



Coordination/Cooperation/Cultural context
tandem learning program
of transnational cooperation for **SMEs**



SMEs and international cooperation: Opportunities and Threats

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Points for Reflection

▶ Part A

▶ Barriers and Drivers on International Cooperation

▶ Part B

▶ EU and SMEs

- ▶ SMEs in the “projects challenge”
- ▶ EU support mechanisms

References

- ▶ OECD, Center for Entrepreneurship, SME and Local Development: Top Barriers and Drivers to SME Internationalization (2009)
- ▶ “USE and DIFFUSE” Project: Make Research Work for your Company –Guide to the Successful Use & Dissemination of Research Results (15/01/2010)
- ▶ PRO INNO EUROPE: INNET newsletter, Number 5 (February 2010)

Part A

- ▶ Critical constraints to international cooperation
 - ▶ Limited resources and international contacts
 - ▶ Lack of requisite managerial knowledge
 - ▶ More severe in micro SMEs
 - Sectoral
 - Regional

A.1. Findings on Barriers (Across Sectors)

- ▶ Shortage of working capital to finance exports
- ▶ Limited information to locate / analyse markets
- ▶ Inability to contact potential overseas customers
- ▶ Lack of managerial time, skills and knowledge (including stage of development model orientation) * Point for Reflection

Firm specific resource limitations seem critical whatever the sector

A recent study among Finnish software SMEs concluded that most of the observed barriers are firm-specific and mainly related to firms' resources and capabilities to operate in the market. Another investigation among Indian knitwear apparel exporters also found managerial perceptions of the difficulties associated with international markets to be the biggest barrier to internationalisation of the SMEs studied.

Source: from Ojala and Tyrvairen (2007) and Vivekanandan and Rajendran (2006)

➔ Appropriate Interventions to support international SME's (EC, 2007)

Industry specific Barriers

Sector-specific barriers for software exports

Research among SME software exporters concluded that some of the entry barriers observed appeared to differ from the findings of earlier investigations, which have mainly involved large manufacturing firms. The sector-specific barriers highlighted relate essentially to the intensive information flow and customisation needs of software products and the localisation needs and requirements of international software markets.

Source : Ojala and Tyrvaenen (2007)

Critical factors in favour of international cooperation

- ▶ Growth (appreciation of international pathways)
- ▶ Knowledge – related motives
- ▶ External Environment of SME's: soft factors
- ▶ Support provisions
- ▶ Sub-national type of approaches to promote SME Internationalization

Recent Research Findings on SME Internationalisation Drivers

Country	Motive/stimulus	Author
Australia	Grow market; control supply chain, reduce cost	EFIC, 2008
Belgium, France, Germany, Greece, Italy, Netherlands, Poland, Spain, Sweden, and UK	Market position; knowledge and relationship search	Kocker and Buhl, 2007
Canada	Growth, management capacity factors, social capital, immigrant links, R&D investment, firm size/age/experience, limited domestic market	Orser <i>et al.</i> , 2008
Ireland and India	Knowledge resources	Garvey and Brennan, 2006
Portugal (Azores Islands)	Social networks/ties	Camara and Simoes, 2008
Spain	Managers' previous international experience, firm size/age; regional location; country/regional image	Lopez, 2007
Spain (Catalan region)	Managers' previous international experience, growth and profit expectations, social and business networks, and domestic market saturation/stagnation	Stoian, 2006
Sweden	Growth, managers' previous international experience, unique product or technology, limited domestic market	Rundh 2007
UK	Growth, profits, market size	Barnes <i>et al.</i> , 2006
UK	Growth, profit, to reduce dependence on a single or smaller number of markets	Reynolds, 2007
USA	Profits	UPS, 2007

A2. Findings on Motivational Factors

- ▶ Growth Motives
- ▶ Knowledge Motives
- ▶ Network / Social Ties and Supply Chain Links
- ▶ Domestic / Regional Market Drivers

Support Programmes

► National Programmes

Chambers of Commerce network and SME internationalisation Promotion

*The network of **Austrian Chambers of Commerce** collaborates with the Austrian Government in executing the „Go International“ programs. This attracts an annual budget of EUR 80 million allocated over 32 different sector related sub-programs, with main areas of focus, including export motivation, human resources and know-how, business opportunities and partners and creation of positive conditions on foreign markets.*

*The **French Chambers of Commerce** support its SMEs and others with a wide variety of services, including market research, expert advice, prospecting clients and training sessions financed by the government.*

***Unioncamere, Italy's national Chamber**, coordinates the provision of information resources such as the exchange of best practices and other promotional and awareness activities.*

*The **Spanish and Dutch Chambers of Commerce** respectively deliver the Spanish PIPE and the Dutch PSB programs, with facilities covering various advisory and financial support activities. These centrally organised but regionally delivered programs are adjudged as having the most transparent objectives, criteria, procedures for awarding finance to SMEs submitting export plan-based applications.*

Source : IBF/GDSI (2008)

- Financial Natures
- Information Natured
- Managerial Capacity Natured

Supported Programmes

- ▶ Sub-National approach
 - ▶ National Examples
 - ▶ JEREMIE
 - ▶ EU Gateway to Japan
- ▶ Sectoral focus

A3. Challenges on SME internationalization

► Policy makers



intensify efforts at removing financial constraints and enhance **international contacts** and relevant managerial knowledge: Points for Reflection!

Need to facilitate the activation of **internal motivations on the SMEs themselves** (including quest for growth, profit, etc) = (needs based approach to targeting internationalization support)

Part B

- ▶ EU and SMEs
 - ▶ SMEs in the “projects challenge”
 - ▶ EU support mechanisms

SMEs in the project's challenge

- ▶ What is the motivation of getting a company involved in EC funded RTD projects?
 - ▶ aiming for new developments ... this gives the opportunity to have the innovative parts financed by the project
- ▶ What results can SMEs expect from international projects:
 - ▶ integrate part of the project results into their “next generation” products
 - ▶ bring new products to the market (local, regional)
 - ▶ HR development!!!

SMEs in the project's challenge

- ▶ What role should an SME play in an EU project
 - ▶ Avoid being the project coordinator
 - ▶ Try to have a “learning role”
- ▶ What to look for a good coordinator?
 - ▶ Suitable and competent person for the position
 - ▶ Previous experience

SMEs in the project's challenge

► Overall advice for SMEs considering joining EU projects:

It is essential to nominate one person in the company to be responsible for the project... so it's more than just having a person involved to work on the project only when he or she finds the time.

Plus it's very important that, from the beginning, the SME, if it is not an RTD performer, explains very clearly its expectations and requirements in terms of research and development.

The SME needs to ensure that that it will be able to use what the universities develop in the project. Unfortunately this is not always the case, especially as not everything is always properly clarified during the negotiation phase or even later on.

EU support mechanisms

Single European Act (1993)



SMEs in Europe

- ▶ Overview of SMEs in Europe
 - ▶ Approximately 17 million enterprises
 - ▶ 99.9 are SMEs
 - ▶ 93.3 are micro-firms (0-9 employees)
- ▶ The European Initiatives for innovative SMEs
 - ▶ Seventh Framework Programme (2007-2013)
 - ▶ Cooperation: 32 billion euro → 4.8 million go to SMEs
 - ▶ People: Industry – Academia Pathways and Partnerships (finances researchers' stay within an SME)
 - ▶ Capacities: Research for SMEs and Research for SME associations
 - ▶ Life Long Learning Programme Leonardo da Vinci scheme
 - ▶ EraSMEZ, CORNETII and Eurostars

SMEs in Europe

▶ Starting points for SMEs

- ▶ **identify** and **target** needs i.e. high tech innovative SMEs could consider the opportunity under cooperation in FP7 and the Eurostars programmes, and low tech SMEs can use opportunities offered by the SMEs Programme
- ▶ each SME should have a clear idea of the technical developments as well as of the **post-project** commercial exploitation phase of its project. The goal of the EU instruments is NOT TO FINANCE PURE RESEARCH BUT TO GET RESULTS THAT SMEs CAN USE IN ORDER TO DEVELOP THEMSELVES FURTHER

Lessons learned from INNET (INNO NETS)

- ▶ In accordance with the INNET survey results
 - ▶ INNET defined activities aiming at enhancing international cooperation between clusters as follows:
 - ▶ Communication and know-how: identification of partners, matchmaking tools, study visits, development of common ICT platform
 - ▶ Good practice exchange: organisation of meetings, technological watch, common participation in international fairs and exchange of staff/experts
 - ▶ Common research/innovation projects: brainstorming, development of joint proof of concept, common technological research

These suggest that a **Strategy Dialogue** based on main barriers and opportunities of going international is NEEDED.

Overall Conclusion

If SMEs do **not reflect** on SWOT of Transnational Cooperation these can **not** benefit from it!



Self-reflective approaches for SMEs managers is a **REQUIREMENT**

Thank you...