



Vlaanderen  
is ondernemen

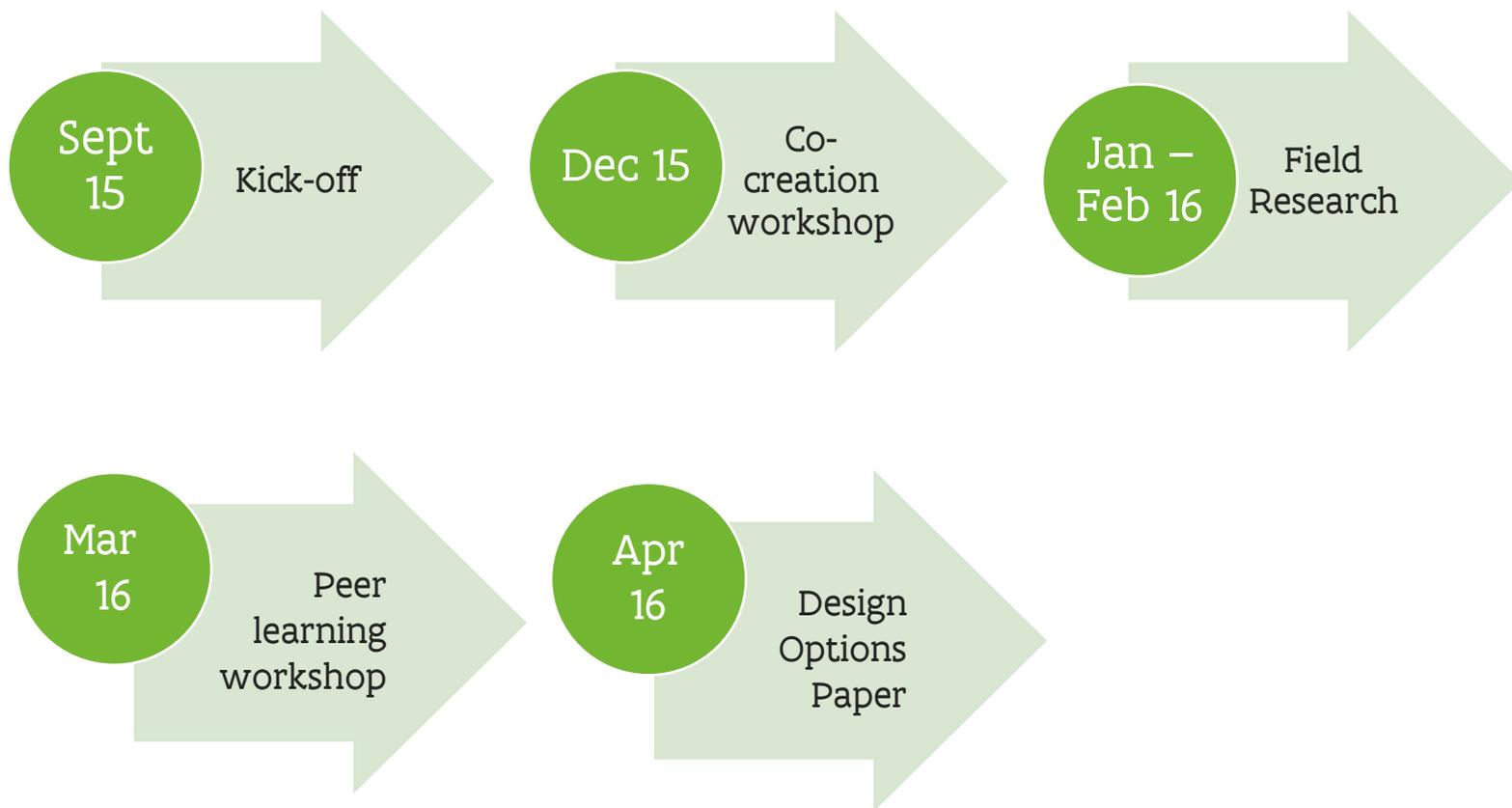
# SMEs in transnational business value chains

AGENTSCHAP  
INNOVEREN & ONDERNEMEN

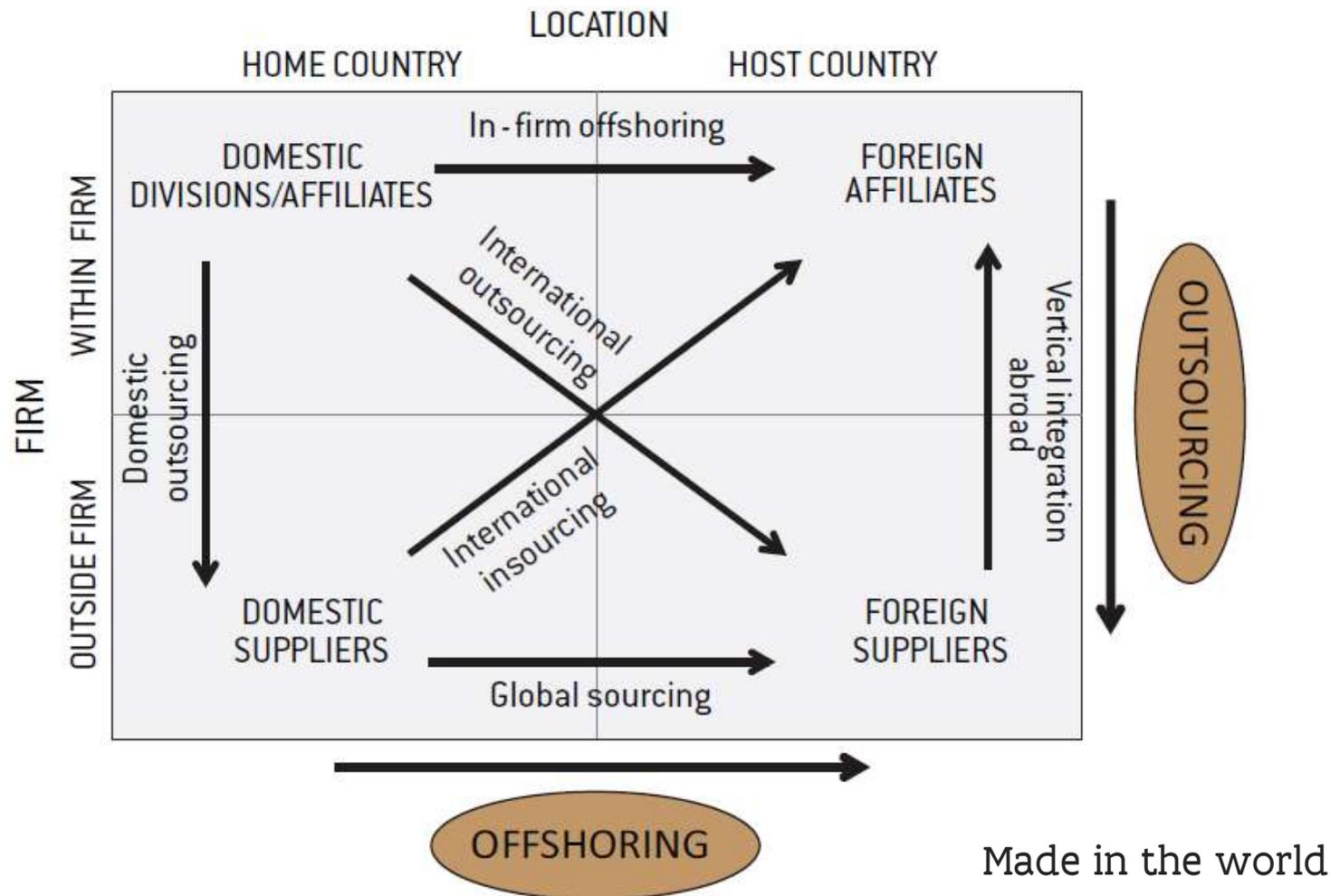
# About the project

- ▶ Horizon 2020: INNOSUP
- ▶ Goals:
  - ▶ Learn about the needs of SMEs in transnational business value chains;
  - ▶ Support received and needed;
  - ▶ Learning from peers in other regions.
- ▶ Duration: from 1 September 2015 until 30 April 2016 (8 months)
- ▶ Consortium:
  - ▶ Lead: Agentschap Innoveren & Ondernemen (Flanders - Belgium)
  - ▶ Swerea IVF (Goteborg Area - Sweden)
  - ▶ Fundació Balears d'Innovació i Tecnologia (Balearic Islands - Spain)

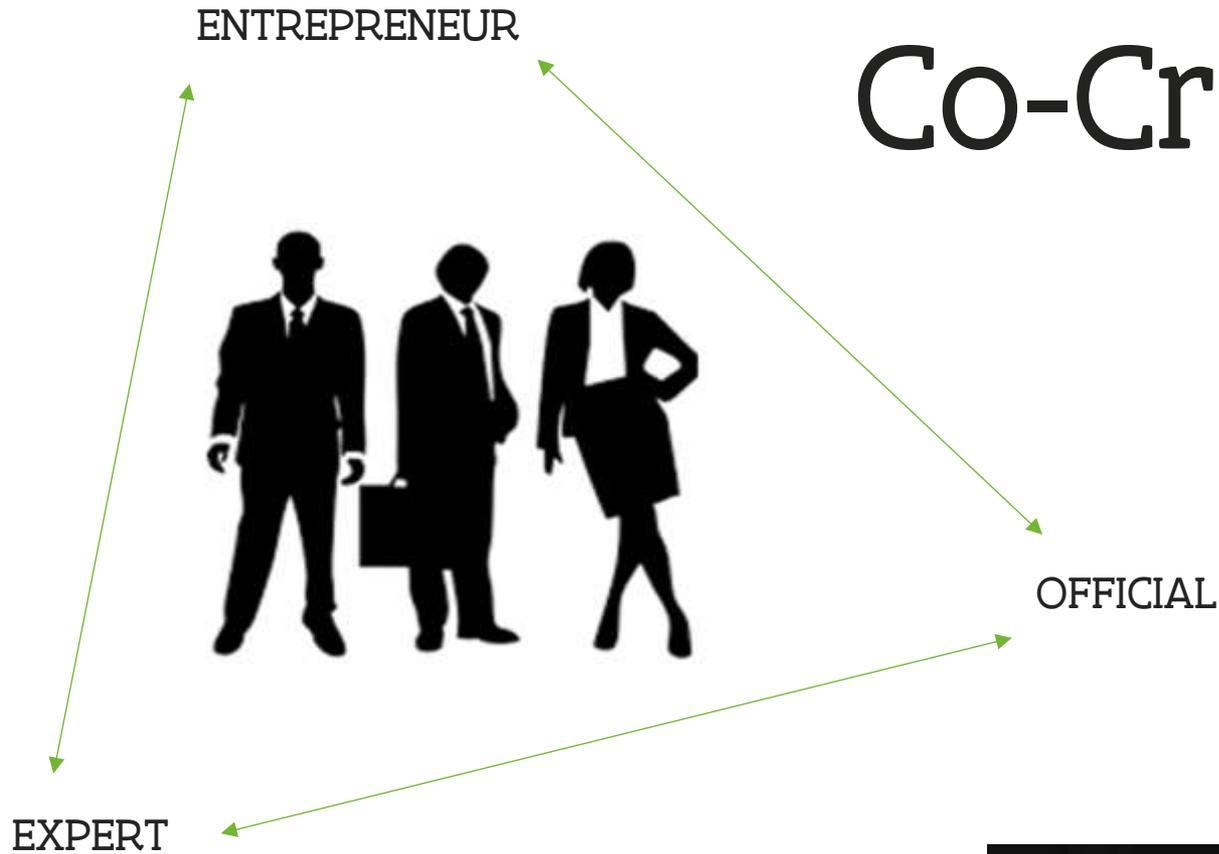
# Project steps



# Not only export ...



# Co-Creation



**“WE CANNOT  
SOLVE OUR  
PROBLEMS  
WITH THE  
SAME  
THINKING WE  
USED WHEN WE  
CREATED THEM.”**

**Albert Einstein**  
ADDICTED2SUCCESS.COM

24 Companies have been interviewed: 7 Swedish, 7 Spanish and 10 Flemish. Selection criteria used:

- Experience and potential in transnational value chains;
- Involved in different types of value chains;
- Direct export, but preferably also import;
- Both new and traditional companies with strong commitment to innovation;
- Divers positions in the value chain: beginning, middle, end;
- Public financial / non-financial support received/refused;
- Size: from small to big;
- Equally spread across the whole regions;
- Open, visionary, responsible and proactive manager, willing, persistent and capable.

Company Interviews



Findings



Experts & Community

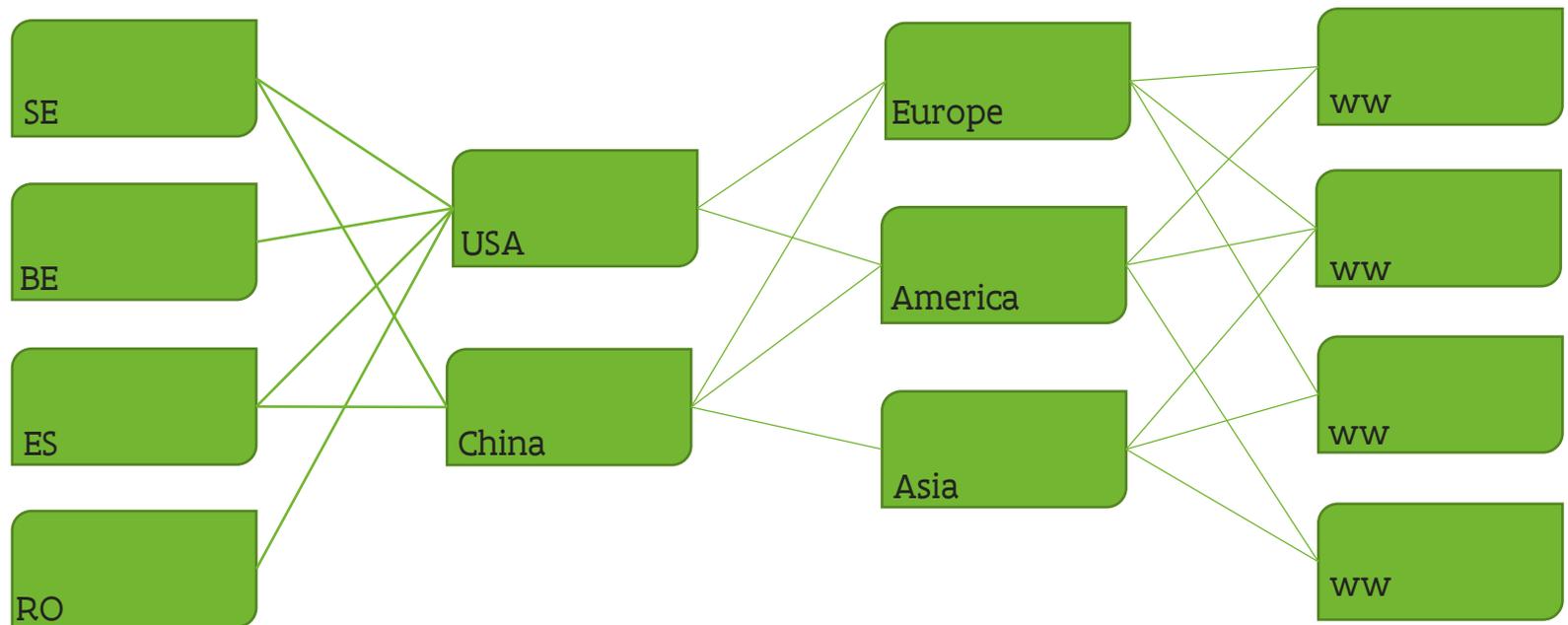


Comments



Recommendations

# Value Chain Map



ww = world wide



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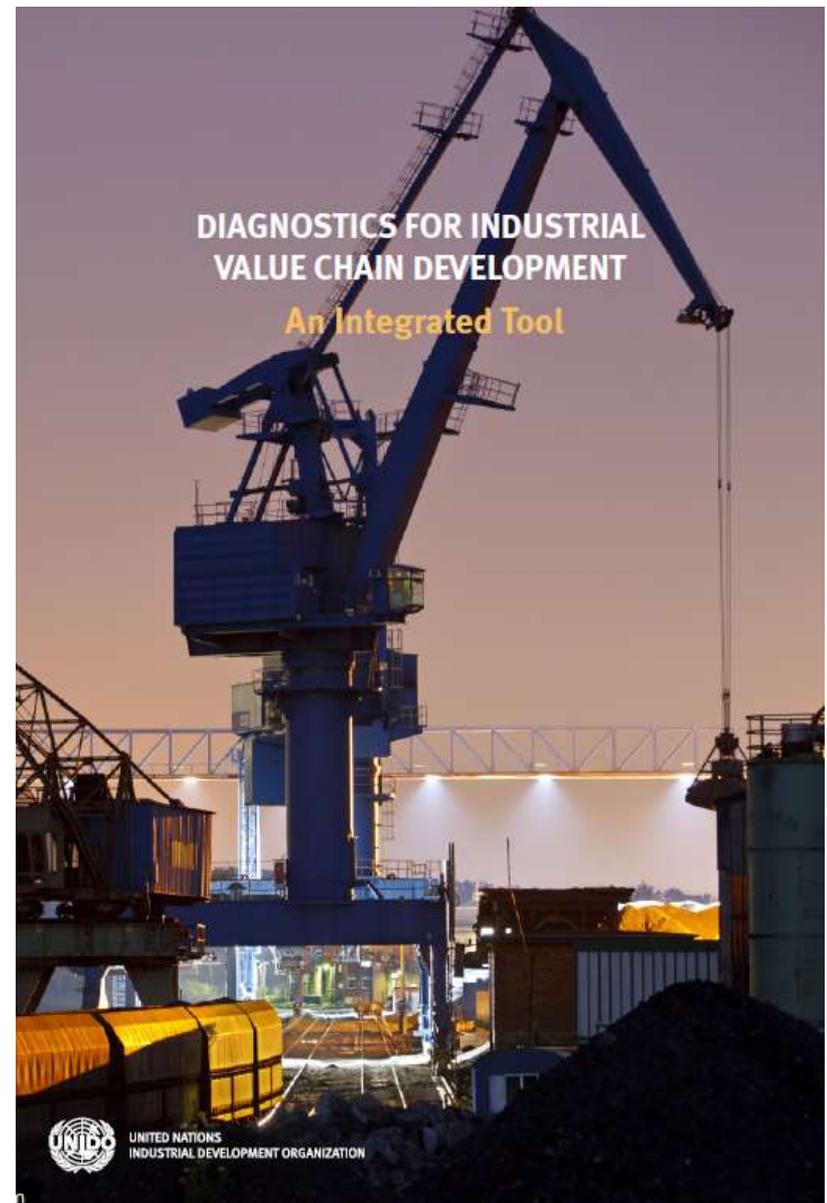
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# Getting the Whole Picture

Incl.  
constraints  
opportunities ...



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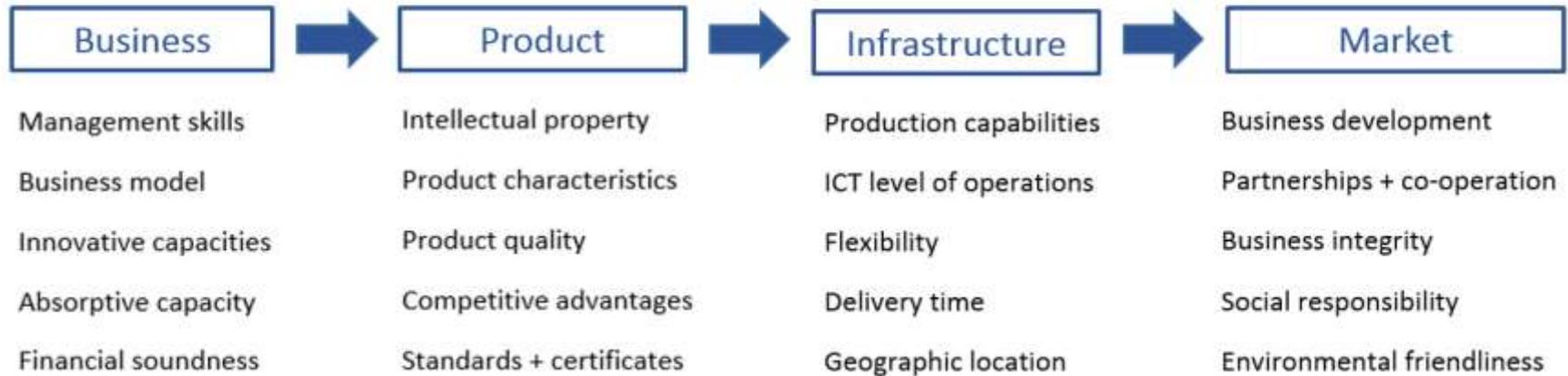


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## 10 SME perceived challenges (results of field research)

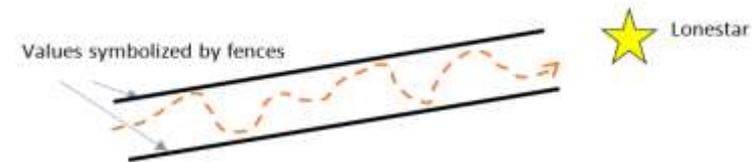
- ▶ Difficulties to convince big companies
- ▶ Management and organizational skills in the growth phase
- ▶ To find high-skilled technical specialists & creative minds
- ▶ To find funding
- ▶ Business development
- ▶ Risky investments
- ▶ Product quality
- ▶ Ensuring supply
- ▶ Focus on core business
- ▶ The lack of vision & indecisiveness of politics

# Value Chain Fitness



2 success factors = 2 x C = Competitiveness + Connectivity

- 4 determinants:
- 1) reaching the **critical mass** in terms of enterprise capabilities (expertise, human resources, financing, internationalization etc.);
  - 2) **being innovative** in terms of knowhow, products-services or business model;
  - 3) focussing at a **market niche**;
  - 4) having access to **specialized knowledge**.

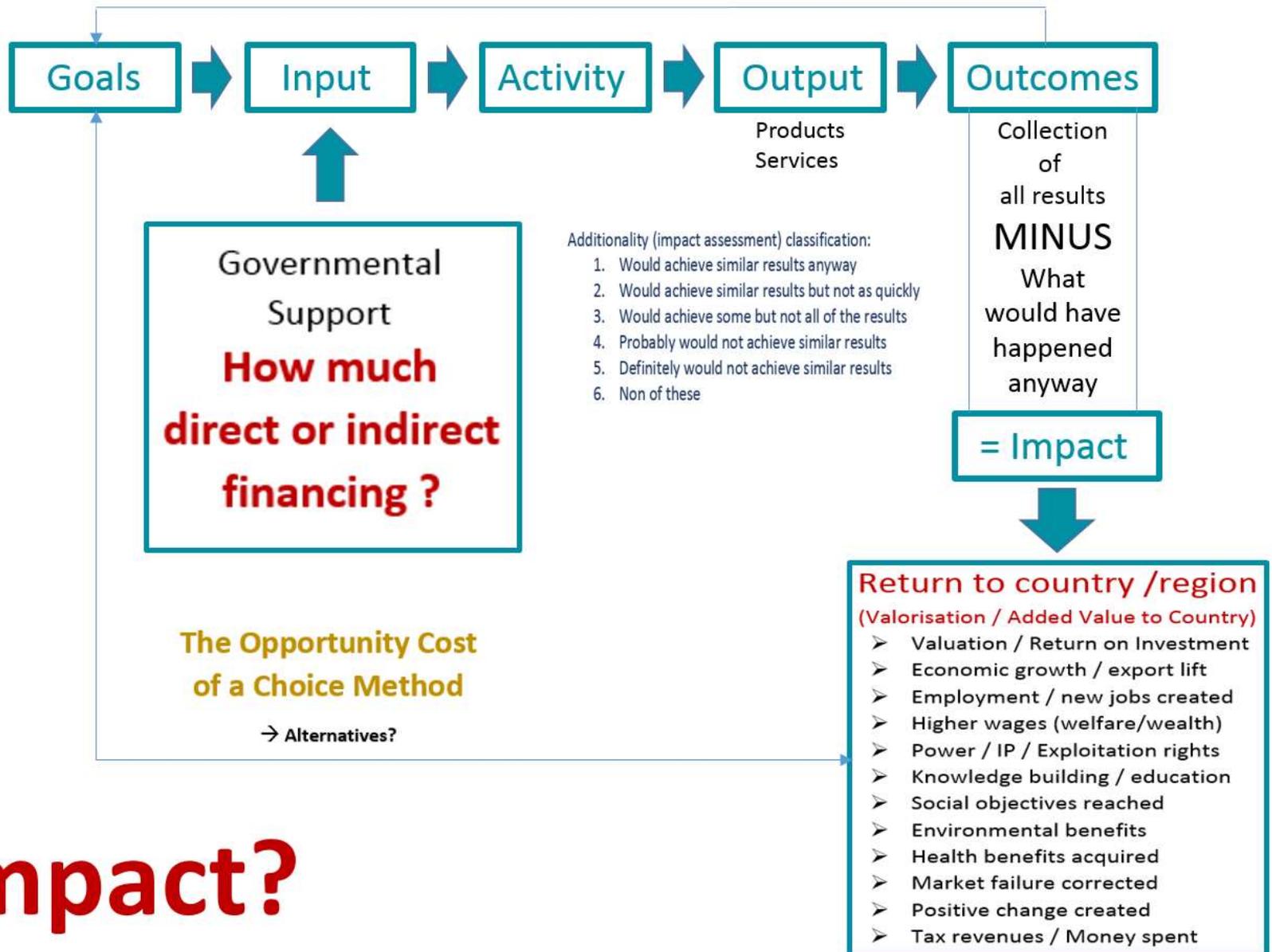


# External public funded or not funded support



**Good practices?**

# Governmental support impact



# Impact?



Additionality here is rather defined as "the extent to which something happens as a result of an intervention that would not have occurred in the absence of the intervention."

## **Impact measurement is most complex in a multi-actor ecosystem**

The impact of support measures is often maximised by targeting support to specific companies. To spread out the very limited resources and to give a bit of support to everyone will not create much impact.

Needs perceived by companies



Parallel / Conflicting visions



Expert & community comments



Policy recommendations



Wicked problems

# Policy recommendations

## Topic 1: A healthy and fair international competition

Work at a fair competition internationally.

SMEs face problems to compete with companies in lower wage countries every day.

One option is a substantial reduction of the labour costs for exporting companies to make them more competitive at international markets.

Another possibility is to replace labour taxation gradually by value added taxes.

This issue needs to be dealt with at the European level.

*What can be done at the European level to take away the competitive disadvantages for SMEs operating in countries with high labour cost and high wages?*

# Policy recommendations

## Topic 2: No distinction between manufacturing and services

Treat goods and services equally. Services have become increasingly internationalised also. They get more and more outsourced and offshored to other countries. They become increasingly important as part of the value chain activities and as added value created on top of manufactured goods.

*How to get rid of the distinction between goods and services in policy making?*

# Policy recommendations

## Topic 3: Act as a partner for SMEs

Ensure a positive climate and good external conditions for entrepreneurship (attitudes and skills of young people, transport and mobility, wage costs etc.). Show more understanding and empathy for the situation and the work of SMEs. Limit the number of subsidy measures and simplify them till they are comprehensible, clear and transparent. Abolish all low-support measures without additionality.

The government should **act as a real, proactive partner** for SMEs in GVCs. Therefore the following service model is suggested.

Assign for every SME, starting or growing in an international value chain, at the sub-regional or provincial level close to their clients' establishments, a **key account manager**. An important additional task for this person is to guard constantly the impact of the governmental support measures in the SMEs in their portfolio.

*What to do to improve the external conditions for entrepreneurship?*

# Policy recommendations

## Topic 4: Internationalization support

Help SMEs to internationalize from the very beginning by adequate support actions, also for import (often needed first in order to be able to export later). Other methods of internationalization, such as joint ventures, strategic alliances, foreign investment, licensing and overseas acquisitions, also need attention.

Help SMEs to build an effective international network of potential customers, partners, experts and suppliers. There is a need for experts who are able to learn them about the local eco-systems.

Also firms with growth potential, regardless of their age, may need support. Financial support measures for internationalization should have more impact.

*How to support SMEs in not only export but in internationalization?  
How to establish a worldwide network of experts to support SMEs in GVCs?*

# Policy recommendations

## Topic 5: Access to finance

Foresee more venture capital if the private sector fails to provide enough risk capital at reasonable conditions.

Establish governmental investment companies by preference at the sub regional level to work closely together with local entrepreneurs.

Participations of the government may have a greater impact than subsidies. Make them also invest in enterprises in order to overcome short difficult periods or temporary problems if their technology, product and business model have a future.

*How to create a more sophisticated investment landscape with investors with more appetite for risk and larger European investment funds?*

# Policy recommendations

## Topic 6: Direct financial governmental support

It may be meaningful to give some subsidies to companies if they are awarded equal, responsible and fair.

Public support should focus on research, innovation and some very specific actions.

Consider subsidizing young, innovative companies in a tailor-made way in order to help them to reach the critical mass needed to enter GVCs.

Research subsidies may be interesting in order to build up start-up companies faster and better, to give them visibility and to convince investors, especially for activities in new technologies or early phases of research.

Allow start-up and growing companies to make a proposal to the government for all required support by themselves instead of offering a large number of different measures.

*How to customize public support to better meet the real needs of SMEs?*

# Policy recommendations

## Topic 7: Lean and proper procedures

Simplify the procedures for SMEs to acquire financial support.

Suppress the heavy dossier requirements and critical evaluation committees.

SMEs want to be evaluated in another way. Better let companies demonstrate their capacity for growth by a kind of scan about their practical everyday business work and by milestones they have to reach.

Let entrepreneurs be judged by entrepreneurs and let companies stay authentic while applying for grants.

*What to do to improve the current application and evaluation procedures?*

# Policy recommendations

## Topic 8: Integration of support measures

At all levels policies should be better coordinated because of the links and correlations among the different domains. Integrating all entrepreneur policies under a single responsibility would likely be beneficial.

Export promotion without investment in innovation will not help firms develop the capabilities needed to successfully compete on international markets in the long run.

Supporting research without a subsequent marketing of the new products is a waste of money.

An integration of SME support measures for innovation, financing, marketing and internationalization is also indicated with a view to easier and uniform application and evaluation procedures. Better evaluate the projects of SMEs in their entirety.

*How to integrate support measures to enhance effectiveness and efficiency?*

# Policy recommendations

## Topic 9: Access to knowledge

Facilitate access to knowledge, mentoring, coaching, consultancy and training. Foresee more financial support for consultancy and quality training for SMEs. Help the companies to find specialized consultants, top experts and board members for each new phase in their lifetime. Organize peer learning. Reform the universities and research institutes into support organizations where SMEs can go with their knowledge problems. More young people at the universities should be encouraged to go for entrepreneurship and to work in SMEs. After their master course students should get the same interesting conditions for going to work in an SME as for doing a PhD at the university. Stimulate the emergence of spin-offs in large multinational companies.

*What can be done to organise peer learning for SMEs from their equals in order to help them to fill in their needs of tomorrow?*

# Policy recommendations

## Topic 10: Learning from other European regions

With a view to policy making there is a lot to learn by studying the different approaches in the European countries and regions into detail.

It is easier to copy good practices which have proven their usefulness elsewhere for quite some time than to experiment with new measures in order to try to achieve the same effects.

*Which good public support practices can be copied from other European regions?*

# Thank you!