national level).

The information provided in the table has an illustrative nature. The instruments have been grouped in order to better identify the main approaches adopted to foster the internationalisation of SMEs and BGs in Europe. These categories can be described as follows:

- **Awareness raising, promotion and advice**: actions enhancing internationalisation through awareness raising, stressing the benefits of internationalisation and promoting available support measures, and providing (tailored) advice to internationalising companies;
- **Access to finance**: support in the form of subsidies, loans, guarantees, and liaising with potential investors; crowdfunding; and support to prepare application for funding;
- **R&D, innovation and sectoral programmes**: financial support, advice and accompaniment of innovative SMEs in their international expansion;
- **Partnerships, networks, alliances and clusters**: support in identifying and approaching potential business partners (including suppliers and customers) and investors abroad; provision of contacts to exporters searching for business partners, and clusters’ support and approaches;
- **Qualification and human resources**: provision of education and training to staff and management in internationalisation related matters, support to theoretical and practical familiarisation with internationalisation, and promotion of exchanges or experiences abroad for staff/students;
- **Certification and IPR**: support in the process related to a product’s certification;
- **Trade missions and mobility**;
- **Information access and provision**: provision of information on specific conditions related to international activities in specific markets; information databases; market intelligence; and information on internationalisation processes and barriers;
- **Integrated support services from start-up to promotion**: coordination of international activities; advice, consultancy, business development and new market opportunities; and comprehensive international business incubators: combination of different services and accompaniment of companies in different stages of internationalisation. Provision of premises, shared back-office services, education and training opportunities, networking with other actors (peers, investors, suppliers, customers), and provision of information on available support measures;
• One-stop shops for internationalisation: platforms centralising information and providing an overview of all/main support instruments available in the field of internationalisation; and
• Business environment and inter-country cooperation support: agencies and institutions providing governmental and diplomatic support to businesses in international trade relations; policy documents and legal frameworks; enhancement of business relationships between countries; and business centres.

In addition to these typologies of instruments directly targeting internationalisation, other types of support instruments should also be taken into account. SMEs and BGs may not only benefit from specific internationalisation support, but also from other support measures with different objectives than internationalisation. These could still, indirectly, enhance the companies’ ability to internationalise.
Table 5: Examples of internationalisation support instruments at EU and national level

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
<th>Examples at an European or international level(^{33})</th>
<th>Examples at a national or subnational level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awareness raising, promotion and advice</td>
<td>Enhancing internationalisation through awareness raising, stressing the benefits of internationalisation and promoting available support measures, and providing (tailored) advice</td>
<td><strong>Internationalisierungsoffensive (AT)</strong>(^{34}), including information and advice provision, but also networking, study visits, training and financial support.</td>
<td><strong>National Export Portal (BG)</strong>(^{35}), providing specialised information and consultation to SMEs for export promotion.</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Vitus (DK)</strong>(^{36}), targeting SMEs with a particularly high international growth potential. The programme selects and helps 10 companies every half year to kick-start export fast and effectively. Focus is on specific sales activities in pursuit of export orders and ensuring a solid foothold on the relevant market within just 12 months.</td>
<td><strong>Romanian brands for export (RO)</strong>(^{38}), aiming to raise the number of Romanian firms which have trademarked brands in the export markets of interest, and to increase the number of sector/regional organisations directly involved in implementing branding strategies.</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>ICEX Next (ES)</strong>(^{37}), intended to facilitate the initiation of Spanish SMEs in exporting activities and to consolidate the presence in international markets of those non-consolidated exporting SMEs.</td>
<td></td>
</tr>
<tr>
<td>Access to finance</td>
<td>Subsidies, loans, guarantees, and liaising with potential investors; crowdfunding; and support to prepare</td>
<td><strong>Access to Finance portal of the EU</strong>(^{39}), supporting business to apply for loans and venture capital supported by the EU.</td>
<td><strong>Exportfonds Rahmenkredit (AT)</strong>(^{40}), where credit utilisation is connected to export contracts.</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>European Structural and Investment Funds (ESIF)</strong>(^{41}), financing a whole range of SME internationalisation measures, such as the participation in trade fairs and foreign trade missions, market intelligence, assistance in identifying business partners, support to</td>
<td><strong>SME programme (AT)</strong>(^{42}), for SMEs in their innovation and growth.</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Vitus (DK)</strong>(^{36}), targeting SMEs with a particularly high international growth potential. The programme selects and helps 10 companies every half year to kick-start export fast and effectively. Focus is on specific sales activities in pursuit of export orders and ensuring a solid foothold on the relevant market within just 12 months.</td>
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</tr>
</tbody>
</table>

\(^{33}\) Main sources of information: Enterprise Europe Network (2016), Guide to EU services for SM internationalisation, July 2016; and European Commission (2016), Internationalisation of innovation in SMEs – Case studies, exemplary support practices ad policy implications

\(^{34}\) [http://www.kredex.ee/en](http://www.kredex.ee/en)


\(^{37}\) [http://icexnext.es/](http://icexnext.es/)

\(^{38}\) [http://wwwпорталдекомерт.ro/Modalitati-sustinere-Detali-1099-0.htm](http://wwwпорталдекомерт.ro/Modalitati-sustinere-Detali-1099-0.htm)


application for funding

International activities of clusters and business networks, etc. The ESIF's financial services include export guarantees and loans. A guide on how to support internationalisation of SMEs using the ESIF is available.

The EIB Group consists of the European Investment Bank and the European Investment Fund, the specialist arm providing SME risk finance. The European Investment Fund (EIF) supports Europe’s SMEs in their access to finance through selected financial intermediaries across Europe. It designs, promotes and implements equity and debt financial instruments which specifically target SMEs.

Financial Instruments (Equity Facility for Growth – EFG and Loan Guarantee Facility - LGF), COSME programme. Through COSME EFG, the EIF invests in selected venture capital and private equity funds (acting as financial intermediaries) that provide funding to SMEs in their expansion and growth stages. It also invests in funds helping portfolio companies to expand and to internationalise. Through COSME LGF, it offers guarantees and counter guarantees to selected financial intermediaries to help them to provide loans and leases to SMEs which they would otherwise not support.

The 'Industrial Leadership' pillar of Horizon 2020 helps companies and other types of organisation engaged in research and innovation to access, via financial instruments, loans, guarantees, counter-guarantees and hybrid, mezzanine and equity finance.

InnovFin – EU Finance for Innovators (Horizon 2020), promoting debt and equity products and advisory services to boost supported by loans, grants and guarantees on a low interest basis. By doing so the companies are able to implement innovative projects when other financial resources are lacking.

Advice and financial support (BE), focused on the creation or acquisition of foreign companies or the restructuring and development of existing foreign companies.

Subsidy for an international custom project (BE), encouraging creative projects which promote international businesses from Flanders.

Subsidy for digital international commercial business communication (BE), supporting the external development or translation of digital international commercial business communications.

Danish Growth Fund (DK), a state investment fund that contributes to the creation of new companies by providing expertise and capital via guarantees, loans and investments. Within the DGF there is a special scheme of loan for entrepreneurs.

Denmark’s Export Credit Agency Danmarks Eksportkredit (DK), helping Danish companies to make it possible and attractive for customers abroad to purchase Danish products. EKF do so by helping raise financing and by insuring companies and banks against potential financial and political risks of trading with other countries.

Loans provided by the Credit and Export Guarantee Fund KredEx (EE): technology loans for export-oriented enterprises in

50 http://www.exportfonds.at/de/exportfondskredit/seiten/default.aspx
51 https://www.aws.at
54 http://www.eib.org/about/index.htm
55 http://www.eib.org/
56 http://www.eif.org/what_we_do/equity/single_eu_equity_instrument/cosme_efg/index.htm
57 http://www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/cosme-loan-facility-growth/
the availability of finance for research and innovation activities in Europe. InnovFin consists of a range of tailored products – from guarantees for intermediaries that lend to SMEs to direct loans to enterprises - helping support the smallest to the largest R&I projects in the EU and in the countries associated to Horizon 2020.

**Bilateral cooperation** establishing co-funding mechanisms, such as the EU- China co-funding mechanism for research and innovation for the period 2016-2020 (please see section on business environment).

European Bank for Reconstruction and Development (EBRD)'s [Small Business Support programme](http://www.ebrd.com/small-business-support.html), providing finance and advice to SMEs. [Lean internationalisation](http://green-id.eu/), under the [Green-id project](http://www.green-id.eu/), supports international project funding or business proposals (prepare calls, expressions of interest, tenders; design remote customer discovery, lean validation pilots).

**Start-up grant (EE)**, aiming to support the creation of enterprises with a big development potential, and thereby expand regional entrepreneurship and number of exporters.

[ICEX Consolida2 (ES)](http://www.icex.es/web/ico/ico-consolidacion/index.html), fostering the consolidation of the activities of Spanish SMEs in foreign markets, with the only exception of the USA.

[ICO International Facility (ICO Internacional) and ICO Export Facility (ICO Exportadores) (ES)](https://www.ico.es/web/ico/ico-internacional and https://www.ico.es/web/ico/ico-exportadores-corto-plazo), where the former provides financing to Spanish companies and self-employed people to undertake investment abroad and to cover the liquidity needs that these investments require and the latter provides exporters with liquidity by means of advance payment of invoices for export activity in the short term, in addition to covering their liquidity needs for the cost of producing the goods to be exported.

[SME investment (Pyme Invierte) (ES)](https://www.cofides.es/index.php?id=36), supplying integral support of overseas investment to Spanish SMEs, in order to improve their competitiveness and cover the initial set up requirements in other countries in a simple, easy and coordinated
manner.

**LetsGrow (FI)**, a financing programme for SMEs seeking international growth. Companies can receive loans from Finnvera for investments and working capital, grants from Tekes for innovation services and advice from Finpro for international growth.

**Assurance Contract for the Prospection First Steps (FR)**, covering the risk associated to possible commercial failures of prospecting activities of French SMEs in foreign markets.

**Loan International Growth (Prêt Croissance International) (FR)**, providing loans of €30,000 to 5,000,000 per intervention, without guarantee, to finance the company’s growth abroad. The measure is aimed at SMEs that have been set up in the last three years and are financially sound. Supported companies can already have an activity abroad or access it for the first time.

**Business Expansion Grant (IE)**, co-funded by the ERDF. Support to businesses in their growth phase after the initial 18 month start-up period. Some of the potentially eligible businesses are ‘a manufacturing or internationally traded service business’ or ‘a domestically traded service business with the potential to trade internationally’. Eligible firms must demonstrate potential to graduate to Enterprise Ireland and/or export internationally.

**Dutch Good Growth Fund (NL)**, providing financing for investments in developing countries and emerging markets.

**Dutch Trade and Investment Fund (DTIF) (NL)**, offering loans, guarantees and export financing to assist companies that have trouble arranging the necessary financing when seeking to invest in or export to foreign markets.

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### Born globals and their value chains: Literature review

**GIEK - The Norwegian Export Credit Guarantee Agency (NO)**[^69], supporting SMEs’ access to finance for international operations by providing them with a guarantee.

**Export Working Capital Scheme (UK)**[^70], helping UK exporters to gain access to working capital finance both before and after shipment in respect of specific export contracts. Under the scheme, the government department provides partial guarantees to lenders to cover the credit risks associated with export working capital facilities. UK Export Finance typically guarantees 80% of the risk.

**Export insurance policy (EXIP) (UK)**[^71], insuring an exporter against the risk of not being paid under an export contract or of not being able to recover the costs of performing that contract because of events preventing its performance or leading to its end.

**Crowdfunding platforms** represent an alternative source of funding for SMEs over the long term (see the EC proposal on Crowdfunding for start-ups in the EU Capital Markets Union and related reports). EU MSs have begun to put in place national frameworks to support the growth of the sector and ensure investors are appropriately protected. These national frameworks are consistent in terms of the objectives and outcomes they seek to achieve, but they are tailored to local markets and domestic regulatory approaches. As crowdfunding remains largely local and the sector is changing rapidly, there is no strong case for an EU level framework at this juncture.

| R&D, innovation and sectoral programmes | Financial support, advice and accompaniment of innovative SMEs in their international expansion | EUREKA/Eurostars Joint Programme Initiative[^72] (2014-2020), a joint project between Eureka and European Commission, operating under Horizon 2020. The initiative offers support and funding for innovative, R&D oriented SMEs. **Horizon 2020 collaborative projects**[^73], whereby SMEs work with at least 2 international partners from different EU countries and **Innovation Centre Denmark (DK)**[^76], supporting Danish businesses, research and educational institutions to access international knowledge and research, create connections and develop business cases with an international perspective. |

[^69]: [https://giek.no/export/](https://giek.no/export/)
[^70]: [https://www.gov.uk/guidance/export-working-capital-scheme-overview-and-how-to-apply](https://www.gov.uk/guidance/export-working-capital-scheme-overview-and-how-to-apply)
[^71]: [https://www.gov.uk/guidance/export-insurance-policy](https://www.gov.uk/guidance/export-insurance-policy)
request EU project support. To find partners, they can use the assistance of various partner search services (e.g. the EEN).

**Horizon 2020 SME Instrument**\(^74\), providing SMEs with EU funding and support for innovation projects that will help them grow and expand their activities into other countries – in Europe and beyond. The SME instrument has been designed specifically for single or groups of highly innovative SMEs with international ambitions, and provides full-cycle business innovation support.

**EU4Business**\(^75\), an umbrella initiative that aims to bring all regional and bilateral support in the Eastern partner countries together. It offers support for SMEs at three levels: policy level, business support organisations and directly to SMEs by assisting with financial matters and providing business advisory services.

| Partnerships, networks, alliances and clusters | Support in identifying and approaching potential business partners (including suppliers and customers) and investors abroad; provision of contacts to exporters searching for business partners, and clusters’ support and approaches | **Cluster internationalisation Programme SMEs**\(^77\) (2014-2020), from the COSME programme, supporting European SMEs in global competition and encouraging European clusters to work together to exploit synergies across borders and sectors and develop a joint internationalisation strategy. It focuses on specific third markets and key areas for EU industries. It foresees:
- The action ‘Cluster Go International’\(^78\), supporting the establishment of Strategic Cluster Partnerships across borders and in strategic sectors. This help to develop a joint internationalisation strategy with common goals towards specific third markets. Participating SMEs will be able to contribute to the emergence of new industrial value chains.
- The web-based **European Cluster Collaboration Platform**\(^79\), mapping and profiling cluster organisations in the EU and beyond, also used for matchmaking events with clusters in third countries and to facilitate the integration of EU SMEs in GVCs.

| International urban cooperation\(^80\) (EU Partnership instrument), promoting business opportunities, cluster cooperation, technology | **WKO Joint Activities** and **WKO Consulting Ticket (AT)**\(^86\), foreseeing export cooperation of at least three companies that attract the same target population abroad.

| **Netzwerk Hessen-China** – promoting scientific collaboration (DE)\(^87\), a community of business enterprises, public institutions and universities, whose objective is to stimulate international research collaboration and to promote and intensify commercial, cultural and scientific relations between Germany, Europe and China. |

| **Development of clusters (EE)**\(^88\), supporting activities such as the implementing development activities of a cluster, conducting and coordinating joint marketing activities of the cluster, and increasing international visibility and value, including organising seminars, workshops, conferences and events. |

| **Spain Tech Centre (STC) (ES)**\(^89\), a public-private initiative that facilitates the successful landing of Spanish technology companies |

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76 [www.icdk.um.dk](http://www.icdk.um.dk)
78 [http://www.eu4business.eu](http://www.eu4business.eu)
79 [http://www.clustercolaboration.eu](http://www.clustercolaboration.eu)
81 [https://www.clustercolaboration.eu/](https://www.clustercolaboration.eu/)

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Born globals and their value chains: Literature review

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>SME Go Global Network (SMEGoNet)</td>
<td>Funded by the Interreg IVC programme (ERDF), aims to increase capabilities of clusters initiatives, to support innovation and increase local and global competitiveness through effective collaboration and learning within local and international innovation networks.</td>
</tr>
<tr>
<td>The EuroTech Universities Alliance</td>
<td>Providing a framework to exchange and promote entrepreneurship activities across-borders, offering the potential to achieve synergies in supporting and achieving entrepreneurial outcomes through entrepreneurs’ access to expertise, networking and funding at international level. Regular exchanges between the universities allow for the exploitation of synergies and the development of novel joint approaches, which can be further promoted at the EU level.</td>
</tr>
<tr>
<td>European &amp; Latin American Technology Based Business Network (ELAN Network)</td>
<td>An online platform generating technology-based business opportunities between European and Latin American SMEs. It presently covers the EU, Argentina, Brazil, Chile, Colombia, Equador, Mexico, Peru and Costa Rica.</td>
</tr>
<tr>
<td>Club GLOBALS</td>
<td>A private initiative, a platform for digital nomads and globals entrepreneurs, making their international life easier by connecting entrepreneurs with recommended service providers online and at events.</td>
</tr>
<tr>
<td>East invest</td>
<td>A regional investment and trade facilitation project for the economic development of the Eastern Neighbourhood in Silicon Valley and the US. Spain Tech Center is the default hub of Spanish tech companies in Silicon Valley.</td>
</tr>
<tr>
<td>Finpro (FI)</td>
<td>Helping Finnish SMEs go international, encouraging foreign direct investment in Finland and promoting travel to Finland. Finpro is a public organisation consisting of Export Finland, Visit Finland and Invest in Finland.</td>
</tr>
<tr>
<td>Matchmaking Facility (NL)</td>
<td>Aiming to establish structural, long-term business relationships between entrepreneurs from developing countries and Dutch entrepreneurs.</td>
</tr>
<tr>
<td>Sustainable Water Fund (NL)</td>
<td>A Public-Private Partnership facility which aims to contribute to water safety and water security in developing countries. In real terms this means RVO.nl supports collective initiatives between governmental bodies and industry.</td>
</tr>
<tr>
<td>ITEA3 (Information Technology for European Advancement)</td>
<td>Where parties from different countries work together.</td>
</tr>
<tr>
<td>Norwegian Industrial Research and Development Contracts (IRD)</td>
<td>Set up by Innovation Norway. An IRD contract is a binding agreement between companies to collaborate in the development of a new product, process or service. It can only be granted to projects of an exceptional level of innovation and value creation, clearly defined market potential and high additionality. This support measure enables SMEs with high-growth potential to penetrate international markets with new and innovative solutions. The IRD scheme provides grants to R&amp;D-projects where an SME supplier teams up with a demanding, larger and preferably international customer.</td>
</tr>
</tbody>
</table>

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86 http://www.go-international.at/foerderungen/joint-activities.html
87 http://www.hessen-china.de/
88 http://www.eas.ee/teenus/development-of-clusters/?lang=en
89 http://www.spaintechcenter.com/
91 http://eurotech-universities.eu/
92 http://www.elannetwork.org/
93 https://clubglobals.com/
94 http://www.east-invest.eu/
95 http://www.finpro.fi
| Qualification and human resources | Provision of education and training to staff and management in internationalisation related matters, support to theoretical and practical familiarisation with internationalisation, and promotion of exchanges or experiences abroad for staff/students | Erasmus for Young Entrepreneurs (COSME programme)\(^8\), a cross-border exchange programme allowing aspiring entrepreneurs to learn from experienced entrepreneurs running small businesses in other countries.  
SUI (Start Up’s Internationalization)\(^9\), an EU wide partnership supporting a proper environment to promote entrepreneurs’ attitudes about the importance of internationalisation of the startup in early stages. Identification of core and innovative learning methods that best encourage success in international activities for start-up and entrepreneurs. Training and practical entrepreneurship education among training providers; innovative training courses for the internationalisation of the startups; e-learning platform.  
Transition Talents - Youth Entrepreneurship Programme (Green-id initiative)\(^8\), a volunteering programme for students, recent graduates and young entrepreneurs who, as Transition Talents, can connect with tech startups, reach global businesses, travel to top venues, develop open tools and accelerate transition.  
Marie Sklodovska-Curie’s action ‘Innovative Training Networks’ (ITN)\(^9\), bringing together universities, research centres | Export Window (SI)\(^8\), including supply of contacts to exporters searching for business partners.  
Funding justifiable costs of vocational training (CH)\(^10\), providing training for employees in relation to improvements and investments in internationalisation.  
Scale-up Denmark (DK)\(^10\), an ambitious training concept for entrepreneurs and small enterprises. The aim is to establish an elite of high growth companies in Denmark.  
Training in the field of Export (EE)\(^10\), to raise the knowledge of enterprises about export, develop the cooperation between enterprises and to create preconditions for increasing export sales and the share of higher value-added products and services in Estonian companies. The trainings are interactive where theoretical knowledge is linked to practical exercises and group work.  
International Company Interns (FR)\(^10\), allowing young people (up to 28 years of age) to carry out their assignment in a French company operating overseas. Interns can work in a variety domains e.g. sales, technology or science.  
Graduates 4 International Growth (IE)\(^10\), assisting companies’ growth abroad through market research resources. Graduate market |

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95 [http://www.izvoznookno.si/](http://www.izvoznookno.si/)
97 [http://startup-internationalization.eu](http://startup-internationalization.eu)
98 [https://www.startus.cc/company/green-id-europe](https://www.startus.cc/company/green-id-europe)
Born globals and their value chains: Literature review

| Certification and IPR | Support in the process related to a product’s certification | EU-US Transatlantic IPR portal\(^{106}\) (DG GROWTH), addressing companies in Europe and in North America, and providing access to IPR resources such as IPR factsheets for individual countries. It helps companies manage their IPR, gives access to IPR training material, provides contact to IPR enforcement authorities and links to external expert advice. IPR Helpdesks for China, ASEAN and MERCOSUR (COSME)\(^{107}\), providing expert advice for SMEs on IPR, liaison with external experts and training. | Go:Global Slovenia (SI)\(^{108}\), an all-encompassing support programme for start-up companies aiming to go global. IP Financing (AT)\(^{108}\), providing information and advice on patent and intellectual property rights in China, Russia and India free of charge, and providing companies with a non-repayable grant for registering patent costs in non-European markets. Polish Technology Bridges (PL)\(^{109}\), providing consulting and mentoring services in the field of business support from the business environment institutions on foreign markets and leading accelerator centres operating in countries identified as innovation hubs. Technology companies receive advisory, mentoring and financial support to develop their market entry strategy for the country of interest. Grant scheme to support businesses’ internationalisation via product certificate (PL)\(^{110}\), including: financing of consultancy/advisory services; preparation and translation of technical documentation; transportation and insurance of the product samples and technical documentation sent for certification testing; audit; certification testing; and issuing of the product certificate. Intellectual Property (IP) attaché network (UK)\(^{111}\), providing a focal point in host countries for supporting UK businesses with IP related issues. It currently involves IP support for UK SME doing international business in Brazil, China, India and South East Asia, and building IPO relations with the Government of foreign |
| Certification and IPR | Support in the process related to a product’s certification | EU-US Transatlantic IPR portal\(^{106}\) (DG GROWTH), addressing companies in Europe and in North America, and providing access to IPR resources such as IPR factsheets for individual countries. It helps companies manage their IPR, gives access to IPR training material, provides contact to IPR enforcement authorities and links to external expert advice. IPR Helpdesks for China, ASEAN and MERCOSUR (COSME)\(^{107}\), providing expert advice for SMEs on IPR, liaison with external experts and training. | Go:Global Slovenia (SI)\(^{108}\), an all-encompassing support programme for start-up companies aiming to go global. IP Financing (AT)\(^{108}\), providing information and advice on patent and intellectual property rights in China, Russia and India free of charge, and providing companies with a non-repayable grant for registering patent costs in non-European markets. Polish Technology Bridges (PL)\(^{109}\), providing consulting and mentoring services in the field of business support from the business environment institutions on foreign markets and leading accelerator centres operating in countries identified as innovation hubs. Technology companies receive advisory, mentoring and financial support to develop their market entry strategy for the country of interest. Grant scheme to support businesses’ internationalisation via product certificate (PL)\(^{110}\), including: financing of consultancy/advisory services; preparation and translation of technical documentation; transportation and insurance of the product samples and technical documentation sent for certification testing; audit; certification testing; and issuing of the product certificate. Intellectual Property (IP) attaché network (UK)\(^{111}\), providing a focal point in host countries for supporting UK businesses with IP related issues. It currently involves IP support for UK SME doing international business in Brazil, China, India and South East Asia, and building IPO relations with the Government of foreign |

\(^{101}\) http://scale-updenmark.com/

\(^{102}\) http://www.eas.ee/teenus/ekspordivaldkonna-koolitused/

\(^{103}\) https://www.civiweb.com/EN/le-volontariat-international.aspx


\(^{105}\) http://www.goglobal.si


\(^{108}\) https://www.eurofound.europa.eu/observatories/emcc/erm/support-instrument/ip-financing


\(^{110}\) http://www.eurofound.europa.eu/observatories/emcc/erm/support-instrument/grant-scheme-to-support-businesses-internationalisation-via-produc;


70
Trade missions and mobility | Support to trade missions and mobility | **Connect Project**[^112] by the European Business & Innovation Centre Network (EBN), Competitiveness and Innovation Framework Programme (CIP), supporting promising entrepreneurs and SMEs to grow and develop their international outlook and competitiveness, promoting an exchange of experience between Brazil and CIP participating countries and enhancing entrepreneurship.

**Business innovation Tours**[^113], under the Green-id programme, promoting technology trade missions for entrepreneurs to grow lean and global.

**Business Beyond Borders**[^114], 2016-2019 (COSME), aiming to increase economic growth within and outside of the EU by helping EU businesses and clusters to operate internationally. The initiative’s focus is especially on providing support for networking in international trade shows.

**Ready2GO**[^115], 2016-2018 assists 80 preselected SMEs in the EU and other COSME countries to take their first steps towards internationalisation in five target countries (Canada, the USA, Chile, Cameroon, and India). The selected SMEs will receive tailored support in the form of coaching, drafting of a business plan and matchmaking, among others.

| Countries | **Grant for a prospecting trip outside the EU, Iceland, Liechtenstein and Norway (BE)**[^116], supporting prospecting trips.** Subsidy for participating in a foreign trade fair or niche event (BE)[^117], encouraging participation in international fairs and niche events in order to make business contacts and contribute to make the company or organisation name known.** Joint-stands in international business exhibitions (EE)[^118], contributing to the exports growth, to increase Estonian enterprises’ credibility among the potential clients and cooperation partners and raise their image and reputation among foreign investors.** Residence permit scheme for start-ups (NL)[^119], promoted by a new regulation from 2015, makes it possible for ambitious entrepreneurs from outside of the EU to apply for a one-year residence permit for the Netherlands. Within that year, the start-up entrepreneur can create a business based on an innovative product or service under the guidance of an experienced mentor.** Starters International Business (SIB) Go Abroad, Well Prepared Programme (NL)[^120], aimed towards businesses that are new/inexperienced in the export business and would like to explore it.** Co-financing for participating in international fairs and exhibitions (RO)[^121], covering some of the costs to participate to international fairs. |


[^113]: [http://green-id.eu/bitour/](http://green-id.eu/bitour/)


[^115]: [www.b2match.eu/ready2go](http://www.b2match.eu/ready2go)


| Information databases and portals; operational information on internationalisation processes and access to markets | Provision of information on specific conditions related to international activities in specific markets; market intelligence; information on internationalisation processes and barriers | **Market access database** (DG TRADE), providing information to companies exporting from the EU about import conditions in third country markets: tariffs; procedures and formalities; statistics; trade barriers; sanitary and phytosanitary issues; food safety/animal health/plant health measures; rules of origin; and services for SME. **Export Helpdesk**\(^{123}\) (DG TRADE), a website providing market access information for companies importing into the EU. **Euro-Med Trade Helpdesk**\(^{124}\) (DG NEAR), joint initiative between the EU and the International Trade Centre (ITC) to provide online information on trade statistics; tariffs; rules and certificates of origin; VAT and taxes; general requirements and product specific market requirements; business contacts; and news and events in the Euro Mediterranean area. It aims to strengthen economic ties between the EU and Mediterranean partners. **Taxation and Customs: electronic databases**\(^{125}\) (DG TAXUD), a website providing a list of all Commission databases related to customs and taxation. **EU Gateway/Business Avenues in South East Asia**\(^{126}\) (EU Partnership instrument), informing EU-based SMEs on the opportunity to participate and organising matchmaking events in the target countries. Promotion of trade and business cooperation with South East Asia and creation of business links for European SMEs with emerging markets in the region. See EU Gateway/Business Avenues in South East Asia (Partnership Instrument); Green Gateway to Korea (Partnership Instrument); | **Mobility for Growth – supporting transnational mobility for experienced researchers (SE)**\(^{122}\), supporting experienced researchers’ careers through mobility and international collaborations. It has a funding mechanism for incoming and outgoing transnational mobility for researchers and promotes international collaborations between involved organisations and the creation of international knowledge networks. **Go international! (AT)**\(^{133}\), providing support in relation to: market access and market development; developing intelligent strategies for international business entry; human resources and know-how; and improving framework conditions. It also involves the provision of information, consultancy, training, guided trips to promising markets, aid in networking and establishing contacts, advice regarding the target market (local guidance), and financial support. **Trade4u (BE)**\(^{134}\), a mobile application for tablets and smartphones (iOS and Android) that was developed to send targeted international opportunities to the subscribing companies. **Belgian Exporters’ Database (BE)**\(^{135}\), offering an overview of circa 23,000 Belgian and Luxembourg-based companies focusing on exports. An importer can find new partners in this database based on their type of activity. The **National Research and Innovation Strategy for Smart Specialisation (CZ)**\(^{136}\), stimulating international expansion of local companies first via export and FDI. Specific attention is paid to target markets with high growth potential. **Eksportguiden (Export Guide) (DK)**\(^{137}\), a website containing a comprehensive overview and information on all public support measures related to Danish companies’ export and internationalisation activities. The guide contains all government programmes that have an element of export, in the form of grants, advice or funding. **Markedsinformation (Market Information) (DK)**\(^{138}\), a website |

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122 [https://www.vinnova.se/en/m/mobility-for-growth/](https://www.vinnova.se/en/m/mobility-for-growth/)
124 [http://euromed.macmap.org/euromed](http://euromed.macmap.org/euromed)
125 [https://ec.europa.eu/taxation_customs/online-services_en](https://ec.europa.eu/taxation_customs/online-services_en)
126 [https://www.eu-gateway.eu/content/south-east-asia](https://www.eu-gateway.eu/content/south-east-asia)
Born globals and their value chains: Literature review

<table>
<thead>
<tr>
<th>Green gateway to Japan; and EU Gateway to China (Partnership Instrument), also relevant under the category ‘Business environment and inter-country cooperation support’.</th>
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</thead>
<tbody>
<tr>
<td><strong>Market access and trade &amp; investment agreement negotiation &amp; implementation facility</strong>(^{127}) (Partnership instrument), providing assistance in the field of trade: legal analysis and advice, expertise to support delegations coordinating Market Access Teams, translations, statistics and data collection/analysis, expert seminars, workshops, technical assistance to support partner countries implement necessary reforms, monitoring of trade agreements.</td>
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<tr>
<td><strong>SME Trade Defence Helpdesk</strong>(^{128}) (DG TRADE), ensuring fair trade for EU enterprises and protecting them against unfair trade measures, including low-priced imports due to prohibited subsidies or dumping practices from non-EU countries.</td>
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<tr>
<td><strong>Technical Barriers to Trade (TBT) Enquiry Point</strong>(^{129}) (DG GROWTH), preparing the EU comments on the draft technical regulations and conformity assessment procedures notified by the WTO Members under the TBT Agreement, with the objective to remove unjustified technical barriers preventing EU small businesses to take full advantage of international trade.</td>
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<tr>
<td><strong>LILA- Lab web platform</strong>(^{130}), a user feedback platform. It helps the entrepreneurs on their very first stage of product development by providing feedback from targeted users. Start-ups can test their inventions in different stages of their development, even when it is still an idea. Through LILA Labs, markets in France, UK, Luxemburg and Germany can be approached. Key to the success are the successful networking of partners and the strong groups of containing all trade and business related reports, analyses, magazines, and newsletters published by the Trade Council and the Danish missions abroad. The website provides a search function that makes it possible to seek information across sectors as well as across countries. All information is updated regularly.</td>
</tr>
<tr>
<td><strong>Trade with Estonia (EE)</strong>(^{139}), providing Estonian foreign-oriented enterprises an opportunity to make visible for the foreign buyers and potential cooperation partners. The aim of the measure is to create new export relationships, market the companies and their products, and distribute information to foreign companies about the Estonian companies that want to sell abroad.</td>
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<tr>
<td><strong>National System of Commercial Information (RO)</strong>(^{140}), containing information to help Romanian firms cooperate with foreign firms.</td>
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<tr>
<td><strong>Export Window (SI)</strong>, including a web portal with information for beginners in international trade and assistance for participation in international trade fairs.</td>
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<tr>
<td><strong>Open to Export (UK)</strong>(^{141}), an online platform providing exporters, or enterprises which are about to export, with guidelines, advice, support in terms of networking, legal framework, and consultation in import/export, webinars, blogs, information on international markets, trade missions, sponsorships, events, and data about different markets, industries in foreign markets. The content is produced and contributed by users, partner organisations and key contributors.</td>
</tr>
</tbody>
</table>

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\(^{133}\) [http://www.go-international.at/English_Version.html](http://www.go-international.at/English_Version.html)


\(^{137}\) [http://thetradeacouncil.dk/services/eksport](http://thetradeacouncil.dk/services/eksport)

\(^{138}\) [http://um.dk/da/eksportraadet/markeder/markedsinformation/](http://um.dk/da/eksportraadet/markeder/markedsinformation/)

\(^{139}\) [http://ec.europa.eu/dgs/fpi/documents/jobs/20150316_1/20150316_1_5_annex_i-4_tor_en.pdf](http://ec.europa.eu/dgs/fpi/documents/jobs/20150316_1/20150316_1_5_annex_i-4_tor_en.pdf)


user communities behind the LILA platform.

**Transnational Ecosystem Laboratory & Actions (TESLA)**\(^{131}\) project. With the support of partner organisations from Ireland, Wales, France, Germany, Belgium and the Netherlands, cross-border access-to-market opportunities are offered. The goal is to drive the internationalisation of start-ups faster, giving them access to important export markets in the EU.

**Understanding China**\(^{132}\), improving the knowledge about China for European businesses. It targets EU SMEs by ‘SME Roundtables’ and training programmes, among others.

| Integrated support services from start-up to promotion; coordination of international activities; advice, consultancy, business development and new market opportunities; comprehensive international business incubators | Combination of different services and accompaniment of companies in different stages of internationalisation. Provision of premises, shared back-office services, education and training opportunities, networking with other actors (peers, investors, suppliers, customers), provision of information on | Enterprise Europe Network (EEN) 2015-2021 (COSME programme)\(^{142}\), the largest network of business and innovation support organisations for the benefit of European SMEs. It promotes different activities, such as Missions for Growth, where the Commissioner responsible for Enterprise and industry policies travels with a delegation of EU business representatives to a third country. Missions for Growth help European enterprises to better profit from fast growing emerging markets and are usually linked to renowned international brokerage events. Most EEN services support EU SMEs in the EU, allowing them to benefit from EU legislation, funding opportunities and EU programmes. Nonetheless, there are also specific services for entering third country markets: the **Going International** service targets non-domestic markets and promotes, among others, matchmaking events. The EEN also relies on a large network of contact points in third countries to help SMEs expand into these markets, and operates through business support organisations in approximately 50 countries. **Your Europe Business Portal**\(^{143}\), offering help to businesses and entrepreneurs who want to expand their activities to other EU or | Go Silicon Valley (AT)\(^{148}\), providing businesses with the necessary mindset, work and methods to improve innovative capacity and competitiveness. It provides access to a network of experts from the digital world, the science, of digital pioneer companies and pacemakers from the Silicon Valley. **Exportfonds Market Development Credit (AT)**\(^{149}\), covering expenses that enable worldwide distribution of products/services. **iMinds (BE)**\(^{150}\), including the Go Global programme to support innovation-driven companies internationally, offering business development support. It includes: hands-on coaching, business development or market analysis, travel vouchers, access to entrepreneurial ecosystems and co-working spaces abroad if needed, local coaching and feedback on the business pitch. **Funding for the creation of a prospecting office outside the EU, Iceland, Liechtenstein and Norway (BE)**\(^{151}\), for SMEs, larger companies, business organisations and (mixed) Chambers of Commerce that require a permanent exploration office whilst developing business in certain markets in order to keep in touch |

\(^{131}\) http://icps.bangor.ac.uk/tesla.php
\(^{132}\) http://www.understandingchina.eu/
\(^{142}\) http://een.ec.europa.eu/
\(^{143}\) http://europa.eu/youreurope/business/index_en.htm
\(^{148}\) http://go-sv.com/en/
\(^{149}\) http://een.ec.europa.eu/
available support measures | EEA countries. It provides practical information on EU rules and links them to national rules, authorities, helpdesks, and support services. The portal helps boost competitiveness and growth, and facilitates SMEs’ access to markets. It complements and promotes the services of the Enterprise Europe Network.

**EIT Digital Accelerator**\(^{144}\), providing assistance to later stage start-ups and scale-ups that have already market evidence to show. On this stage, the start-up is striving for internationalisation. Therefore, the EIT Digital network provides the supported scale ups access to market, to experts and to investors on matchmaking events. Support measures in all of these three activity lines can be provided also outside Europe.

**European Startup Network**\(^{145}\), currently developing a joint Action Plan, to (among others) facilitate ‘international Go-To-Market’: create joint European go-to-market and Public Relations programmes; provide guidelines, testimonials, repositories and directories for startups in the scale-up stage; develop a soft landing programme to ease startups into national markets.

**Startup Europe**\(^{146}\), a comprehensive project aiming at: connecting people through networks; connecting ecosystem by specific projects (Digisant, ePlus Ecosystem, Startup-Scaleup, Twist Digital and WELCOME); helping start-ups to soft-land in other markets such as Silicon Valley, India and The United Arab Emirates; and celebrating entrepreneurs’ success. It also includes a one-stop shop for start-ups.

**Euromed Invest**\(^{147}\), initiative, aiming to strengthen EU-Mediterranean business and investment networks. It offers an

with the changing needs of the country and local customers.

**BornGlobal (DK)**\(^{152}\), whereby companies have a group training on all internationalisation aspects first, and then the successful growers are put into the picture through the press and own media in order to inspire other companies. Capacities for internationalisation are also assessed.

**Global Growth Competencies (Globale VækstKompetence (GVK) (DK)**\(^{153}\), providing new competences to business by implementing a competency development/upgrading-course for staff and management with a focus on areas that can help strengthen the business international profile.

**Enterprise Development Programme (EE)**\(^{154}\), aiming to support well-thought-out development, improved action planning, innovation implementation and product development.

**Start-up Estonia (EE)**\(^{155}\), a collection of services aimed at developing and helping a startup go from a mere idea to widespread growth quickly.

**Global Lehian: Programme for the Internationalisation of the Basque SMEs, (ES)**\(^{156}\), improving the competitiveness of Basque companies through their internationalisation either individually and in cooperation (via export consortia).

**Pass’ Export (FR)**\(^{157}\), helping SMEs from the French region of Aquitaine with less than 10% of their turnover on export or without a clearly defined international strategy, in their first approach to foreign markets by encouraging them to structure their export

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149 [http://www.exportfonds.at](http://www.exportfonds.at)
154 [http://startupeuropeclub.eu/](http://startupeuropeclub.eu/)
155 [http://www.euromedinvest.eu](http://www.euromedinvest.eu)
156 [http://startvaekst.dk/vhhr.dk/born-global-vhhr](http://startvaekst.dk/vhhr.dk/born-global-vhhr)
157 [www.gvk-projekt.dk](http://www.gvk-projekt.dk)
online business matchmaking platform, a market intelligence portal, business roadshows, mentoring, training and business networks in sectors like agri-food, water and renewable energy, tourism, transportation and logistics, as well as cultural and creative industries.

approach.

The **Hungarian Investment Promotion Agency (HU)**\(^{158}\), supporting SMEs' internationalisation by contributing to national and outward direct investments on the R&D+I field. By supporting innovative projects, it helps SMEs to find the cooperating partners. The Agency's database (‘Innovation Marketplace’) contains marketable project ideas that can be suggested to foreign partners.

Enterprise Ireland’s *'Becoming Lean' programme (IE)*\(^{159}\), supporting companies’ competitiveness in international markets, and *First Flight Programme* (IE), assisting SMEs which are new exporters or early stage exporters, by assessing and developing key capabilities to manage the risks, time and expenses associated with going international.

**Trade Malta (MT)**\(^{160}\), offering guidance to locally based companies which want to take advantages of overseas opportunities. This includes forming part of international franchises, increasing exports, forming joint ventures, and attracting business prospects.

**Integrated support services from the Chamber of Commerce and Industry (RO)**\(^{161}\), also supporting internationalisation.

**Geek House Startup Accelerator (SI)**\(^{162}\), accompanying businesses through comprehensive support from the initial business idea up to the global growth: provision of education, promotion, mentoring and capital within a single comprehensive business support programme.

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\(^{155}\) [http://www.startupestonia.ee](http://www.startupestonia.ee)


\(^{158}\) [https://hipa.hu/main](https://hipa.hu/main)


\(^{160}\) [https://www.trademalta.org/](https://www.trademalta.org/)


\(^{162}\) [https://www.eurofound.europa.eu/observatories/emcc/erm/support-instrument/geek-house-startup-accelerator](https://www.eurofound.europa.eu/observatories/emcc/erm/support-instrument/geek-house-startup-accelerator)
<table>
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<tr>
<th>One-stop shops for internationalisation</th>
<th>Platforms centralising information and an overview of all/main support instruments available in the field of internationalisation</th>
<th>SME Internationalisation Portal (COSME Programme)(^\text{168}), providing information on hundreds of service providers (at regional, MS and EU level) to support SME internationalisation activities. The database describes the support services available and provides the relevant contact details. The European Small Business Portal(^\text{169}), gathering all the material provided by the EU about and for SMEs. Small companies and entrepreneurs can find information about access to finance, access to markets, and policy related to SMEs on the portal.</th>
<th>Ventanilla Unica Empresarial (ES)(^\text{170}), centralising support services for SMEs and providing access to documents, training, and other relevant support services and sources. The Netherlands exports (Nlexporteert) app (NL)(^\text{171}), providing Dutch exporting companies with a single digital signpost where all relevant public/private export information and trade networks converge. It includes an interactive world map for each country to give information on upcoming events, the do's and don'ts of doing business abroad, macroeconomic fundamentals, financing and</th>
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163 https://www.gzs.si/skupne_naloge/mednarodno_poslovanje/vsebina/Go-International-Slovenia
164 https://www.gov.uk/government/organisations/uk-trade-investment/about/about-our-services
165 https://www.gov.uk/guidance/e-exporting
166 https://www.gov.uk/guidance/tradeshow-access-programme
167 https://www.scottish-enterprise.com/services/do-business-outside-scotland/high-value-opportunities/overview
169 http://ec.europa.eu/small-business/index_en.htm
170 http://www.ventanillaempresarial.org
171 https://www.rvo.nl/onderwerpen/internationaal-onderneemen/nl-exporteert-app
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<table>
<thead>
<tr>
<th>Business environment and inter-country cooperation support</th>
<th>Agencies and institutions providing governmental and diplomatic support to businesses in international trade relations; policy documents and legal frameworks; enhancement of business relationships between countries; business centres</th>
<th><strong>Small Business Act (SBA)</strong>(^{173}), a set of policy guidelines and recommendations to enable Member States to improve various aspects of the business environment for SMEs. <strong>Free Trade Agreements (FTAs)</strong>(^{174}) of the EU with third countries. <strong>IPA II</strong>(^{175}), supporting reforms in the enlargement countries with financial and technical help, contributing to creating a better business environment for SMEs (foreign investments, access to finance, clustering, networking and SME internationalisation). <strong>European Neighbourhood Instrument (ENI)</strong>(^{176}), promoting political cooperation and economic integration between the European Union and its neighbour countries. Upcoming instrument: the <strong>EU services e-card</strong> (European Commission, 2017a), supporting EU service providers that want to expand their activities to other Member States. The e-card operates on voluntary basis and would reduce administrative complexities. <strong>Enhancement of the Business Environment in the Southern Mediterranean</strong>(^{177}), aiming to build a better business environment for micro, small and medium sized enterprises through strengthening of the technical capabilities of targeted public and private sector stakeholders in the South European Neighbourhood.</th>
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<td>contact details of embassies and trading posts worldwide. Another component is the ‘Export Guide’, where the company accesses relevant export documents, laws and regulations, international network programmes, and information about getting financing. <strong>Portal for Romanian Foreign Trade (RO)</strong>(^{172}), combining information on state instruments, knowledge, counselling and suggestions to help Romanian firms expand to foreign markets. The portal’s commercial representation network links the business environment in Romania with the one abroad. <strong>Tax certificates (BE)</strong>, ensuring tax exemption for additional staff recruited to perform export activities. <a href="http://www.abhace.be/">http://www.abhace.be/</a>. <strong>Law 14/2013, of 27 September 2013, on support for entrepreneurs and their internationalisation, (ES)</strong>, facilitating the attraction of foreign, non EU nationals that are intended to carry out an economic activity within Spain that is regarded as relevant for the Spanish economy. <strong>Lithuanian export development guidelines 2014-2020 (LT)</strong>, focusing on increasing competitiveness of start-ups, especially SMEs. It foresees measures like skills development, partner search, participation in fairs and business missions, participation in clusters and international networks. <strong>External network of the Ministry of Economy (RO)</strong>, whereby the ministry makes available a database of contacts in various EU and non-EU countries with contact points that can provide Romanian SMEs information about trading in specific countries. <strong>System for supporting and promoting export (RO)</strong>, enhancing the role of the state import-export bank, developing export promotion programmes, and providing a focus to state aid on supporting Romanian products with a high manufacturing degree on export markets of interest.</td>
</tr>
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\(^{172}\) [http://www.portaldecomert.ro/](http://www.portaldecomert.ro/)


\(^{175}\) [http://ec.europa.eu/enlargement/instruments/overview/index_en.htm#ipa2](http://ec.europa.eu/enlargement/instruments/overview/index_en.htm#ipa2)

\(^{176}\) [https://ec.europa.eu/headquarters/headquarters-homepage/8410/financing-enp_en](https://ec.europa.eu/headquarters/headquarters-homepage/8410/financing-enp_en)

\(^{177}\) [http://www.ebsm.eu/the-ebsm-project](http://www.ebsm.eu/the-ebsm-project)
(Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestine, Syria, Tunisia).

Potential tool: EU Single Member Company\(^{178}\), directive proposal to harmonise rules for the creation of companies in the EU with a single member/shareholder. The aim is to support SMEs to operate across borders by reducing the legal barriers to the creation of subsidiaries in another Member State. Focus on the harmonisation of areas of national law (formation, minimum capital, registration, articles of association, distributions, etc.) needed to set up a company rather than the creation of a new EU legal form. Companies formed under the new rules would bear a common label in every Member State: ‘SUP’ - Societas Unius Personae.

EU-Japan Centre for Industrial Cooperation (COSME programme)\(^{179}\), promoting all forms of industrial, trade and investment cooperation between Japan and the EU, and aiming to strengthen the technological capabilities and the competitiveness of the European and Japanese industrial systems.

The European Business Council\(^{180}\) in Japan, offering indirect help to EU SMEs by caring for an improved trade and investment climate through trade policy.

Network of European Business Organisations (EBO)\(^{181}\) in Third Countries, representing EU-wide business interests there.

The China IPR helpdesk\(^{182}\), supporting SMEs both to protect and enforce their IPR.

European representations\(^{183}\) and business centres outside the EU: in Asia (EU Asia Business Link - EALink), China (EU SME Centre), India (EU Business and Technology Centre - EBTC) and Thailand (EU ASEAN Business Centre – EU Association for Business and Commerce).

SARIO - Slovak Investments and Trade Development Agency (SK), aimed at designing and using all kinds of stimuli to increase the influx of foreign investment while promoting Slovak companies in their effort to go international.

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\(^{179}\) http://www.eu-japan.eu/
\(^{180}\) https://www.ebc-ip.com
\(^{181}\) www.ebowwn.com
\(^{182}\) https://www.iprhelpdesk.eu/china-helpdesk
\(^{183}\) http://www.ealink.eu
European and Latin American **Business Services**[^184] (ELAN Biz), providing information services to interested European SMEs on how-to-do business (regulatory environment, business opportunities, financing mechanisms) in specific Latin American countries; including the ‘Ask the Expert’ service.

EU-China and EU-South East Asia **aviation projects**[^185] (EU Partnership instrument), providing support to the EU aviation there.

**Green Gateway**[^186] to Korea, Japan, China (EU Partnership instrument), strengthening the presence of EU businesses there.

**EU Project Innovation Centre (EUPIC)**[^187], a comprehensive platform promoting trade, investment and technical cooperation between the EU and China.

**Public Procurement Initiative**[^188] (Partnership instrument), improving the availability, coverage and quality of data on public procurement (including on cross-border access to public markets).

At a second stage, the project will also look into the identification of policy instruments and practices that restrain market access in third country public procurement markets.

**Technical Assistance and Information Exchange (TAIEX)**[^189], (Partnership instrument), implementing EU bilateral cooperation agreements or similar agreements, focusing on regulatory convergence in partners countries, to share with them experience, know-how and information on EU policies and to support the implementation of mutually agreed commitments. It does not offer support directly to individual companies.

**Resources efficiency initiative in India**[^190] (Partnership instrument), promoting EU standards and business best practices.

[^184]: http://www.elannetwork.org/
[^185]: https://www.easa.europa.eu/easa-and-you/international-cooperation/technical-cooperation-projects
[^186]: https://www.eu-gateway.eu/
[^187]: http://www.eupic.org.cn/
[^188]: http://ec.europa.eu/dgs/fpi/announcements/tenders/20150123_1_en.htm
[^189]: https://ec.europa.eu/neighbourhood-enlargement/tenders/taix_en
[^190]: http://ec.europa.eu/dgs/fpi/announcements/tenders/20151124_1_en.htm
<table>
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<tr>
<th>Policy dialogue support facility EU-China(^{191}) (Partnership instrument), facilitating economic and trade relations with partner countries.</th>
<th>Support to <strong>CETA implementation and EU Chambers’ Coordination</strong>(^{192}) (Partnership instrument), enabling EU companies in Canada to take full advantage of the ‘Comprehensive Economic and Trade Agreement’ (CETA).</th>
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<tr>
<td><strong>CHINAACCESS4EU</strong>(^{193}), helping to develop the reciprocity aspect of the EU-China Science and Technology agreement by identifying the Chinese programmes open to EU researchers and promote their participation, and to provide outputs useful in the context of the Joint Committee meetings of that agreement.</td>
<td></td>
</tr>
</tbody>
</table>

**Note:** All webpages accessed in November 2018

**Source:** Webpages of the different initiatives

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References

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


ECSIP Consortium (2013), *Study on support services for SMEs in international business*, Rotterdam.


Istituto Tagliacarne (2011), *Le relazioni internazionali della piccola e media imprenditoria italiana (The international relations of the small and medium entrepreneurship in Italy)*, Istituto Guglielmo Tagliacarne, Rome.


OECD (2008), Enhancing the role of SMEs in global value chains, OECD publishing, Paris.


OECD (2013a), Interconnected economies, Benefitting from global value chains, Paris.


Born globals and their value chains: Literature review


Annex: Additional sources of information

- The Duke University Global Value Chains Center [https://gvcc.duke.edu/]
The European Foundation for the Improvement of Living and Working Conditions (Eurofound) is a tripartite European Union Agency, whose role is to provide knowledge in the area of social, employment and work-related policies. Eurofound was established in 1975 by Council Regulation (EEC) No. 1365/75, to contribute to the planning and design of better living and working conditions in Europe.