

The GlobalEIS Tool – A guide to exporting

The Everywhere International
SMEs (EIS) project



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The GlobalEIS Tool – A guide to exporting



Background

The Everywhere International SMEs (EIS) project was commissioned in recognition that regions throughout Europe need to encourage more small and medium enterprises (SMEs) to export (or internationalise) to improve sustainable growth in the EU. The EU's Single Market of 500 million consumers and the growing opportunities offered by the global economy provide Europe's SMEs with huge potential if they expand their business internationally. An estimated 90% of global growth originates outside the EU and developing and emerging markets are expected to account for 60% of world GDP by 2030. There is huge export potential for EU-based SMEs who are much more likely to survive in the globally competitive business climate if they achieve export markets. SMEs that operate internationally are also likely to be more innovative than their stay-at-home cousins and more resistant to local and national crises.

Approach

Funded by the EU's Interreg Europe programme, EIS brings together partners from seven European regions to work on

assisting SMEs to export. Following a detailed Peer Review process which identified 17 good practices from across the seven participating EIS regions, partners developed the GlobalEIS tool, which provides a structured approach for exporting by SMEs.

Purpose of the GlobalEIS Tool

The SME exporting process is at the core of the GlobalEIS Tool (Figure 1). Its purpose is to help SMEs to prepare, plan and deliver export opportunities in a systematic way. It may also be used as a reference document for both public and private Business Support Organisations (BSOs) for mentoring and support.

The application of a standardised SME exporting process helps ensure that all business support stakeholders have a common understanding of the exporting activities of SMEs and the required preparatory steps to become successful internationally.

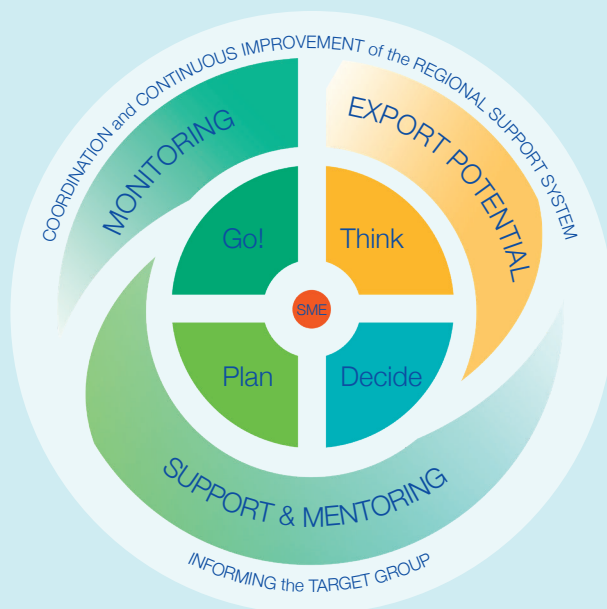


Figure 1: The GlobalEIS Tool – A guide to exporting

The GlobalEIS Tool and supporting narrative sets out the agreed process to support and mentor SMEs looking to export internationally.

The GlobalEIS Tool provides a guiding methodology, including checklists for an SME's exporting process. The business

support system can also be mapped against the tool in order to establish a more systematic and effective regional support system. The various steps are described in more detail in the following paragraphs.

1. The GlobalEIS Tool exporting process for SMEs



The four steps that make up the inner circle focus on what the SMEs have to consider and spend time on in order to adequately prepare to internationalise their business (Figure 2).

The GlobalEIS exporting process for SMEs is observed from the viewpoint of SMEs as a target group. In the following paragraphs, the single steps are explained in more detail with checklists for both the SMEs and the Business Support Organisations supporting the SMEs.

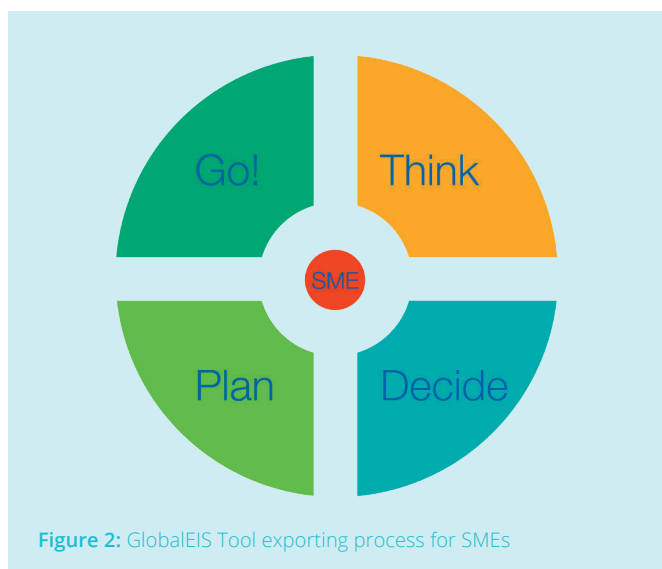


Figure 2: GlobalEIS Tool exporting process for SMEs

1.1 Think

The first step invites the SME to consider its own situation by thinking about its motivation for wanting to export, as well as reviewing its business and financial plan, available internal skills and competencies, resources and access to/knowledge of external networks.

Financial fitness and sustained profitability of the SME are crucial pre-conditions for successful exporting. Companies need to have a clear picture of their overall business health, as this will influence the potential success of their exporting process. The company should therefore conduct a 360-degree review of its own situation and export potential, including, but not limited to:

- current products/services,
- the level of own innovation and technologies,
- other core competencies,
- current markets and competitive situation/single competitors,
- own business idea/model/strategy and stage of the business,
- financial issues,
- staff capacity and skills,
- organisational structure,
- production and logistics system,
- supply chains with suppliers and customers,
- networking with other companies and other organisations,
- why do you want to export?

This last bulletpoint raises an important question regarding an SME's motivation to export. This analysis needs to be undertaken thoroughly to avoid wasting time and costs in future. If a company is not yet ready to export, but has the potential, it should either seek to close any identified gaps / weaknesses or take a different direction as exporting is not a suitable or relevant goal for all businesses.

SMEs' motivation for exporting can be very diverse. There is often no single right reason for exporting, there are positive benefits in many cases, but it is critically important that SMEs are aware of the risks involved in exporting.

The **checklist** below helps to ensure that SMEs think through why they wish to export:

- What is my motivation to export?
- Has my company the required competences for exporting?
- Am I willing to take the risk of exporting and if yes, to what extent?
- What are the approximate costs of preparing for exporting?
- Is the motivation to enter foreign markets already reflected in the business plan? If not, will it be reflected?



1.2 Decide

Upon completion of step one **Think**, the SME needs to invest time and resources in analysing and selecting the right market for their product(s)/service(s), establish business relationships with potential customers and market experts, and prepare their business for the selected market(s). Furthermore, the SME must decide how to approach the target market.

The process of defining the right product(s)/service(s) and market(s) with the way of entering new markets needs to be integrated because all aspects are strongly interlinked and cannot be viewed in isolation. The GlobalEIS Tool identifies two main activities for the **Decide** step: market analysis and market scanning.

Market Analysis

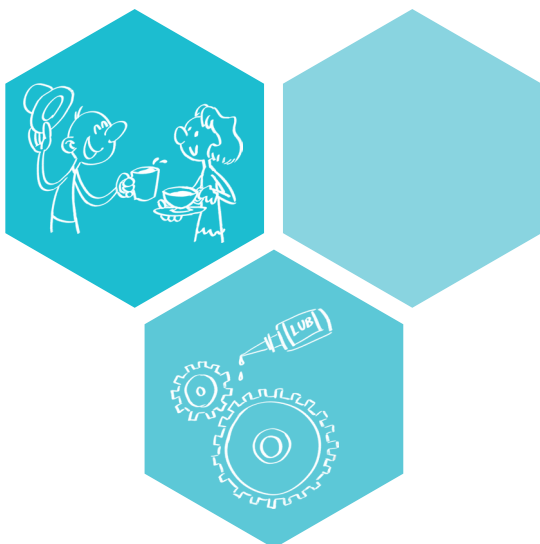
A thorough analysis of the most promising countries is required to select the right target market for exporting. The market analysis for any specific product or service requires gathering information about each potential country as a target market and the following **checklist** should be utilised:

- Competitive environment: who is offering competing products and what are these?
- Is a special registration or certification required for your product?
- Is an export license needed? Check legislation and required regulations to enter the market.
- Purchasing power and purchasing behaviour in the potential target market – are there specific cultural considerations to be aware of?
- Do any Free Trade Agreements exist with the potential target country which could make market entry of the product easier?

- Do you have to consider issues relating to Intellectual Property Rights (patents, trademarks, industrial design, etc)?
- Identify your customers in the potential target market: is it a business to business (B2B) (like wholesalers or retailers) or business to consumer (B2C) business (consumers, public sector) or both?
- What are the customer demands? Is a customisation of your product required in terms of functionality and/or branding for B2C, e.g. packaging and design?
- What are the appropriate distribution channels in the potential target market?
- Is your product/service competitive in the target market in terms of the opportunity-cost, technical/technological functionality, innovation, design, branding?

The SME must also verify that the sources of the market analysis are reliable, and the analysis is relevant and up to date.

Based on the assembled data, the SME needs to appropriately price its product for export, taking into account the costs for fulfilling product registration and customisation requirements, production and distribution costs (shipping, marketing), customs duties, taxes and the cost of any finance required or implications on cash flow. The impact of fluctuations in exchange rates and the appropriateness of hedging also need to be considered.



Market Scanning

Having completed the Market Analysis and determined the market(s) to target, market scanning is required.

Personal contact with market experts at home and in the target country is encouraged to establish strong personal relationships and gather market intelligence, for example by identifying a suitable distributor and other business partners like investors. Face to face meetings with people in the market closely related to the product or service is strongly recommended.

Having gained a deeper insight into the target market, the SME needs to define its unique selling proposition not only in terms of the product/service, but also regarding the profile of the company (company image, digital presentation of the company and the product, social media presence, etc.). The digital strategy for communication and marketing needs to reflect this and must be updated accordingly.

Listen to your (potential) customers! For identification of customers' needs and demand for product customisation (packaging, technological/technical, marketing, etc.) the SME should exploit test opportunities with buyers from their target market before entering the new market officially. This may also help to establish additional knowledge about the target market.

The following **checklist** should be utilised:

- What is the unique selling proposition of your product in relation to the target market?
- Have you exploited test opportunities with buyers from the target market before entering the new market officially?
- What are the costs for exporting?
- What is the envisaged price of your product in the target market and the expected turnover/profit?
- Do you have reliable and personal relationships in the target market? - personal contacts and networks are very important.

- Have you visited the target country and attended relevant events like international fairs, B2B missions or sector specific missions?
- Is it helpful for your company to cooperate with other companies (joint branding, sharing market intelligence and contacts/networks, sharing exporting experiences)?
- Can you foresee a long-term engagement with clients and business partners in the target market?
- Have you checked whether all the companies as part of the supply chain of your product for entering new markets are open for collaboration and able to do the required adjustments (change in design, increased production capacity)?
- Are after sales services relevant for your products in the new market?
- Have you considered all options for entering the target market?
 - Export,
 - Licensing,
 - Joint Venture,
 - International subcontracting
 - International supply chains covering B2B and B2C relationships
 - Any other routes to the target market?
- Have you got adequate finance to make contacts in the target market and to set up the necessary marketing and supply chain?



1.3 Plan

Based on the insights and the knowledge gained in the first two steps, the SME will now be able to draw up its export plan of how to reach the market including a finance and liquidity plan, product specifications, ability to scale-up production, internal resources (including staffing) and how to reach the intended market (e.g. B2B or B2C).

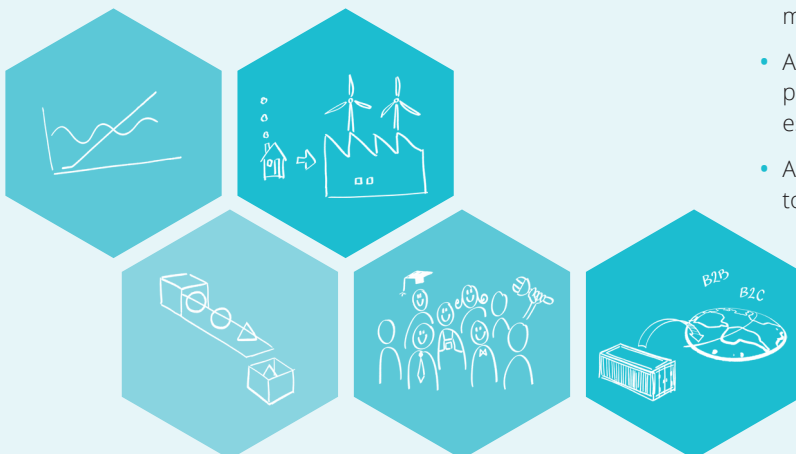
"The purpose of an export plan is to assemble facts, constraints, and goals, and to create an action statement that takes these elements into account. The plan includes specific objectives, sets forth time schedules for implementation and marks milestones so that the degree of success can be measured and can motivate personnel."
[export.gov]

The development of the strategic export plan is an iterative process. The first version of the export plan is usually a simple one as detailed information and data about the target market might not be available at the beginning of the process. The more attention given to the working through the **Decide** step, the more knowledge is created by the SME (about target market, about its own competitive position, about the way of entering the new market, about financial issues) which will enable more operational decisions to be taken.

Consequently, the export plan will become more detailed and complete step by step. The export plan, therefore, is not a static document (once written, never changed), but a flexible management tool that should be used in the later **Go** step for comparison of the planned outcome against the actual results. It is recommended to modify and make the export plan more specific as additional information and experiences are gained.

The following **checklist** for the export plan increases SMEs' awareness of issues to be considered during the **Plan** to go international:

- Does the market opportunity justify the investment required?
- Is the Return on Investment adequate?
- Is the financial and liquidity planning realistic? Do you expect any liquidity issue, for example due to delayed payments by customers or higher initial set-up costs?
- Can the appropriate finance be raised to enter the market?
- Has due account been taken of all potential market risks (political stability, economic stability, purchasing power, legal framework)?
- What about the recent trends in the target market?
- Is the export plan up-to-date and completed? Does the export plan reflect the latest information from the **Decide** step and fully meet all required operations to go international?
- Is there a clear timeline for going international with a completed project plan?
- Have tasks been allocated to people for all scheduled exporting activities?
- Is the right level of company resource mobilised?
- When should you scale-up the business/ramp up production?
- Do staff and management have the required skills (language skills, knowledge about target market, etc.)?
- Are you able to fulfil all regulations, norms, certifications?
- Are products/services customised according to a specific target market's needs and regulations?
- Have you clarified IPR Intellectual Property Rights (patents, trademarks, industrial design, etc)?
- Have the distribution and marketing channels to the new market been established?
- Are the required production capabilities for selling abroad in place and are the logistic channels (including the suppliers) established?
- Are the personnel and financial resources available according to the forecast demand?



1.4 Go

This is the fourth step when the business will be ready to export to the chosen market(s) utilising the knowledge gained in the previous three steps.

The impact of the exporting activities needs to be monitored by the SME in order to check whether the envisaged margin and profitability can be achieved, – whether additional measures are required, or whether exporting activities might require a comprehensive review. Some adjustments may be required such as marketing or further customisation of the product. It might also turn out that ineffective business relationships need to be improved or replaced by others.

The indicators for monitoring outcomes should already be defined in the export plan. The export plan should also be updated according to the actual results and experience.

The following **checklist** increases SMEs' awareness of issues to be considered under the step **Go**:

- Are the results of the exporting activities as expected? If not: is it necessary to take any counter measures?
- Do you need to intensify/decrease your engagement in exporting?
- Are you fulfilling post market regulations?
- Are there steps that should be revisited to further strengthen the approach towards export?

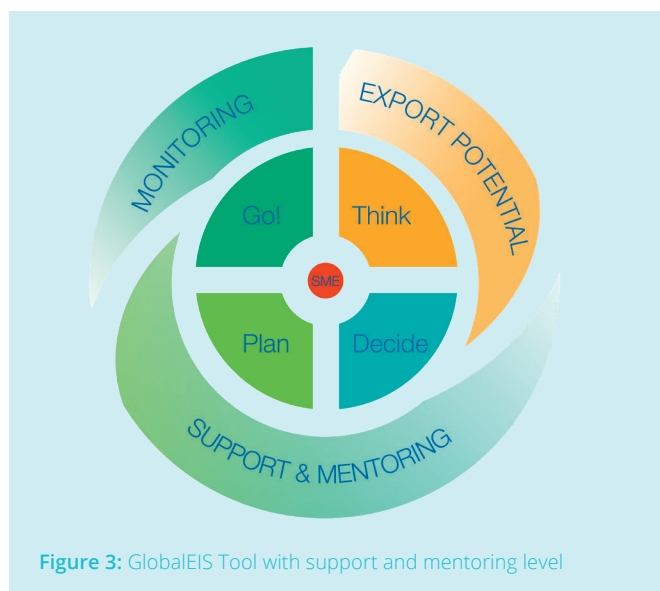


2. The GlobalEIS Tool with support and mentoring level



The GlobalEIS Tool is also targeted at Business Support Organisations who should be able to offer a structured support and mentoring service addressing an SME's exporting activities.

Figure 3 reflects the middle circle: the screening of export potential, support and mentoring step, following the structure of the SME exporting process, and the monitoring of the success of SME exporting.



2.1 Export potential

The Business Support Organisation should aim to understand an SME's overall business situation and ambition – not just the exporting aspect – in order to provide holistic support for SMEs wishing to export. An SME needs to have ambition for exporting and a willingness for growth.

Usually a screening of the SME is required to assess its motivation and ambitions in relation to exporting. This screening should give a full picture of the company's situation (business model, products/services, competencies, competitiveness, innovation, organisation, finance) as well as a deeper insight into the SME current activities and potential in terms of exporting.

The screening can be done through different approaches, e.g. in the form of self-screening with an online application, or as a face-to-face interview with a business support organisation adviser.

A face to face interview or screening enables the interviewer to advice on setting realistic expectations for the project and underline that exporting always carries some degree of risk. It

also helps to match the SME's expectations concerning their actual situation, potential and profitability of entering new markets.

Another advantage of personal screening interviews is the establishment of a personal relationship between an SME and an external advisor conducting the interview, providing a good basis for an effective mentoring of the SME throughout the full exporting process. It is considered that the external and neutral assessment of the SME via a screening interview provides a more realistic situational picture of the opportunity than an online self-assessment. More information on a standardised interview guideline for screening of SMEs can be found on the EIS homepage (www.interregeurope.eu/eis).

The screening results should be able to provide a recommendation as to whether the company is suitable for exporting activities and which public and/or private service providers should be contacted for further professional support.



2.2 Support and mentoring

This focuses on the **Decide** and **Plan** steps and recognises that support and mentoring of an SME as they prepare to export creates a bespoke service based on the selected product-market combinations and the existing competencies of the SME. The SME should not only receive specific support services for one-off issues but should ideally be accompanied by a mentor during the overall preparation process for exporting: Accompanying the journey of supported SMEs through all steps of the exporting process as a package, not just a single step. One-to-one mentoring can be very helpful when giving recommendations for the most appropriate support services or advice as any issues arise.

Support services range from group activities to individual support. Activities like group trade missions or B2B meetings in potential markets are considered to be most effective and efficient. Respective support programmes with calls for pre-selected markets help to identify SMEs interested in the same main target markets and facilitates the exchange among SMEs and experts also providing individual support.

National export support initiatives, EU level initiatives, economic development agencies at regional level, public sector bodies, universities and chambers of commerce have established

contact points in foreign markets to provide information about the market as a way to support SMEs' exporting activities. Public service providers need to take these links and services fully into account.

Travelling as a group also helps to increase the visibility of each group member in the foreign marketplace.

Entering new markets successfully requires competitive products. Public support providers need to emphasise the importance of SMEs' innovation activities in conjunction with their exporting activities and promote their respective innovation support services for entrepreneurs. This may also include facilitating access to regional or national external R&D and technology services that may be available at the right time.

The mentor should go through a brief check with the SME to check their 'exporting' readiness, similar to the screening process at the beginning of the exporting process. Moreover, the mentor should ideally address the weak points found in the earlier assessment and enable the SME to overcome them. They should also be ready to ask critical questions about all internal resources available and whether the financial resources for exporting are sufficiently robust.

2.3 Monitoring

A monitoring system tracking an SME's international growth path is needed to help create a long-term picture of the impact of support and mentoring on business development.

Without this, the lack of information about the clear benefits of public support services for SMEs undermines the whole process, despite established evidence of a very high positive

impact on beneficiaries. Undertaking surveys on a regular basis to establish a long-term picture of the evolution and effectiveness of a company's exporting activities and the whole support programme is a key monitoring activity of the overall BSO support package.



3. The GlobalEIS Tool with coordination of the support services and informing the target group

The GlobalEIS Tool covers individual support and mentoring services for the whole internationalisation process of single SMEs with exporting potential as described earlier. This process is complemented by the identification of the target group of SMEs, and raising their awareness about business opportunities

through exporting. The outer circle of the GlobalEIS Tool (Figure 4) is completed by integration of the continuous improvement of the support system based on the monitoring of the support services and beneficiaries.

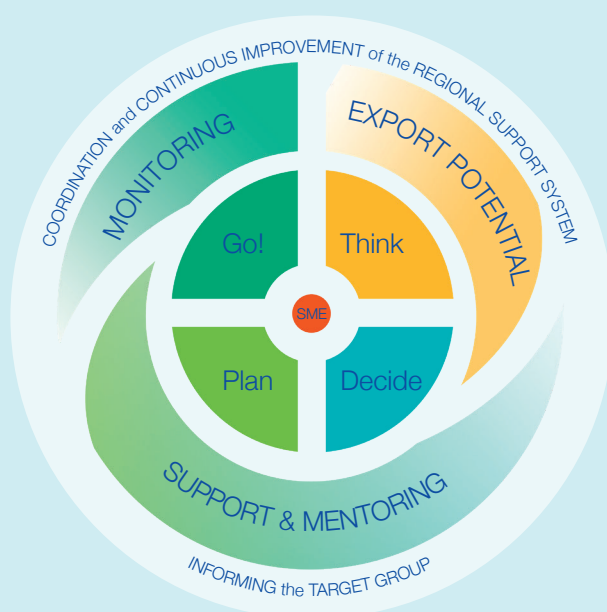


Figure 4: GlobalEIS Tool with coordination of the support services and informing the target group

3.1 Coordination and continuous improvement of the regional support system

Public Support Systems should be characterised by a strong coordination of the relevant regional support services available for SMEs. This will avoid unnecessary duplication of services and help deliver the most effective service and efficient use of public money.

This support helps regional businesses to gain the necessary market intelligence to better understand the marketplace and opportunities for entering new markets. Members of the regional support system need to collaborate strongly to ensure relevant information for regional SMEs is appropriate and not duplicated.

It is important to make the portfolio of services transparent for both target groups of SMEs and service providers, and to match this mapped service portfolio with the full pathway to exporting (**GlobalEIS Tool – inner circle**) in order to identify gaps or overlaps in supporting regional SMEs in their exporting activities.

Assessing the motivation and collective capability of Business Support Organisations, their roles and the range of services offered in the support system means that their role/services must be defined very clearly. Not only does this include

evaluation of the competencies and service quality of public Business Support Organisations, but also for private consultants and experts, certificates, competencies and procurement standards etc. required for service delivery.

The integration of private service providers and experts' support services is very important. Competition of public services with private services needs to be avoided. In this situation public services are required to complement private services in order to ensure holistic service coverage for the full exporting process, arguably with the public sector overseeing the competence and quality of the private SME exporting services offered across the region.

This coordination goes hand in hand with monitoring and evaluation of the regional support system. The monitoring should give a long-term picture of the evolution of the exporting activities of a single company and the whole support programme over 2 to 5 years or even over a longer timeframe. An integrated approach for monitoring and evaluation of individual Business Support Organisations and their offered services, and the overall support system is required to ensure that data/information collected can be used for both purposes.

3.2 Informing the target group

Many SMEs find themselves in a situation where they are responding to opportunities instead of actively seeking export opportunities. Low awareness among SMEs of the range of support services available is another challenge.

It is important therefore that the regional support system is proactively approaching SMEs and provides basic information as a conduit to exporting: providing general information as pre-support for clear steps towards exporting and establishing the level of interest SMEs have for exporting. SMEs may aspire to start exporting but might not seek external support from organisations with relevant skills and knowledge.

This can be done through creating and promoting events and platforms for SMEs to exchange knowledge and experiences between SMEs and service providers. This will enable a deeper knowledge of the target group and raise awareness among SMEs about exporting opportunities. Inviting SMEs to such

events where tools and guidance are available can help them assess whether they are suitable candidates for exporting. Virtual online platforms can also serve this purpose.

A systematic approach to targeting business interest and take up of exporting could be achieved through regular contact with start-ups and early stage businesses. If opportunities are introduced to businesses at an early stage of their lifecycle, they are more likely to become global businesses.

All platforms, events and other activities need to contribute to the demystification of exporting and encourage SMEs to integrate exporting practice and strategy into their day-to-day work. The promotion of exporting with success stories and the attendance of exporters who have already engaged and benefitted from the support system is a very effective way of encouraging further SMEs to participate in exporting.

PROJECT PARTNERS

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