

**THE WEST MIDLANDS REGION STATE OF  
AFFAIRS:  
Small and Medium Enterprises – SMEs –  
Internationalisation support  
(United Kingdom)**





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## I. EXECUTIVE SUMMARY

“INTRA project (PGI01464) is funded within the first call of the INTERREG EUROPE Programme of the European Commission (EC), under the policy topic Competitiveness of SMEs. It focuses on the role of public authorities in creating internationalization services to support the competitiveness of the regional economies and thus contribute to the Europe 2020 strategy. The project duration is five years (from 01.04.2016 to 31.03.2021) and the total grant is 1.640.062 EUR.

INTRA partners are from six different EU28 member states: Maribor Development Agency (Slovenia), Regional Agency for Entrepreneurship and Innovations – Varna (Bulgaria), Foundation FUNDECYT Scientific and Technological Park of Extremadura (Spain), University of Algarve (Portugal), Coventry University Enterprises Limited (United Kingdom), CAPITANK (Italy) are supported by the Managing Authorities for ERDF in their countries/regions and represent the active stakeholders in internationalization.

The objectives of INTRA are to provide comprehensive mapping, evaluation and benchmarking of various internationalisation services available across the regions, highlight good practices/gaps that promote/impede on SMEs at various stages of the internationalisation process. Upon the selection of GP the viable strategies/instruments to enhance good practices and address gaps within the regional development programmes will be elaborated and described in the Policy recommendations and implemented in the regional Action plans as to contribute to the internationalisation policies aligned to the needs of SMEs and gaps not filled by the existing instruments.”

The West Midlands State of Affairs in SMEs internationalisation support report, aims at understanding the context on the region including the policy framework, the current state of the internationalisation support and how this could be improved. This report is looking at the quadruple helix and in particular identifying the stakeholders, their roles and dynamics, in the internationalisation process. By understanding what are the perceived barriers to internationalisation by SMEs, the policy instruments in place by local authority, the support provided by intermediaries and the academia with the involvement of civil society, a regional SWOT can be drawn. This will highlight the Good Practices that could be transferred and the learning that can be exchanged to improve the regional policy instrument.



## II. PORTRAIT OF THE REGION

### 1. General information

The West Midlands region (NUTS 1) is one of the 9 regions in England. The region is considered a central Hub being centrally situated in England, it is very well connected by rail, road and air transportation. Most places in England are less than a couple of hours away and make the region very accessible.

The West Midlands region covers a total area of 13000 km<sup>2</sup> and has a population of 5.8Mio inhabitants (ONS 2016 estimation).

The region is quite geographically diverse including a combination of rural and urban areas. It is comprised of the United Kingdom second largest city, Birmingham. Its municipality includes the metropolitan districts of Wolverhampton, Dudley, Solihull, Sandwell and Walsall. This area is surrounded by the more rural counties of Warwickshire, Staffordshire, Herefordshire, and Shropshire, plus the metropolitan district of Coventry.





## **Governance**

Since the abolishment of the regional development Agencies in the United Kingdom in 2012, six Local Enterprises Partnerships (LEP) have been responsible for driving Economic growth and were allocated European Regional Development Fund to implement their Economic Strategies within the West midlands region.

This means that one single body is no longer responsible for regional innovation and economic strategies in the nine NUTS 1 level regions in England. LEPs are business-led private-public partnerships focused on private sector growth and job creation rather than innovation per se. They are active as 'functional economic areas' – that is local stakeholders have been able to design and build partnerships that span geographical areas as they see fit. There are 39 LEPs in total, three of them covering the West Midlands NUTS 1 region.

LEPs are typically overseen by a Board comprising local business and public sector leaders and local universities. Initially, most LEPs were informal arrangements with one Local Authority taking responsibility for contractual and financial matters on behalf of the Partnership. However more formal organisational and governance models are starting to appear. LEPs' activities are generally managed via a 'delivery board' made up predominantly of staff from the Local Authorities and staff from other existing regional bodies such as Chambers of Commerce.

An overarching structure, the LEP network, provides information that enables LEPs to come together to discuss issues of shared importance, engage with the UK Government, and share knowledge and good practice.

In addition to the LEPs, some other organisations are also relevant to the governance of regional innovation and economic growth (e.g. Universities West Midlands).

The Coventry and Warwickshire LEP is a partnership led by Coventry City Council including public authorities, universities and private business partners which are key in the locality. The main purpose of this alliance is to boost the local economy by attracting new jobs and investment subsequently increasing regional wealth.

In November 2015, 18 local authorities in the West Midlands decided to work together and came to an agreement with the central UK government, which enabled a significant devolution of powers, funding and responsibilities to the West Midlands Combined Authority (WMCA).

In May 2017, Andy Street was directly elected Mayor for the West Midlands will act as Chair to the WMCA. The main aim of this recently formed combined authority is to be able to draw more investment from the UK government towards the West Midlands region. Tackling economic and social challenges faced by the region. The UK government agreed to commit an investment of £1 billion to boost the West Midlands economy. The WMCA has the following powers:

- Responsibility for the transport budget
- Responsibility for the 19+ adult skills funding from 2018/2019
- Joint responsibility with the government for employment support
- Responsibility to work with the government to develop and implement the delivery of business support programmes from 2017 and deliver more integrated working together on investment and trade.



### **Policy**

Due to the changes in UK Government, there has been a reform in the UK's governance in regional and local policies over recent years. Policies have been mostly designed and driven nationally through the UK government departments. LEPs translate the national policies in their regional/local environment through their strategic plan.

The UK government announced in April 2013 that LEPs will be given the responsibility to deliver a large part of the EU Structural and Investment Funds for 2014-2020 that put forward innovation, research and technological development as key priorities. LEPs are expected to develop investment strategies for structural funds adequate to their local area needs. Coventry and Warwickshire LEP (CWLEP) designed their strategy, Coventry and Warwickshire European Structural and Investment Funds Strategy (ESIF): ERDF, EAFRD and ESF Priority Descriptors. As explained earlier, Coventry City Council work with 2 other councils, universities and business partners in the local area and is working with the 18 local authorities under the WMCA. The region is working together to further receive funding investments from the UK government to deliver economic growth as a combined authority. The CWLEP is still responsible for the local area.

### **Economy**

According to Office of National statistics in the UK (ONS), the West Midlands accounts for almost 10% of the UK population, making it a fairly large region. The region contributes for 3.6% of the UK Gross Value Added (GVA) with 14.8% produced by manufacturing which makes the West Midlands region the highest contributor in manufacturing out of all the UK regions.

The unemployment rate (age 16+) of 7% is very high compared to the rest of the UK which is at 4.9% (ONS 2016). It is worth to mention that, the West Midlands region has a higher proportion of residents from an ethnic minority group with a very low employment rate. This would contribute to the higher unemployment rate of the region.

Another particularity of the West Midlands region is a larger difference between the workplace and the resident average weekly earnings. The workplace average weekly earnings refers to the average pay for full time employees in an area. The resident average weekly earnings refers to the earnings of people who live in an area. Therefore the larger difference, with the resident average earnings being higher than the workplace average earnings, means that people who works in the West Midlands tends to live outside of the region.

### **Research, Development & Innovation**

The West Midlands has a fairly strong and extensive research base in its universities, private institutions, commercial R&D and engineering facilities. However, this research base is smaller than in some other regions. The region has a relatively low investment in R&D compared to the UK average: the Gross Expenditure on Research and Development (GERD) as a share of GVA in 2014 was 1.68%, which was significantly below the UK average of 2.04%. The region had a higher Business Expenditure on Research and Development (BERD) than the UK average - 77% of GERD in the West Midlands compared to 64% in the UK as a whole (UK Office of National Statistics, 2013).

Most business in the region is not R&D driven; investment in R&D is low and has been falling in the recent past. Evidence suggests that the West Midlands also has one of the lowest



proportions of 'innovation active' firms in England, although it performs much better on measured innovation outputs such as introduction of new products and processes.

The region is home to 10 universities including two research intensive institutions with strengths in science and technology fields: the Universities of Warwick, Coventry and Birmingham, which were ranked 11, 15 and 17 respectively in the UK in the 2016 Times Higher Education World university.

The key sectors in the local area are:

- Healthcare & Assistive Technology
- Advanced Manufacturing and Engineering
- Digital and Creative Industries/IT Services
- Logistics
- Culture and Tourism
- Business & Professional Services

According to the latest Regional Innovation Scoreboard results (2017), West Midlands is ranked as an *innovation leader*. The majority of the regions in the UK are ranked as *innovation leaders*. The West Midlands in the past years was ranked as an *innovation follower* in 2004, 2006, 2008 and 2011. It is worth to mention a strong performance increase of 17% between 2011 and 2017 to rank into the *innovation leaders*.

## 2. Internationalisation environment

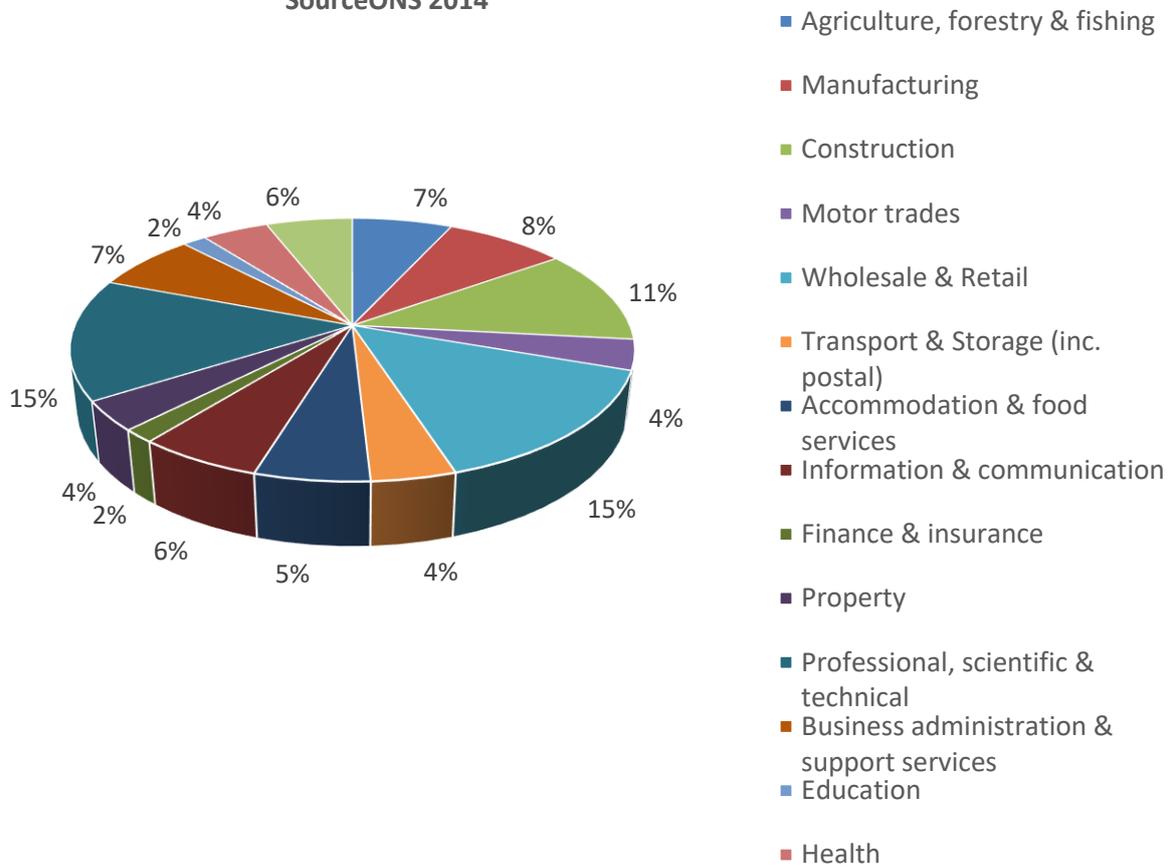
The UK government has been very active in the promotion of SME Internationalisation, including both exporting and internationalisation. In addition there are a huge range of stakeholders that help provide vital information to SMEs considering internationalisation. These stakeholders play an important role in influencing attitudes and providing incentives to internationalise.

Moving on from the Brexit vote in 2016 there have been significant changes to many UK government departments in order to promote UK existing international Trade whilst also growing new imports and exports. The department is responsible for driving the UK's place in the world and creating new opportunities for businesses.

The new Department for International Trade (DIT) has been tasked with developing trade and investment policy and promoting exports and investment around the world. Its main activities involve negotiation of trade deals and free trade agreements as well as providing the international support previously provided by UK trade and investment (UKTI).



**Figure 1: West Midlands SMEs per Broad Industrial Sector (SIC07)**  
Source: ONS 2014



Based on the UK Office of National Statistics (ONS 2014), even though the repartition of the regional SMEs by sector is varied, the region strength still lies in manufacturing (taking into account SMEs and Large enterprises that are not represented on this graph).

The West Midlands was the birth place of the Industry. The British are historically since the 18<sup>th</sup> century worldwide renowned for their creativity and invention. The area around Birmingham, which was called the Black Country due to the mining activities, has always played a significant role into the manufacturing industry.

This heritage is still significant in today's West Midland's economy. It is worth to mention that the manufacturing sector has shifted towards high tech manufacturing, also called the advanced manufacturing & engineering sector. It includes the manufacture of computer, electronic and optical products, the manufacture of electrical equipment, the manufacture of machinery and equipment, the manufacture of motor vehicles, trailers and semi-trailers, and the manufacture of other transport equipment. This sector clearly plays an important role being a specialist sector in the region and accounts for 50% of the manufacturing jobs.

Small and Medium size enterprises (SMEs) represent 99.5% of the total number of



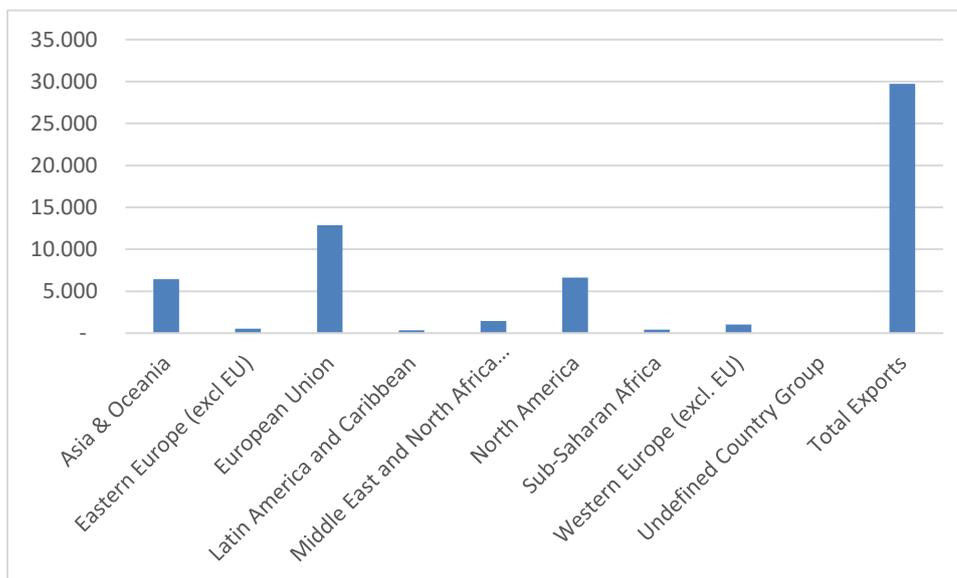
companies in the West Midlands region. Out of these SMEs, 88% of them employ less than 10 employees and are of micro size. The table below, based on the ONS figures of 2014, shows the percentage of SMEs according to their size.

Structure of SMEs in the region by size	
Total SMEs	177 076
Micro <10 Employees	88%
Small 10-49 Employees	10%
Medium 50-249 Employees	2%

This fact is very similar to the rest of the European regions and emphasize the need for specific support dedicated to very small SMEs. This will influence the supporting framework in the region but it will also explain that a more tailored assistance to SMEs requirements is crucial to improve the internationalisation of regional SMEs.

According to the Her Majesty Revenues and Customs (HMRC), which is the department in charge of collecting taxes in the UK, the table below describes the regional Trade Statistics. The vertical axis represents the number of total exports in millions of British Pounds and the horizontal axis represents the exports by Country group.

In 2016, The West Midlands region total exports was just under £30,000 Million.

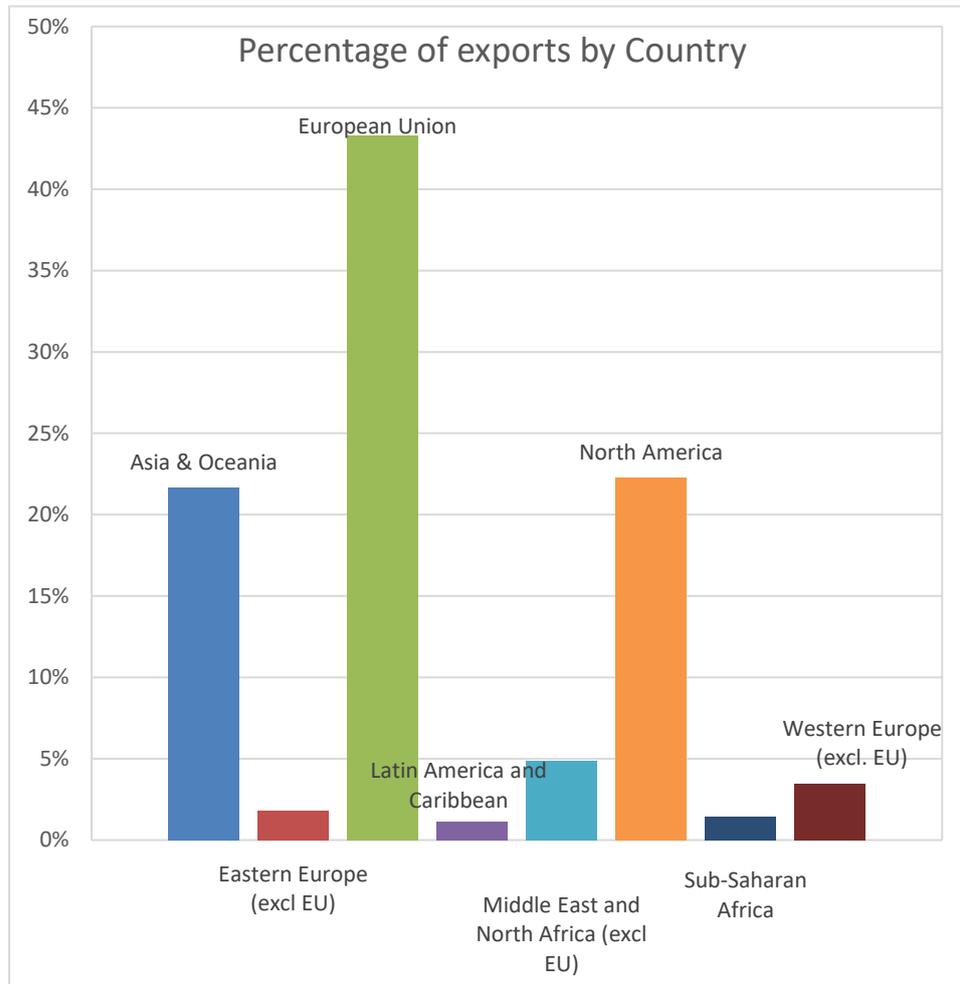


**Regional trade statistics by £million**

According to the HMRC, the total exports for the West midlands region has been increasing for the last 3 years from the region of £26,500 to almost £30,000 in 2017.



The highest country group of export was 43% that were directed to the EU. About the same percentage was equally exported to two country groups together: 22% towards North America and 22% towards Asia & Oceania as shown on the table below.



The following initiatives to support SMEs internationalisation under the CWLEP ESIF instrument were identified in the region (more details will be included in the good practice guide about each initiatives):

- CWLEP
- CW Growth Hub
- CW Warwickshire Business Support
- International Trade Midlands
- E-commerce advisors
- SME international Grants & New to Expo and innovation centre
- Venture House Business Centre
- The intellectual Property Asset Management programme
- The West Midlands supply chain
- International Trade Midlands



- Global Growth
- Trade Missions
- SME international Growth Programme - inward Missions
- INTATRADE
- DIT Working with universities
- Communication and Culture adviser
- International trade adviser triage
- Regional partnerships
- Masterclasses and workshops

### 3. Main National/regional Stakeholders

The main Government department in charge of Internationalisation is The Department for International Trade (DIT). They are the official vehicle for Internationalisation support and operate at National, regional and local level. They also work in collaboration with other agencies such as the chambers of commerce or the Local Enterprises Partnerships (LEPs) at regional and local level. Below is a non-exhaustive list of National and regional Stakeholders who play a part in supporting businesses and in particular SMEs to internationalise.

#### **DIT**

The Department for International Trade (DIT) helps businesses export and grow into global markets. They also help overseas companies locate and grow in the UK.

[www.great.gov.uk](http://www.great.gov.uk) is the government's single destination for information on UK trade, investment, tourism and education. Their services are provided in over 100 markets throughout the world.

#### *Helping businesses sell overseas*

[www.great.gov.uk](http://www.great.gov.uk) has tailored support and advice for businesses on how to start exporting or increase the amount of goods and services they sell overseas.

#### *Getting local market help to sell overseas*

DIT has trade specialists who can help commission services from local experts overseas. This includes:

- country and sector advice
- local market research
- support during overseas visits
- identification of possible business partners
- preparation for exhibitions and events

#### *Helping overseas business locate in the UK*

[www.great.gov.uk](http://www.great.gov.uk) brings together information about investing in the UK. It promotes the country as the natural choice for overseas investment.

#### *Connecting overseas buyers with UK businesses*

They find a supplier service allows international buyers to connect with UK businesses. UK buyers looking to be listed on this service can sign up to the find a buyer service.



They link international businesses with the right UK partners and suppliers through meet-the-buyer events, networking receptions, and product launches.

#### **West Midlands Chamber of Commerce LLP**

West Midlands Chambers of Commerce and its Partner Chambers of Commerce work closely with each of the regions LEPs providing connectivity and business intelligence through Chambers members and the broader Chamber businesses networks. They help advise on policy, strategy setting and also provide practical support through the organisation of collaborative activities and LEP events.

As the contracted delivery partner for the Department for International Trade in the West Midlands they have a close working relationship with each of our LEPs and more recently with the region's Growth Hubs. Their work focusses on supporting LEP international trade agendas which aim to increase the number of businesses in the West Midlands that are exporting.

Growth Hubs have been established to be the go to place for 'Anything Business Support'; their role being to signpost businesses to all of the available support on offer and to help businesses navigate the sometimes complex business and financial support programmes available.

West Midlands Chambers of Commerce and Partner Chambers work to ensure that international trade support is available through and accessible from the regions six Growth Hubs. Their teams are closely linked to ensure that all of the businesses they support have access to the broadest range of support available through the Growth Hubs.

<http://www.wmchambers.co.uk>

#### **Enterprise Europe Network**

Enterprise Europe Network (EEN) exists to help small companies make the most of the business opportunities in the European Union. Made of 600 partner organisations in more than 40 countries, and supported by the European Commission, the network's aim is to promote competitiveness and innovation at local level in Europe and beyond. Within the UK its regional experts can help you find international business partners, source new technologies and receive EU funding or finance. They can also advise you on issues as diverse as intellectual property, going international, or EU law and standards.

<http://opentoexport.com/info/useful-contacts/>

#### **HM Revenue & Customs (HMRC)**

HM Revenue & Customs (HMRC) provides assistance on a number of matters relating to the importing and exporting of goods. Information and guides are available covering topics such as the classification of goods, the European Union, Relief Procedures on Duty and VAT, Tariffs and Duties, Intrastate and the requirement to submit Supplementary Declarations, together with basic guides on topics such as export licences, export taxes, import licences and rates of exchange.

<http://opentoexport.com/info/useful-contacts/>

#### **Intellectual Property Office**



The Intellectual Property Office (IPO) is the government body responsible for intellectual property (IP) rights including patents, designs, trademarks and copyright.

The IPO operates and maintains a clear and accessible intellectual property system in the UK and helps people get the right type of protection for their creation or invention, and it also provides guidance on how to protect your intellectual property abroad.

<http://opentoexport.com/info/useful-contacts/>

### **Export Control Organisation (ECO)**

Any item exported from the UK that is subject to export control needs a licence. The Export Control Organisation (ECO) is responsible for assessing and issuing (or refusing) export licences for a wide range of controlled, so-called 'strategic' goods

<http://opentoexport.com/info/useful-contacts/>

### **UK Export Finance**

UK Export Finance (UKEF) is the UK's export credit agency. It helps UK exporters by providing insurance to exporters and guarantees to banks to share the risks of providing export finance. In addition, it can make loans to overseas buyers of goods and services from the UK

<http://opentoexport.com/info/useful-contacts/>

### **Bilateral Business Councils**

Bilateral Business Councils promote trade between the UK and key regions that may be more challenging to access. They tend to deliver a range of practical services, including advice and consultancy, market research, overseas market introductions, trade missions and exhibitions, and setting up local offices. Councils include:

- China British Business Council
- UK India Business Council
- UK ASEAN Business Council

<http://opentoexport.com/info/useful-contacts/>

### **The Institute of Export and International Trade (IOE&IT)**

The Institute of Export and International Trade (IOE&IT) is the professional membership body representing and supporting the interests of everyone involved in importing, exporting and international trade.

<http://opentoexport.com/info/useful-contacts/>

### **Trade Associations**

Whatever sector you are in, you will find support and information relating to your business from trade associations. Many offer an international scope and are therefore a great



resource for anyone considering exporting

<http://opentoexport.com/info/useful-contacts/>

### **Export Britain**

Export Britain is an online resource by the British Chambers of Commerce which showcases opportunities in key international markets, and links UK exporters to support available from British Chambers and business groups both in the UK and around the world.

Export Britain helps businesses to make new connections overseas by drawing on the power of the international UK business network of British Chambers and business groups. The site also helps growing and prospective exporters navigate through the export journey by signposting the support available from the Chambers every step of the way. Additionally, Export Britain provides information on export training and documentation, events and trade missions, and inspiring case studies featuring successful UK exporters.

### **CWLEP**

The Coventry & Warwickshire Local Enterprise Partnership (CWLEP) is an alliance of private and public sector organisations (including Coventry City council, Warwickshire County Council and Stratford on Avon District Council) working towards a common, shared purpose: to grow the local economy, attract new jobs and investment, and increase prosperity.

Legally incorporated in 2011, CWLEP has become a powerful platform for achieving its ambitions. With strong links to the business community and considerable public sector insight and influence, they are perfectly positioned to bring key influencers together to forge productive relationships and make things happen.

In fact, the CWLEP and its regional advocacy partner, CW Champions, have secured more than £360m in public and private sector funding for the local area to date.

This funding has allowed them to drive forward key projects in priority areas such as transport, small business support and skills training, and work closely with the region's biggest employers to encourage further investment and expansion within Coventry and Warwickshire.

[www.cwlep.com](http://www.cwlep.com)

### **CW Growth Hub**

One stop shop for business support in the Coventry and Warwickshire area, the Growth Hub provides a range of services to support the growth of any Businesses in the region. Their role is also to sign-post to other agencies when they are not able to support directly. Through partnerships, they can support companies by giving advices on an export strategy or getting the information they need on markets or partners.

[www.cwgrowthhub.co.uk](http://www.cwgrowthhub.co.uk)

### **Coventry University Enterprises Ltd**

As a subsidiary of Coventry University, Coventry University Enterprises Limited (CUE) is a gateway to support for SMEs, offering independent advice, consultancy and access to



finance for all types of business from start-ups to those looking to work internationally. Operating regionally, nationally and internationally, CUE focuses on assisting SMEs with technology start-up, innovation, technology transfer and internationalisation. CUE also leads on the delivery of the Enterprise Europe Network (EEN) in the East and West Midlands forming part of an international business support network with centres in over 54 countries.

#### 4. Some Results Drawn from Previous Surveys

The British chambers of commerce quarterly Economic survey for the first quarter of 2017 in Coventry and Warwickshire, described that export market growth opportunities will be important for the longevity of the UK economy following the exit from the EU. Coventry and Warwickshire have the second largest export value in England behind London. 1 in 5 businesses in the survey reported export markets were the biggest growth opportunity for their firm. This proportion is relatively evenly distributed across all sizes. Just under a third of these businesses believe 'skills shortages' are their largest barrier to growth, perhaps signalling that they require expertise in the export department to exploit these opportunities. Indeed, more than half of firms wanting to expand sales through exporting felt they required export support. Twice as many required this form of support than any of the others.

The 2016 FSB report highlights that small firms are exporting primarily to gain access to more customers, grow and boost their reputation and profile. And there are as many small businesses that would consider exporting as there are currently doing it. This is hugely promising.

While well-established export markets – including European and North American ones – remain as dominant as ever, less familiar destinations in emerging markets are continuing to make headway, especially with potential first-time exporters. It is clear that technology is playing a central role in facilitating access to a more diverse set of markets, as well as in the types of product being exported, with more small companies looking at exporting services and digital products.

Finding customers remains the most common challenge facing small firms that export, and those that would consider exporting. The key challenges reflect the complexity of the factors that have an impact on small businesses, ranging from practical aspects such as logistics and foreign exchange to more intangible issues to do with mindset and confidence. This report shows that the majority of small businesses export on a reactive basis – a reality that requires careful consideration by support providers, who need to appreciate that there is no formula behind successful small business exporters. The focus must instead be on developing an enabling ecosystem of support. While it may not be possible to systematically engineer successful exporters, it is possible to provide an environment that gives potential exporters the best chance to prosper and succeed.



### III. METHODOLOGY

#### 1. General positions

Surveys through questionnaires and interviews were utilised for the need of collecting primary information from SMEs and supporting agencies in the region. This method even though appropriate for this exercise always comes with the difficulty to attract the right numbers of participants but also to make sure that the quality of the responses is adequate. In this view, existing contacts were able to be reached and made the survey relevant and to deliver results translating the actual situation of the region.

#### 2. Methods for collection of the data

Primary data was collected through the use of surveys. Two different types of questionnaires were used in order to receive the views of SMEs, which are the beneficiaries of the potential Internationalisation support initiatives and the views of the suppliers, which are intermediaries' organisations that provide internationalisation support to SMEs.

The two surveys were aimed at two very different types of stakeholders therefore it was decided that SMEs will respond to an online questionnaire and enablers of internationalisation SMEs support would be interviewed to allow a more detailed feedback.

Several reports available online or locally were used to gather secondary data. For the needs of the state of the affairs, Statistical data was collected through third parties repository or dataset.

#### 3. Data processing and analysis

In order to aid the simple visual representation of the surveys result, Google forms was used to collect the SMEs questionnaires. An online access made it easier for SMEs and data was then downloaded for the requirements of the analysis.

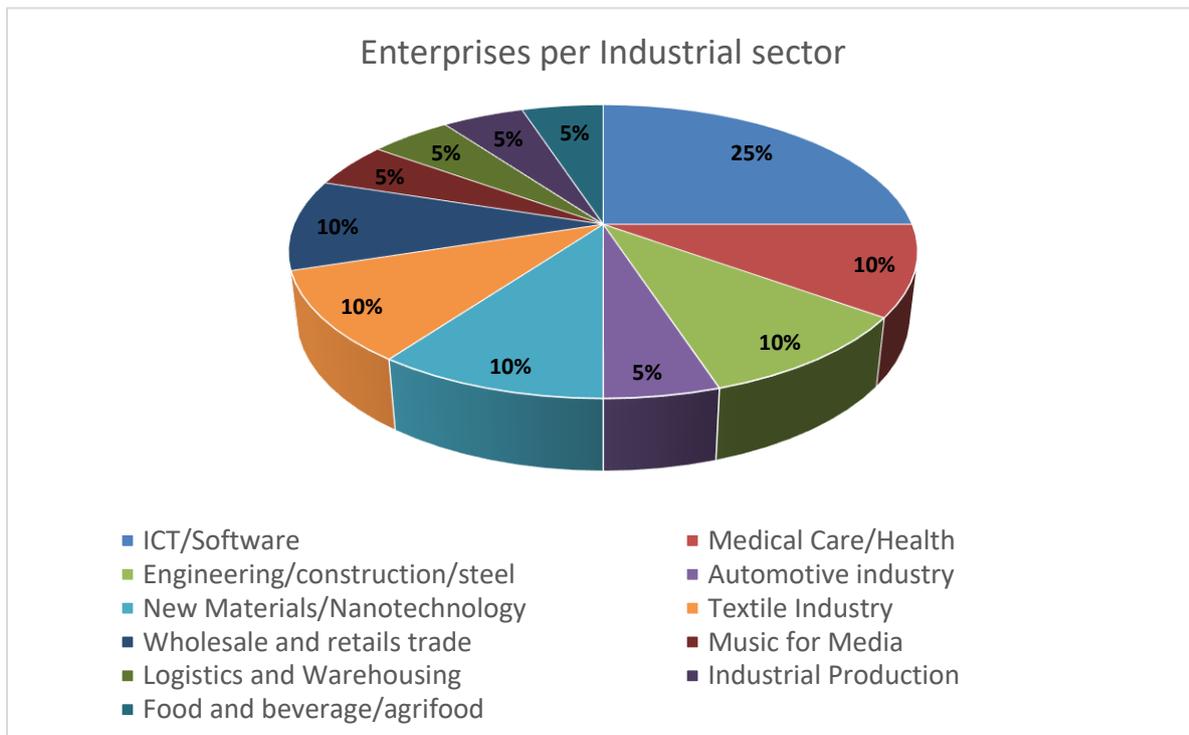
As a consortium we decided that the minimum sample for SMEs should be 20. This number would allow us to get the right amount of understanding and to cross-check if relevant literature was available to confirm the findings of the surveys.

Despite our effort, we have sent the surveys to 200+ SMEs but only 20 SMEs responded to our questionnaires. We were aware that one of the risk of this task, would be to attract the correct number of respondents. Saying this, we were able to carry on with our analysis as we reached the minimum threshold we would hope.

## IV. INTERNATIONALISATION SERVICES DEMAND. BARRIERS AND DRIVERS TO SMES INTERNATIONALISATION.

### 1. Survey

The survey is based on the 20 questionnaires that CUE has collected through the online questionnaires. As represented on the graph below, we can see that a good representation of different industrial sectors was included in the responses. We can see here that  $\frac{1}{4}$  of the respondents were from ICT companies. Even though this is not especially exactly representative of the regional picture, it is important to mention that there is a strong ICT/software presence in the local area of software based companies with a concentration of games/ICT sector.



We can see that a majority of companies that responded were micro-enterprises or small SMEs.

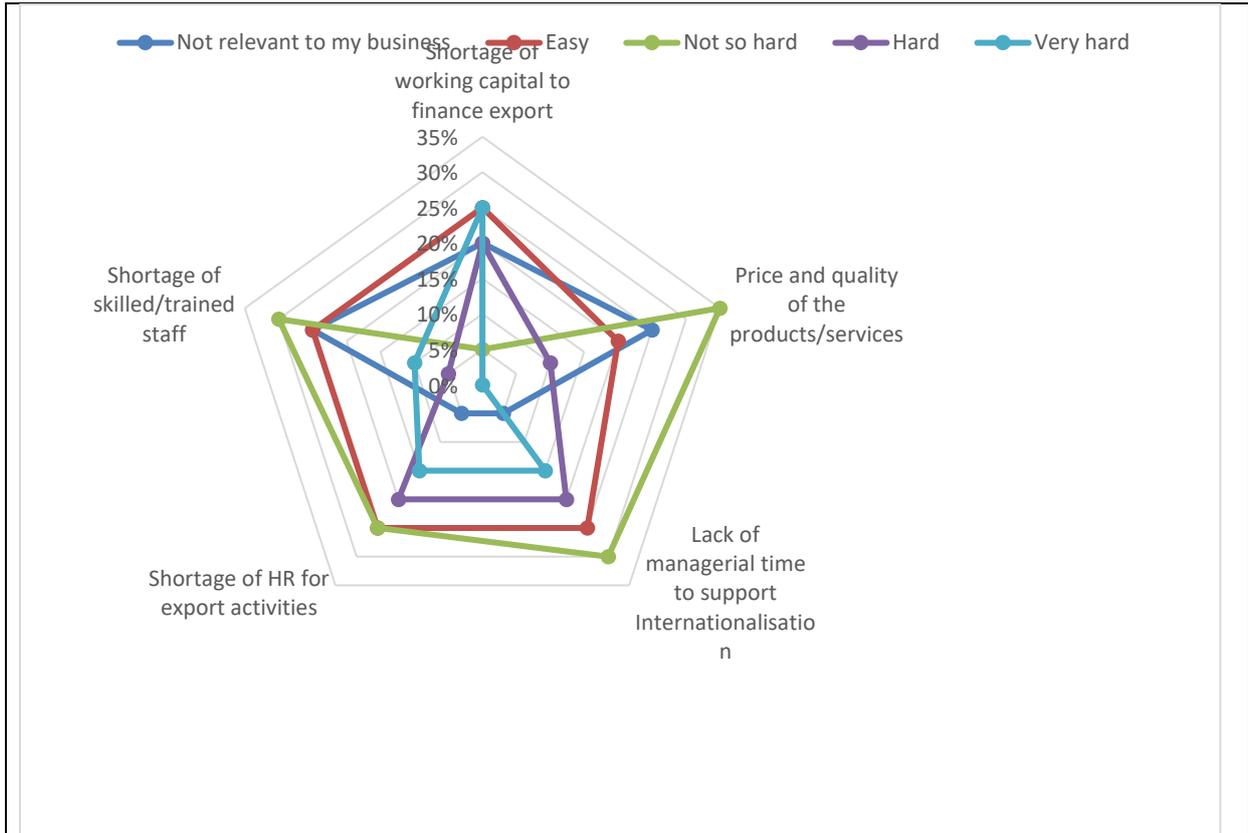
Structure of SMEs in the survey	
Total SMEs	20
Micro <10 Employees	50%
Small 10-49 Employees	35%
Medium 50-249 Employees	15%



**Important factors ensuring the competitiveness of companies:**

According to the survey, 70% of the respondent mentioned that accessing new foreign markets was the most important factor to make their company competitive. Half of the respondent thought that improving the quality of their products or services, optimising the cost of their production and improving or increasing their marketing was also quite significant to ensure their competitiveness. It could be that the responses demonstrated that their focus has already been on developing their products to the best price/quality/specification and therefore to be more competitive they needed to focus next on new foreign markets.

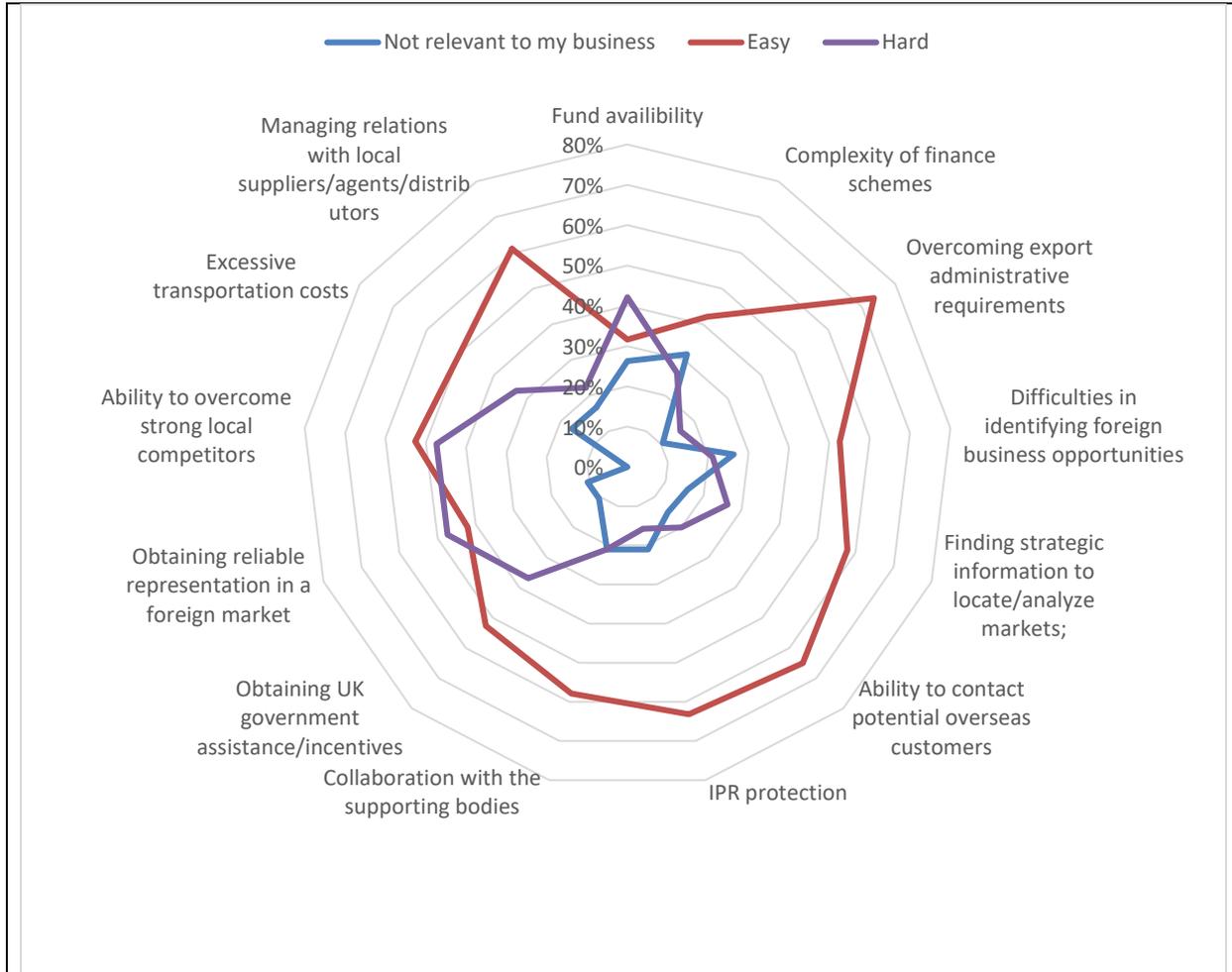




**Biggest internal barriers to internationalisation**

The graph above is trying to grasp the internal barriers encountered for the development of international activities.

According to the responses gathered, it seems that the biggest barriers encountered internally are linked to the shortage of working capital to finance export. Almost half of the respondents considered this as the biggest internal challenge. The two other difficulties mentioned by the respondents were the lack of managerial time and the shortage of staff to specifically support internationalisation activities. It appears looking at these responses that being micro or very small companies, human resources and finances tend to be scarce and make internationalisation plans more difficult.



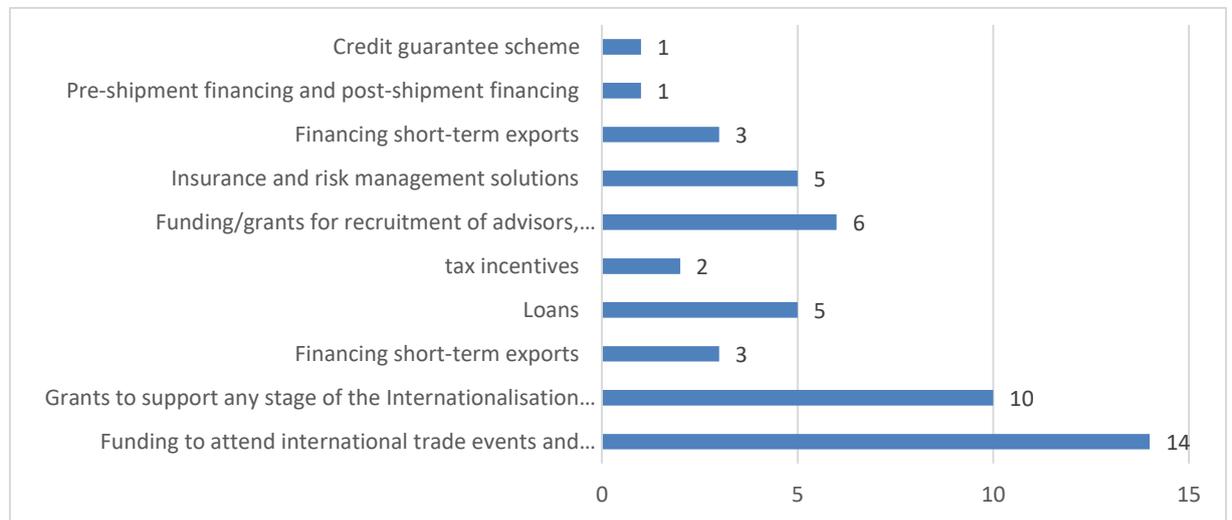
**Biggest external barriers to internationalisation**

In terms of external obstacles met by the companies developing their international activities, it seems that almost half of the respondents agreed that obtaining reliable representation in a foreign market and the ability to overcome strong local competitors are the biggest barriers. It seems that they both relate to the knowledge of the new market they are intending to enter. A better knowledge of these markets including the industrial context and a trustful representative contact list should be able to decrease these uncertainties. On the contrary they think that the easiest tasks to deal with are the exports documentations requirements and the management with local suppliers or distributors.



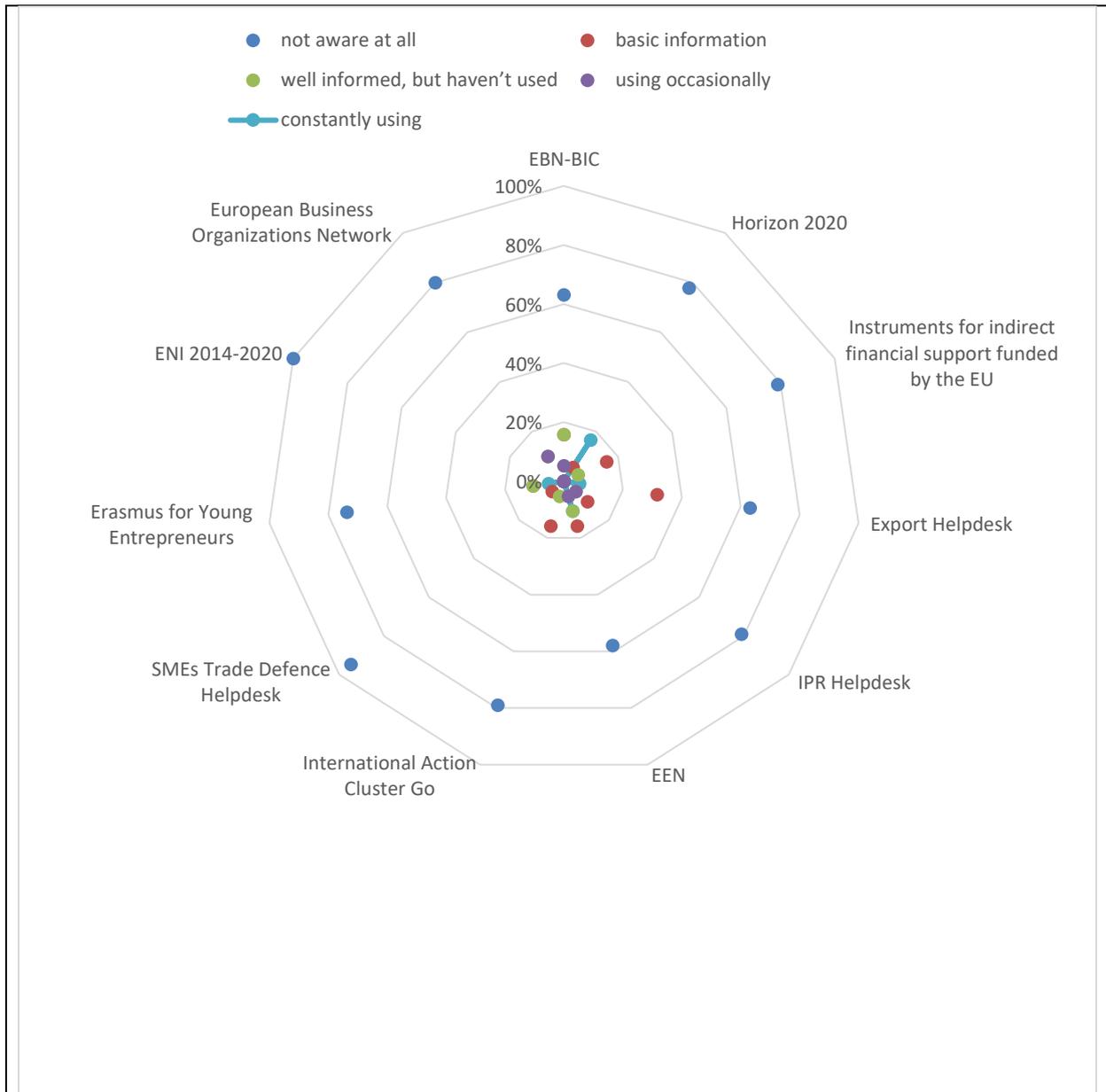
### Services and activities that supported their first steps

The respondents were asked about the support services they have received or utilised for their first steps into international market. According to the responses the opportunities for networking and business to business activities in overseas market was the first service of choice. The second service that was selected was directly connected to this with the opportunity to use partner search tool in overseas market. Looking at the last few responses, it becomes clear that SMEs are placing a real importance in meeting the right partner in the new market. This would make sense and allow SMEs to gain quickly a local knowledge that a partner or networking would provide.



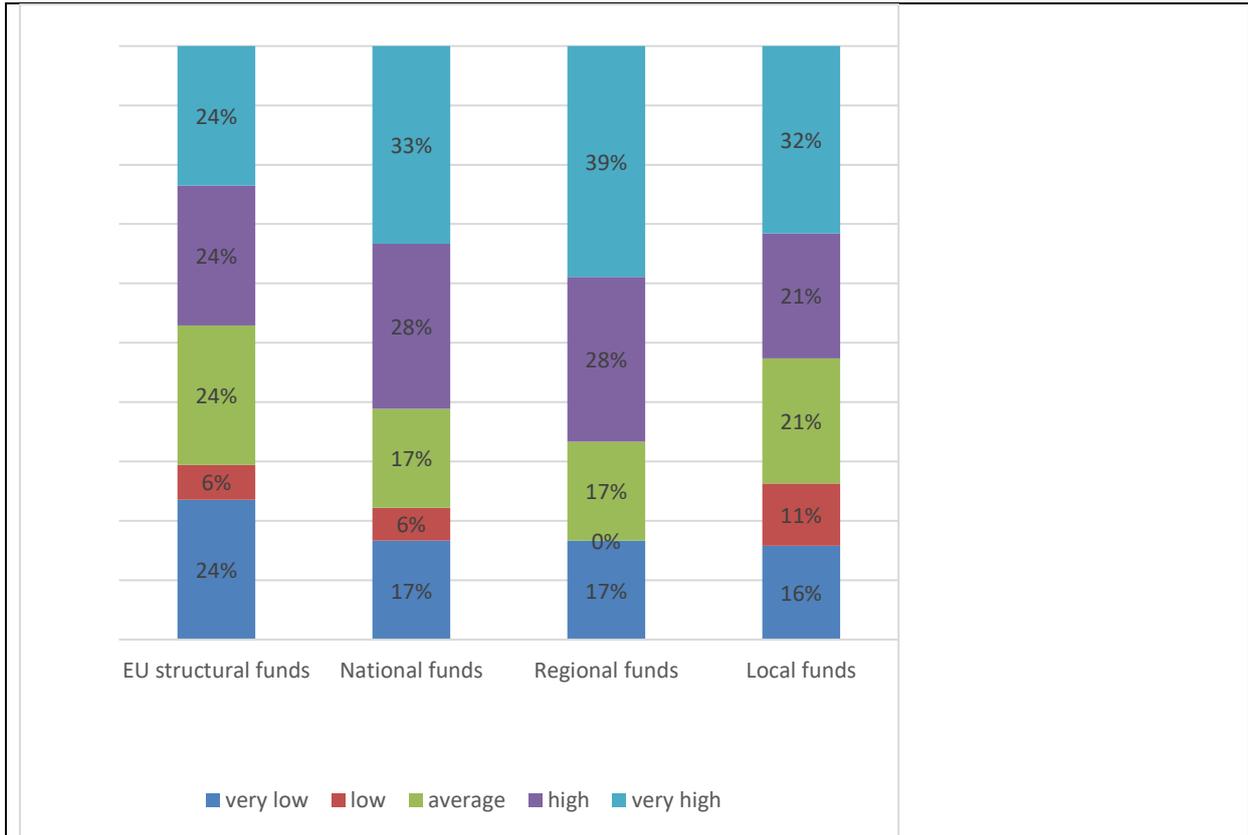
### Financial tools utilised by companies

The SMEs used in the past mainly two types of financial support to aid their internationalisation activities in form of grants and funding to attend international trade events and exhibitions.



### Existing EU initiatives

This graph tries to gather the awareness of the respondents of different EU supporting initiatives for internationalisation. It is clear that the majority of the respondents are not enough aware of these initiatives. This highlight an issue in terms of EU initiatives visibility and that more effort should be placed into informing SMEs, making them aware of the support they can access and make sure they know how to find it.



**The importance of public funds for SMEs internationalisation support**

When it comes to funding, the majority of the responses gathered, showed that all funding schemes should support the financing of internationalisation activities regardless of their geographical coverage. All respondents realise that EU, National, regional and local funds should be used for the aid of internationalisation.

**2. Results from the survey**

The survey was conducted on a small sample of SMEs in the local area and does not give us a full picture of the SMEs barriers and needs in terms of internationalisation support. Though it can show us initially that the respondents’ answers are quite similar and do give us a good representation of the regional picture.

The West Midlands region is composed for 98% of micro SMEs and very small SMEs. The nature of these companies mean that they would lack resources both financial and human to dedicate to potential internationalisation opportunities. Companies tend to have been accessing initial information through their local chambers of commerce or the UK Department for international Trade (DIT).

Micro SMEs, tend to feel they are not supported enough and do not have the time to be looking for the information. Therefore it is crucial to them to be able to access the right support. More effort needs to be taken towards making the information very clear, concise



and available to them. Companies tend to not be aware of the local schemes and the initiatives that could benefit them.

Funding is an important factor to support companies with their initial market research and in particular to fund their trade missions, attendance to exhibitions or fairs for example. This has been described as a first step in their internationalisation journey.

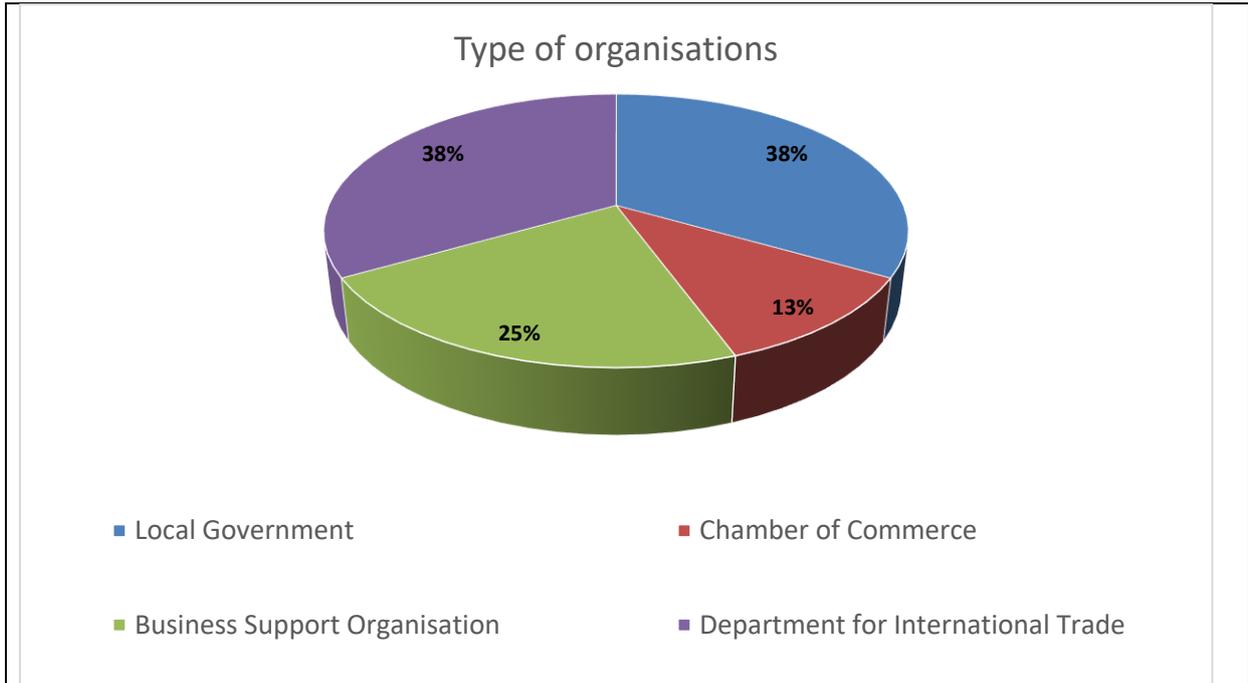
Even though most companies declared having an international strategy in place, it seems the conversion into real implementation is only due to their own knowledge and efforts. They have identified that in order to make their company competitive they need to access new markets but they seem to have difficulties finding the right person to talk to who can either inform them or act as a trusted representative in the market they are interested to penetrate.

They are motivated by the potential growth, the gain in market size and profit that internationalisation would mean. They can voice their desire and attempts to internationalise though they lack the confidence and the knowledge of how to do so. The insufficiency of information, their shortage of skills and lack of experience in internationalisation, often means they don't address the correct support agency.

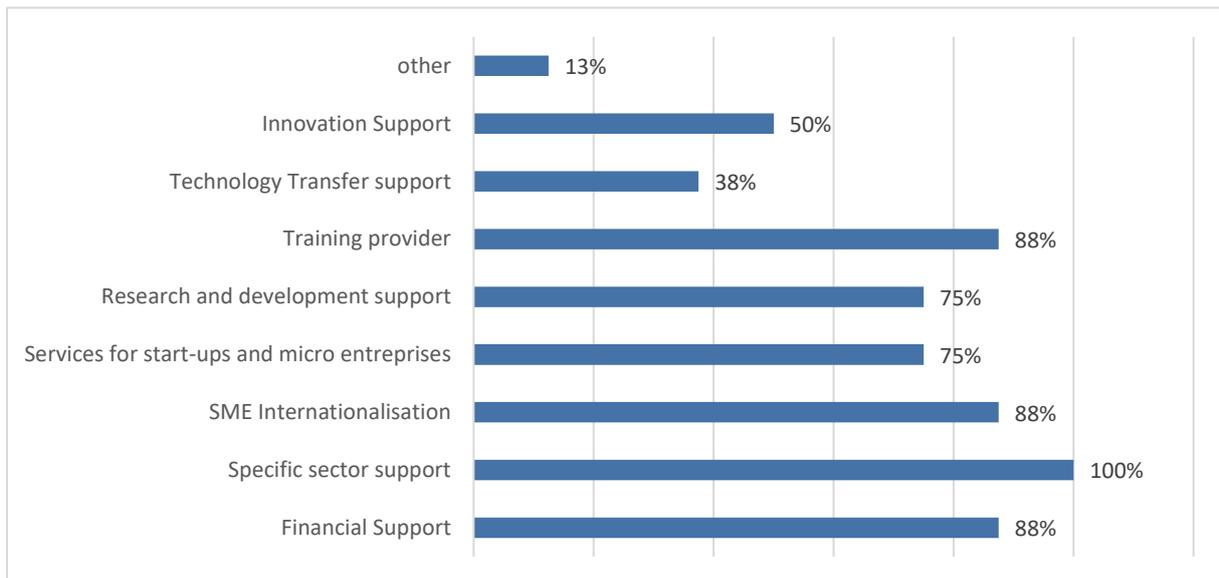
## V. MEASURES OFFERED BY NATIONAL/REGIONAL STAKEHOLDERS IN THE SPHERE OF SMES INTERNATIONALISATION SUPPORT

### 1. Survey

To gather information about measures offered by the region, CUE has been conducting a series of interviews. These interviews were organised with providers of SMEs internationalisation support in the region.



The interviews were conducted across different types of agencies covering the regional support for SMEs.



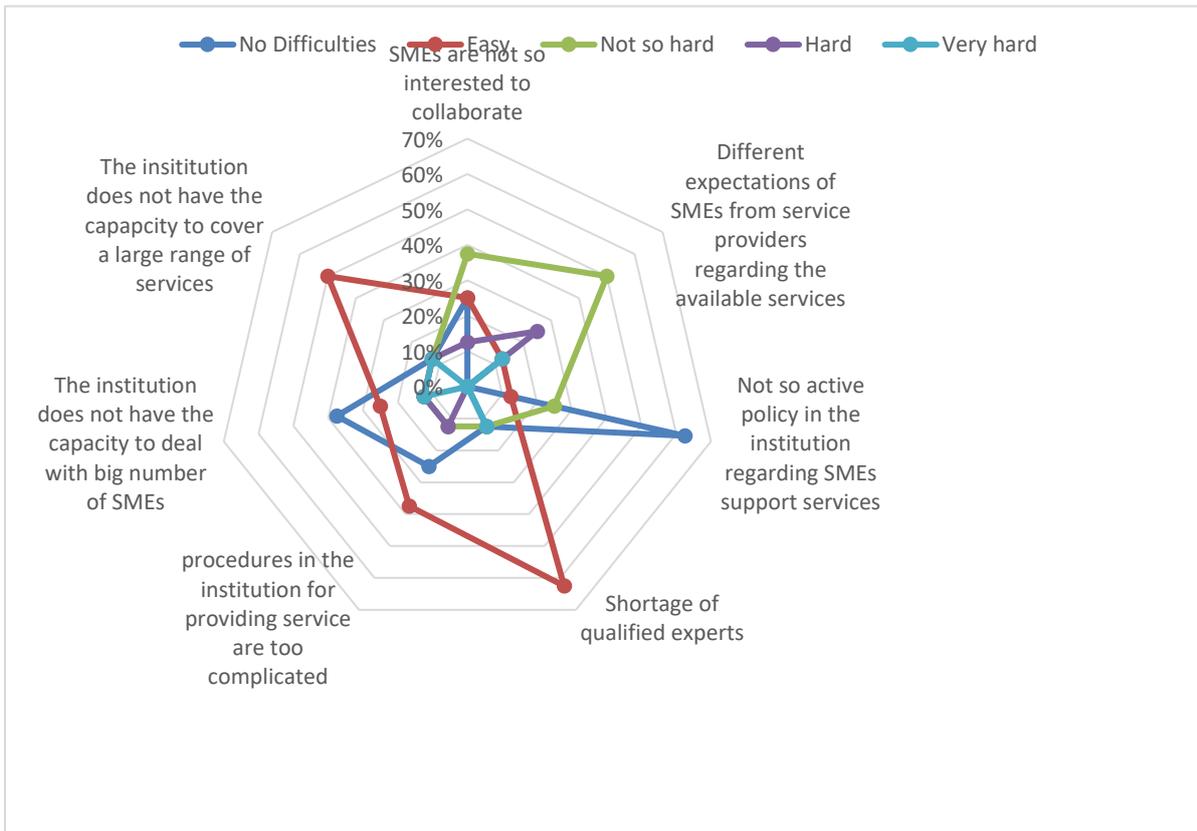
#### Types of services provided

The stakeholders interviewed covered a large support portfolio for SMEs who want to internationalise. They tend to be complementary and support enterprises at different stages of their internationalisation journey. They also provide other types of assistance.



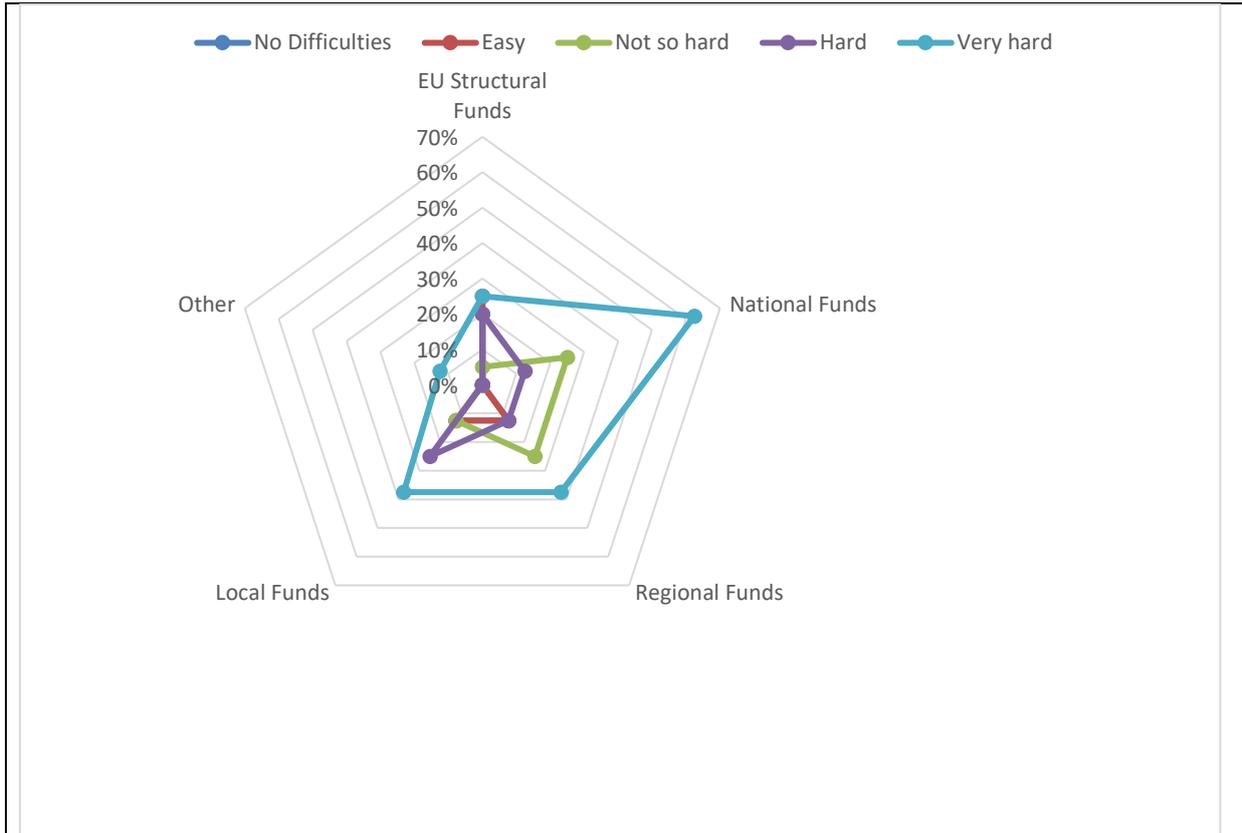
Internationalisation support services provided by organizations considered to be the most used ones by the SMEs <i>/arranged by the level of using of the services/</i>		
1 <sup>st</sup>	Quality Business Advice	Specific Advice on Export and Import
		Business plan and strategy
		Access to market and Route to market
2 <sup>nd</sup>	Market Research	Consultancy support
3 <sup>rd</sup>	Meet the Buyer and partnering	Identification of partners, assistance in contacting and meeting

According to the stakeholders, the services that SMEs utilise the most are quality business advices including specific advice on export and import, business plan strategy and access/route to market; secondly Market research through consultancy support and finally meet the buyer and partnering including identification, contacting and meeting partners.



### Difficulties that organisations face while working with SMEs

The stakeholders when working with SMEs found challenging at times to manage their expectations. Sometimes SMEs would think they would get more services than the provider could carry out. On the other hand providers felt they always were able to provide the right level of expertise and felt that their own organisation were very proactive in their support.



**Public funds to support SMEs internationalisation**

Stakeholders felt that local and regional funds were the more important and accessible in supporting SMEs and national funds were harder to access.

**2. Results**

It is clear that the main SMEs internationalisation support providers were very much agreeing to the results. Despite having interviewed stakeholders from different types of organisation, it was obvious that their aim is one: boosting regional growth by supporting SMEs become more competitive and internationalisation ready.

The region has sufficient support mechanisms, and provide adequate financial support to initiate companies' internationalisation first steps.

The regional stakeholders are well aware that they need to work closely together to make sure that SMEs receive the most adequate support.

SMEs lack the time and staff to dedicate to learn the internationalisation process and rely on support providers to give them bespoke advices. It becomes difficult for support providers to satisfy needs of every SMEs despite the wish to do so.

Regional stakeholders have the expertise, capacity and knowledge to support SMEs, but it is not always easy for providers to reach every one of them.

More work needs to be done to simplify the information presented to SMEs but also to



make internationalisation mainstream, the message in the region needs to be consistent as well as out there.

SMEs need to be supported along their customer journey, without feeling the administration burden, or feeling like they are sent from one agency to another. By working together, support providers will be able to give strategic advices with an appropriate initial diagnostic, customise the support according to the SMEs internationalisation experience and meet the expectations of companies.

## VI. IDENTIFICATION OF GAPS BETWEEN POLICY INSTRUMENTS AND SMEs NEEDS

The UK Government's 'Plan for Growth' recognises the importance of a competitive SME base to the global competitiveness of the overall UK economy, and identifies a key ambition to make the UK one of the best places in Europe to start, finance and grow a business. In order to achieve this, the Government's plans focus in particular on measures to support SMEs in accessing the finance they need, and in exploiting new global export markets (Policy: Increasing the UK's exports and attracting inward investment).

The objective for Coventry and Warwickshire is to ensure that the area's SMEs are able to compete in these markets at both national and international levels. THE ESIF therefore address this aspect.

In particular, recent work that encourages and facilitates businesses to collaborate in accessing and growing new markets has proved highly effective locally, and will therefore be extended and developed further. The role of overseas also requires comment. Indeed, the long tradition of public support for developing export markets in particular is a strong reflection of market failure through provision to SMEs of appropriate high quality information, advice and guidance. Furthermore, support for SMEs to develop new markets overseas underpins the overall Government policy objective of a private sector driven recovery which results in a more balanced economy. In alignment with this, investment priorities will target activities that build on previous interventions to support the area's SMEs to export their products and services. The same principle applies to sector specific market knowledge so investment priorities will include focused interventions for Advanced Manufacturing & Engineering SMEs.

**ERDF investment priority 2 of priority axis 3: 3d - Supporting the capacity of small and medium sized enterprises to grow in regional, national and international markets and to engage in innovation processes.**

Under this investment priority indicative actions to be supported by European Regional Development Fund may include but are not limited to:

- The Provision of efficient local referral routes to ensure that SMEs are able to



identify and access most appropriate and tailored support for their specific growth needs

- Support SMEs to develop focused growth strategies and update or introduce new business models which will drive business performance
- Attracting new business investments to England.
- Advice and support for SMEs to enter, establish and expand in new domestic and international markets.
- Advice and support for businesses to become investment ready

### **Exporting Businesses**

- Additional promotional, marketing and engagement activities to increase the awareness of exporting and its benefits amongst potential exporters.
- Additional support for new and existing exporters to exploit overseas markets (e.g. capacity to expand, management capability and skills training - 'pre export' support and export support)
- Access to dedicated sector specific (Advanced Manufacturing & Engineering; Digital Technologies) international trade support. A collaborative programme that will provide bespoke international trade advice for key sectors or fund trade missions to target markets.

As described above the policy instrument, through the internationalisation providers do achieve the set targets. They are responding to the identified needs described by the SMEs and expressed through the results of the survey.

Limited firm resources and international contacts as well as lack of requisite managerial knowledge about internationalisation have remained critical constraints to SME internationalisation. These resource limitations, especially of a financial kind, seem particularly present among smaller, new to internationalisation companies.

Growth and knowledge-related motives are influential in driving SME internationalisation. Growth-related factors appear to be increasingly important to SMEs, showing their understanding of international opportunities for future business growth. SMEs are also aware that their internal know-how is not sufficient and need to have the support of external providers. Their need to access international markets also highlighted the difficulties of SMEs in partnering and accessing the adequate network or international contact.

In response to this, the support provision include a range of measures which cover the knowledge needs, the funding for travel or accessing new markets and the consultancy support for the diagnostic.

Despite this it is true that the regional measures have only partially addressed the following gaps:

- Support the SMEs journey to a seamless support from different types of providers working together rather than in silos
- Deliver a consistent, clear and simplified message to present available support to



- SMEs
- To allow private providers to offer a package when the public sector services is not able to deliver (bespoke support subsidised)

## 1. SWOT ANALYSIS

<p style="text-align: center;"><b>STRENGTHS</b></p> <ul style="list-style-type: none"> <li>➤ Exports form part of the governments drive to boost the national economy, aspiring to double the value of exports to £1 trillion a year by 2020 and getting 100,000 more companies to export.</li> <li>➤ DIT has been supporting enterprises and with a national strategy applied regionally the same support is available for all SMEs</li> <li>➤ SMEs have access to several initiatives to support their readiness to export</li> </ul>	<p style="text-align: center;"><b>WEAKNESSES</b></p> <ul style="list-style-type: none"> <li>➤ SMEs are restricted by the lack of capacity, time and resources to invest in exporting.</li> <li>➤ Potential loss of access to European countries.</li> <li>➤ SMEs do not feel rightly equipped and do not always dedicate the right resources to successfully export</li> <li>➤ SMEs are not understanding the support available and how agencies are linked</li> </ul>
<p style="text-align: center;"><b>OPPORTUNITIES</b></p> <ul style="list-style-type: none"> <li>➤ Huge opportunities in emerging markets such as Asia and the middle East in addition to opportunities following Brexit</li> <li>➤ Government have opportunity to secure access to the Single Market – the government must ensure that SMEs have simple access to the single market.</li> <li>➤ Regional authorities are working together to deliver a consistent message across the region and improve the SMEs growth journey</li> </ul>	<p style="text-align: center;"><b>THREATS</b></p> <ul style="list-style-type: none"> <li>➤ Potential vast changes to the UK export landscape due to the EU referendum, which calls for the UK to leave the EU.</li> <li>➤ Legislation will pay an important role and could hinder future exports/imports for SMEs</li> <li>➤ Regional SMEs are not always aware of the available opportunities</li> </ul>



## 2. MAIN CONCLUSIONS AND RECOMMENDATIONS

The identification of top barriers to SME internationalisation challenges policy makers, managing authorities and stakeholders, to intensify ongoing efforts at removing these resistant barriers, specifically limitations in finance and related resources, international contacts, and relevant managerial knowledge.

The lack of visibility for the SMEs of public sector support programs call for the improvement of the delivery framework. This typically requires different levels of ideas from stakeholders from the quadruple helix and centrally involves the target user and other key stakeholders.

Internationalisation support providers, in order to raise awareness and be more accessible by all, should have a good web presence. Easy and active links to accessible and relevant support programs such as UK government website should be included and cross referenced.

Overall, policy makers need to address the following questions, among others:

- do we have the appropriate support measures to address the specific set of top barriers identified? If so, are the target SMEs sufficiently aware of them?
- How well does our support provision compare with European good practice?
- How responsive is this support provision to any observed local or sectoral aspects of the perceived barriers?
- Are they appropriately visible online?
- What do we know regarding target users' perceptions and expectations of our support provision?
- What about non-users' perceptions?
- What actions are needed to improve awareness and perceived usefulness of our support programs for SME internationalisation?

Based on the INTRA methodology, a questionnaire survey and case study approach is best placed to provide deeper insights into the challenges facing the international SME. The main focus of such future investigation should be on establishing how existing government provision is viewed by the intended beneficiaries, and identifying key perceived gaps and required changes from the perspective of user SMEs. These insights could then allow for an analysis of the appropriateness and effectiveness of the relevant government internationalisation support programs on the long run.

Policy makers are able to learn from other regions and by having answered the questions above, they can develop a systematic improvement plan. The interregional learning from the INTRA project constitute the perfect platform for the exchange of knowledge and experiences but especially the part transfer of existing proven successful good practice to be implemented.



European Union  
European Regional  
Development Fund



## REFERENCES