

INTERNATIONALISATION: ENABLING FACTORS

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Enabling Factors in Internationalisation

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Abbreviations

BERD: Business Expenditure on Research and Development

EY – Ernst and Young

FDI: Foreign Direct Investment

GERD: Gross Expenditure on Research and Development

GPT: General Purpose Technologies

HEI: Higher Education Institutions

IBPR: International Best Practice Review

ICT: Information and Communication Technologies

ISCED levels: International Standard Classification of Education

MNE: Multi-National Enterprise

OECD: Organisation of Economic Cooperation and Development

STEM: Science, Technology, Engineering and Mathematics

Executive Summary

The Enabling Factors Report has been informed by the International Best Practice Review (IBPR), the good practices developed by Compete In projects partners and an analytical contextualising of these. Partners' activities illustrate a rich range of good practices and of innovative approaches to internationalisation where regions are catalysing international cultural and economic links and supporting SMEs internationalising.

Across the project a series of common themes reveal the importance of local actors' engagement from the public, private and non-profit sectors:

- The growing importance of new forms of local collaboration, networking and partnership;
- The central importance of innovation and of systemic support for it;
- The importance of enhancing technical and managerial skills and linking these to SMEs;
- The importance of sustaining a vibrant SME culture;
- The importance of an open, outward looking culture that is willing and able to develop linkages with other regions and cities across the world.

Project activity shows successful internationalisation practices are rooted in stimulating innovation, developing institutional support for SMEs and their absorptive capacity, and particularly around advanced technical and managerial skills. Enhancing this social and economic capital is a cumulative and self-sustaining process where the region gradually consolidates competitive advantages.

The tables below are a checklist for regions to gauge their performance in internationalisation in foreign direct investment (FDI) or export performance. These can be developed into templates for examining gaps in provision and developing local action plans to tackle weaknesses.

The first table addresses the FDI issues.

FDI Enabling Factors
Provide a systematic and responsive service (benchmarked, monitored and performance managed) to potential investors seeking to come to the region.
Ensuring that there is a readily accessible strong, modern and resilient infrastructure for the flow of people and goods into and out of the region.
Ensure there is a resilient and modern digital and advanced ICT infrastructure for it is clear that digitalisation is a fundamental enabling technology for all sectors and economic activities.
Ensure that there is good access to and the mobilisation of STEM skills and particularly around ICT skills for these are the complementary assets that will guarantee that SMEs and other enterprises in the region have the absorptive capacity to develop, consume and adopt innovations as well as attract and anchor FDI.
Identify and support innovation amongst SMEs and particularly facilitating access to higher education and research institutions that can problem solve and act as a long-term resource for businesses.

Identify and support the development and promotion of supply chain linkages with FDI and between local technology-based SMEs.
Ensure that there are soft landing and facilitation spaces (such as within incubation and innovation centres) available for new entrants to the region (set-up offices, virtual offices, brokering local services & suppliers).
Create mechanisms for regional responses to structural challenges and sectoral changes to reshape local competitiveness.
Showcase quality of life and “liveability” strengths in the region.

The following table focuses on SMEs’ internationalisation issues and enabling factors.

Export Enabling Factors
Provide mentoring and support for SMEs that are looking to move into markets that are new to them, especially internationally, so that their resource base and competency is extended.
Support the development of networks of businesses and business support organisations to share information, best practice, develop linkages and the exchange of tacit knowledge at peer-to-peer levels.
Enhance and develop complementary assets and ecosystems that promote added value and innovation efforts.
Promote high-tech clustering (or agglomeration) around existing and emerging sectoral and supply chain strengths.
Stimulate and support institutional engagement and network assets (e.g. trade and technical associations, executive coaching & training) to sustain a culture of open innovation.
Promote a culture of international linkages and openness (cultural, academic, trade missions, business fairs, and mentoring SME managers to participate).

The tables’ components can be systematically developed to create an action plan or programme including a series of more detailed specific activities for policy makers and delivery agencies to address.

The range of activities outlined in the tables may seem a daunting range of tasks for regional and local agencies to tackle. However, it is clear that many regions have either already started or are in the process of implementing initiatives that address the components. Indeed, it is clear from the Compete In good practices that project partners have developed and the good practices that they have selected for transfer that there are patterns of excellence evolving within the regions in terms of performance in internationalisation and that the trick for all lies in building competencies across a broad front but also in not ‘resting on your laurels’.

ENABLING FACTORS

Introduction: analysis and insight on Internationalisation Enabling Factors

The starting point for the study and report is to shed light on how we can successfully embed better internationalisation activities and capacity within regional systems both to support inward investment as well as to assist SMEs to internationalise.

The output and outcome of this Enabling Factors study and report is to provide the elements and backbone of a decision support toolkit for Project Partners to improve their approach to the internationalisation of their territory. Additionally, to provide policy makers, city planners and key gatekeepers with insights on what the important levers are for internationalisation within regional economic systems and how they can be successfully embedded as a support for both inward investment and outward access to new markets.

This will allow project partners to examine the broader experiences and actions for internationalisation of territories with their involvement with good practice transfer and the potential adaptation within the specific territorial conditions of their region and its *infrastructure*.¹

The guidelines will reflect the suggestions and comments collected through the inter-regional workshops, interaction and input from local stakeholder groups, and as far as possible experience gained via the Transfer Workshops. This will help Project Partners to synthesise their learning and strategy development: the approaches they want to specifically develop, tools that might assist implementation, and the gauging of relative strengths and weaknesses within their institutional or infrastructural setting. This should provide a robust basis for developing working guidelines and approaches to adopt and develop appropriate to their regional specificities.

This will provide a key tool for project partners working with local stakeholder groups in the development of policy guidelines and moving towards an evidence-based Local Action Plan.

Finally, this Enabling Factors report explicitly draws upon and develops from the Project Partners' Good Practices as well as taking into account insights gained from the International Best Practice Review. It seeks to and hopefully provides a robust analytical framework for partners to distill their experiences across the project into an evidence-based path to a Local Action Plan.

Internationalisation of the Region: Inward and Outward Processes

The following section will examine internationalisation through the lens of a PESTLE framework and identify a number of key parameters that facilitate and drive the entry of firms into new or other regions. The key questions when considering internationalisation experience within region are:

1. What leads firms to select certain regions over others?
2. What factors or support helps businesses within a region to better succeed in accessing opportunities in new (for them) international markets?

¹ Throughout this report the use of the term infrastructure has been influenced by and typically follows Keith Smith (1997) who describes it as 'collective capital', not just physical but also knowledge-based.

Within regions we can see internationalisation into and from the region to be a result of the interplay of macroeconomic and microeconomic forces but also *particularly and increasingly institutional factors*. Below the report summarises these multifactorial processes in a PESTLE analysis of FDI and highlighting the key features and drivers in the internationalisation process. Later the report will examine drivers for SMEs' internationalisation.

PESTLE analysis and Porter's Competitive Forces Approach

With a PESTLE (Political, Economic, Social, Technological, Legal and Environmental) analysis we typically identify and distinguish the key drivers that are likely to influence medium to long-term developments within a particular field.²

Looking at the attraction of international investment to a region the following table identifies what can be seen as Weberian "ideal types" of a range of key drivers. Whilst this abstract description of ideal types implies a sense of subjective selection, the evidence bases and analysis demonstrate clear confirmation of these as valid objective benchmarks to measure national **and regional** economies. The table cells in green highlight the more decisive regional drivers. Furthermore, as evidenced in the discussion below on Partners' Good Practices and the Transfer of Good Practices, these drivers have a clear relationship to practical experience and good practice in regions.

Table 1: PESTLE Analysis of Key Drivers in FDI Internationalisation					
P	E	S	T	L	E
Political	Economic	Social	Technological	Legal	Environmental
Stable democratic system	Stable, open & growing economy	Education systems & quality	Universities & strong innovation system	Sound legal protections for foreign investment	Transport & logistics infrastructure
Mixed economy consensus	Stable, well developed financial system	Good skills available across all levels	Good telecoms and internet structures	Regulatory stability & openness	Good quality utilities
Supportive regional & local institutions	Stable corporate tax levels	Stable or growing population	Good supply of STEM graduates	Good IPR protection	Business & industrial zones
Adaptable & smooth social change	Good productivity & supply chains	Adaptable labour markets	Strong ICT sector	Clear commercial property law	Sustainable energy supplies
Support for investment: grants, tax relief	Strong private sector & business birth rate	Civic capacity & social capital is strong	Good to strong GERD & BERD performance	Evolution and respect for laws & regulations	Sustainability well-embedded

Source: Reflecting on and derived from the IBPR, EY (2018); Grundy (2006); Porter (1998); OECD (2016); EC (2017) and Saisana et al (2018).

² The PESTLE framework undoubtedly biases consideration of national drivers in the Legal measures as most governments only sanction and recognise fiscal, property and labour regulation at national level.

As with all classifications different drivers could be placed in other boxes. For example, supportive regional and local institutions may have a legal or economic aspect in so far as there could be a statutory commitment (as proposed in the good practice of Valencia) with a key performance indicator to attract a certain level of FDI that will create a particular amount of jobs and economic impact.³ This overlap is a reflection of 'real world' phenomenon being by their nature multi-dimensional.

Furthermore, by its very nature a PESTLE analysis tends to be a snapshot of a specific time and typically of relationships in a particular place. Thus, it is important that we consider also the evolution of the drivers and try to identify emerging and developing trends. In this regard Michael Porter's 5 forces or competitive forces model is another useful reference point. The model was originally published in his book, "Competitive Strategy: Techniques for Analyzing Industries and Competitors" published in 1980 and subsequently revisited in his book: "Competitive Advantages of Nations" in 1998. Porter identified five key forces that play a part in shaping every market and industry in the world. The forces are frequently used to measure competition intensity, attractiveness and profitability of an industry or market.⁴

Grundy (2006) has argued that PEST and Porter competitive forces approaches can be treated as complementary. He also noted that it tended to focus on a slice in time of the present competitive position when it was also necessary to focus on future competitive position.

This is an aspect that Porter addressed in his examination of how firms' micro-economic decision processes and responses to competitive forces led them to choose business locations that enhanced their competitive position by the characteristics of the locational strengths of the environment that they moved into. Porter was writing at a time when the friction of distance and location was expected to be competed away and die but as he noted:

“Paradoxically the enduring competitive advantages in a global economy lie increasingly in local things – knowledge, relationships and motivation that distant rivals cannot match.”

(Porter, 1998)

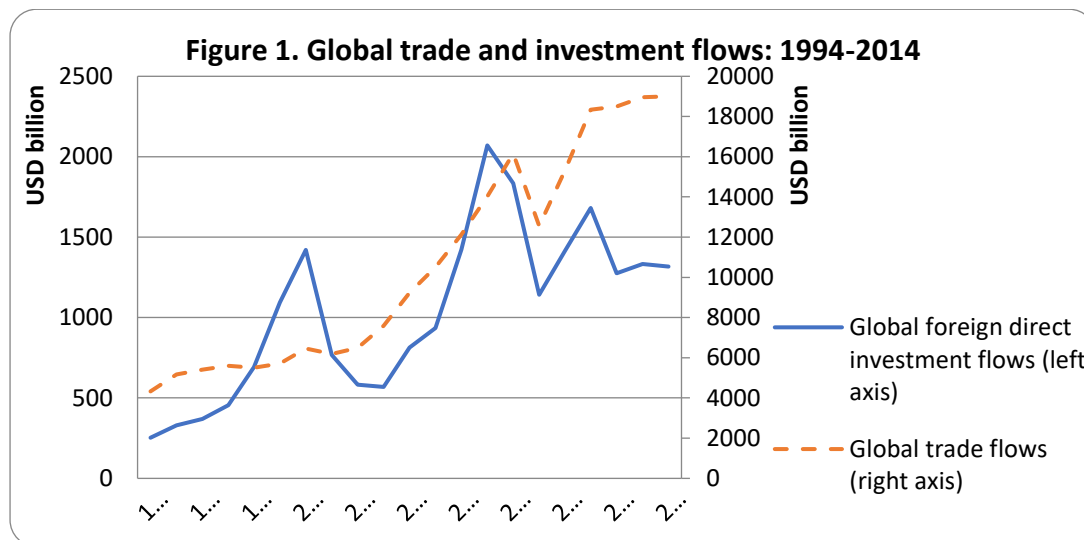
³ This is a commonplace arrangement in the UK and other EU regions and a good way to gauge performance on sectoral targets and investment and employment outcomes.

⁴ Porter's five forces are: 1. Competition in the industry; 2. Potential of new entrants into the industry; 3. Power of suppliers; 4. Power of customers; 5. Threat of substitute products.

The Dynamics of FDI into the 21st Century?

In this section there is a brief review of some salient trends in FDI, a short description of the European dimension utilising European Commission data and with analysis of recent developments notably including very recent changes in the UK situation.

It is clear that the nature and direction of global foreign direct investment is changing and very much in line with the deep changes impacting the economies of all EU member states. As the figure below shows, the long growth trends of FDI have been in flux since the great recession as the pattern of growing global trade has accelerated.



Source: OECD (2016)

The sectoral composition of FDI is also evolving. Whilst FDI in consumer goods and manufacturing, food, electronics, and transport remain strong it is digital FDI projects which are dramatically increasing across Europe, up by 33%, more than three times the rate of overall market growth (EY, 2018). Furthermore, digital investments are reshaping FDI as they are typically very much a small branch plant growth dynamic. EY estimated that in 2017, around 57% of the digital projects announced in the UK have 10 employees or less and with most of these projects being located in and around cities with world-ranked universities (EY, 2018).

The European Dimension?

Within these broad trends the structure of FDI into the European Union has been downward. Eurostat 2016 data on FDI flows showed investment from the rest of the world into the EU stood at €280 bn, down by 41% compared with 2015 (€476 bn). However, the destination geography of FDI into the EU has remained the same with the UK, Germany and France continuing to be the top destination locations (EY, 2018).

The European Commission sees this as an important issue and problem. FDI is key indicator of internationalisation and integration in Europe and it has also been one of the main components of total investment as measured by Gross Fixed Capital Formation. Inward FDI within the EU (between EU countries) is an indirect measure of firms' branch plant formation in other EU countries.

Comparing pre-crisis 2008-2011 flows show inward and outward FDI flows fell dramatically in all Member States except Luxembourg and Ireland. The fall of FDI flows remains the key explanation why investment in the EU is still below long-term trends as EU economies did not succeed in attracting enough FDI to make up for low domestic investment. New or greenfield FDI flows into EU countries, which account for a significant share of total EU FDI, saw a remarkable reduction in many EU countries, including in Germany, Spain, France, Ireland, Portugal, Romania and the UK (EC, 2017).

As per the PESTLE drivers noted in Table 1 above and the observations of the European Commission's Scoreboard on FDI there is need for policy measures at EU and national level to be significantly improved to reduce the frictions and transaction costs for FDI into and between Member States.

There are clearly major uncertainties around the post-Brexit landscape which will impact the choices of future, as well as past FDI decisions. In the short and medium term, it is likely that the EU member state regions will benefit in sectors where the UK has previously performed very well; for example, in manufacturing, pharmaceuticals and ICT. Assessments point to a period of transition in FDI:

“with the UK's attractiveness having fallen from historical highs, and much lower forward-looking intentions to invest.”

EY, 2018, p9

Within these broad trends the longer run scenario is much more difficult to predict. However, a weakening of the UK as a destination for FDI will undoubtedly present opportunities for Compete-In project partner regions and especially as they improve support arrangements and their prospects in the internationalisation of their economies.

Accordingly, notwithstanding supra-regional factors, regional agencies have an equally important and vital role to ensure that they continue to sharpen their competitive edge to attract investment. It is critically important for regional agencies to articulate and mobilise resources and information to highlight **local** factors and strengths so as to attract, hold and stick internationalising enterprises into and within their regions.

For as Porter has noted:

“The enduring competitive advantages in a global economy are often heavily local, arising from concentrations of highly specialized skills and knowledge, institutions, rivals, related businesses, and sophisticated customers. Geographic, cultural, and institutional proximity leads to special access, closer relationships, better information, powerful incentives, and other advantages in productivity and innovation that are difficult to tap from a distance.”

(Porter, 1998, Harvard Business Review)

Internationalisation of SMEs

In this section a PESTLE framework is used to isolate facilitating and driving factors for the entry of SMEs into new markets. The table below summarises a range of insights and observations on factors acting as catalysts (or whose absence acts as barriers) of the PESTLE drivers of internationalisation of SMEs.⁵ Table 1 the critical drivers identified represent Weberian “ideal types” and of a somewhat subjective selectiveness but the evidence bases and analysis establish these as clearly valid as objective benchmarks for national **and regional** economies to measure performance against. Again, the table cells in green highlight the more decisive **regional** drivers. As per table 1 within the PESTLE framework around SMEs’ internationalisation issues, legal factors tend to be driven by national legislatures.

Table 1: A PESTLE of SME Internationalisation Drivers					
P	E	S	T	L	E
Political	Economic	Social	Technological	Legal	Environmental
Stable political & administrative systems	Stable, open & growing regional economy	Good quality regional education system	Good HEI & innovation system in the region	Legal framework for foreign investment	Accessible transport infrastructure
Mixed or diversified economy	Stable exchangeable currency & credit arrangement	Business support skills (legal, etc) available	Resilient fast telecoms & internet	Regulatory stability & openness	Good quality utilities & infrastructure
Support in regions for export	Good local suppliers &/or intermediaries to work with	Mature industrial networks & sector bodies active in the region	Strong local ICT service sector & skills	Good IPR protection	Regional action on safeguarding standards for products
Local support for new entrants	Well-developed business culture & activity (e.g. chamber of commerce, regional bodies)	The SME’s experience of other cultures & languages	Support for regional collaboration on technology transfer & innovation	Clear commercial legal frameworks & property rights	Culture & commitment to sustainability
Milieus of experienced mentors to support international activities	Good quality tertiary services & support ecosystem	Diversity of civic & cultural activity provides social capital to the region	Ability to work to international technical standards (e.g. CE mark, etc)	Regional powers & structures to develop initiatives & actions	Regional action on connectivity, congestion & long-term planning

Sources: reflecting on and derived from IBPR, Altomonte et al (2014); Mariotti et al (2008), Kafourous et al (2008), and Dohse et al (2018) and also consideration of regional aspects of Saisana et al (2018).

⁵ Overcoming barriers to internationalisation is similar in scope and a common theme for all firms: micro, SMEs, large firms as well as young and older businesses (Dohse et al, 2018 table 2, p1150).

Altomonte and his colleagues' analysis of data for seven European countries (Austria, France, Germany, Hungary, Italy, Spain, United Kingdom) finds strong evidence of positive correlation between internationalisation and innovation (and controlling for productivity) with evidence of causality that innovation is driving the internationalisation process (Altomonte et al 2014).⁶

Kafouros et al (2008) findings are similar in linking internationalisation with innovation but they find a different causal linkage. They found that not all firms are able to create additional value by exploiting their research discoveries but that it depended on the degree of internationalisation of the business. They argued that the impact of innovation on corporate performance could tend to be positive if the firm gained and developed international experience. An implication for theory and policy is that future predictions about the impacts of industrial research should be linked to a firm's degree of internationalisation.

Saisana and her colleagues careful and detailed statistical analysis (see for example Figure 1, page 5 as well as discussions pages 6-9 and analytical summary in Table 1, page 10 of Saisana et al, 2018) shows clear correlation between a series of 21 key performance indicators grouped as "pillars" of Openness, Innovation, Efficiency and Endowment as well as a high degree of conformity and correlation with other of international competitive performance.⁷

Whilst there is a clearly a degree of 'devil in the detail' in the measures and drivers of what makes up or can determine a region's competitive performance it should also be clear that achieving or working towards 'best in class' involves advancing across a broad front of measures and is not down to concentrating on one factor, magic bullet style.

⁶ They are particularly trenchant about the need for better coordination and streamlining of institutional support arrangements for innovation and internationalisation: "We would recommend coordination and integration of internationalization and innovation policies under a single responsibility at both national and EU levels, and a stronger coordinating role of EU institutions." (Altomonte et al, 2014)

⁷ Saisana et al (2018) of the EU's Joint Research Centre provide a detailed conceptual and statistical exploration and validation demonstrating that the composite KPIs of the Global Attractiveness Index are statistically reliable and have a high degree of association (a correlation of approximately 0.9) the latest releases of four international indices: the World Economic Forum's Global Competitiveness Index and Global Human Capital Index, the Cornell University, INSEAD, and WIPO's Global Innovation Index, and the INSEAD's Global Talent Competitiveness Index.

Internationalisation Success Factors in FDI and the lessons from the IBPR

The discussions in the next section draw on wider consideration of FDI commencing with modern economists take on it plus a reflection of the IBPR case studies and findings and finally reflecting more broadly insights on the interactions between international and innovation.

Typically, the tradition of classical economic analysis highlights the traditional factors of production (land, labour, capital and entrepreneurship) as the primary movers in the investment decision process. However, even economists within the classical tradition have long noted the importance of other factors such as innovation, 'disembodied technical change' (organisational innovations and know-how), as well as social and legal institutions (see for example Richard Lipsey's *An Introduction to Positive Economics*, 4th edition, 1975).

Furthermore, attention to the importance of the production and use of knowledge and the systems of knowledge production and innovation has become acknowledged as much more important and increasingly so in the economic growth of nations and regions as well as of firms (for example, Freeman, 1982; Nelson and Winter, 1982; Edquist, 1997; Smith, 1997).

Indeed, in an age where the movement of capital and labour is much freer and within certain territories moving relatively frictionless it is the *overall quality* of the region and locality that is a key starting point and fulcrum around which internationalisation occurs. This is particularly clear from the International Best Practice Review case studies where we have regions actively seeking out and making international innovation links. National and regional systems of innovation are by their nature open systems where knowledge flows into and beyond the notional "boundaries" of the national or regional system.

Clearly this relates to the broader institutional setting and infrastructure of regions' evolution. And we can see within this the modern role and the essence of all regional authorities' position within the EU territories; namely, their varying function and responsibility to coordinate and mobilise resources to support the well-being of their communities and economies in a self-sustaining fashion and particularly around innovation-based activities.

Here it is worth bearing in mind Smith's (1997) delineation of infrastructure in terms of hard physical infrastructure such as roads, electricity and telecommunications networks and knowledge infrastructures such as universities, training systems, standards organisations, IPR protection. Smith sees these two types of infrastructure as interrelated forms of collective capital.

Certainly, we can see these as cross-cutting themes and factors in the first row of PESTLE table 1 above. They are also very clearly echoed in the case studies of the International Best Practice Review (IBPR). Thus, for example, within the Boston, USA case study and that of the Chengdu-Chongqing, China region that the hard infrastructure linkages which are fundamentally about enabling and enhancing the knowledge infrastructure linkages of research and other institutions across the region's spaces as well as internationally.

These common threads are particularly evident in the case studies of the International Best Practice Review where the case studies from different regions describe efforts to enhance the "collective capital" (Smith, 1996). In the IBPR we can see a series of broad themes and drivers that are common characteristics for different regions' efforts at enhancing their competitiveness and sustainability vis-à-vis other regions. Looking at the IBPR case studies the following issues

emerge as distinct characteristics and threads in the fabric of promoting investment into and within a region:

- High-tech clustering (or agglomeration) around sectoral strengths;
- Institutional and network assets (e.g. trade and technical associations, executive coaching & training);
- Infrastructure and connectivity – both hard (transport) and soft (knowledge-based);
- Soft landing and facilitation (set-up offices, virtual offices, brokering local services & suppliers);
- Systems of innovation and institutional support;
- International linkages and openness (academic, trade missions, business fairs);
- Regional responses to structural challenges and changes to reshape local competitiveness;
- Quality of life and “liveability” strengths; and
- Concentrations of *technological* skills particularly at higher levels.

What is distinctive about the IBPR case studies is that they do not hinge on a single enabling factor but on articulating a portfolio of nested and related services. Similarly, in looking at the good practices and their transferability and adaptability we can see that the central issue will be for the recipient region to embed them (and to follow Smith, 1996) into the broader collective capital and regional infrastructure.

Specifically, and here using the example of the Transfer Workshop for the Wakefield Bondholder Scheme in Reggio Emilia it would appear that the initiative is potentially being adapted within a very rich ecosystem. Knowledge infrastructures around an educational, research and high-tech cluster should have the capacity to see a mutated and contextualised species flourish. Furthermore, the adaptation of a Reggio Emilia bondholder type initiative launch of an innovation week programme would be something that the Wakefield Bondholder Scheme could adopt as a variation or development of its’ good practice.

In this there is clearly a close relationship and rich interplay and interaction between public and private infrastructures. In this we can see a clear echo of Smith’s highlighting of the important relationship between the public research sector and the private research sector; indeed, the degree of interdependence of both where “core technologies of the modern industrial economy” originated “in governmental or public infrastructural agencies” (Smith, 1997, p 88). However, whilst acknowledging the origins of such core technologies he also notes the non-linearity and complexity of the symbiotic relationship between them noting Michael Gibbons and Ron Johnston’s findings where private firms accessed the knowledge infrastructure of basic scientific research whether via ‘personal’ contact of firm-based innovators with their former teachers at university or via scientific and technical journals and information and data in libraries (Gibbons & Johnston, 1974).

The symbiotic nature of the relationship is an issue taken up very powerfully and recently by Mariana Mazzucato, who has argued in great detail how the trajectory of firms like Apple was fundamentally contingent for its growth and take-off on publicly funded research illustrated the case of general *dependency by the private sector* on the public research community (Mazzucato, 2013).

Indeed, we can see the information infrastructure and public research community as part of the nest of features that constitute complementary assets. The inter-relation of these aspects of

foreign investment, innovation and absorptive capacity and complementary assets is particularly well articulated by Xiaolau Fu (Fu, 2008) in his examination of the impact and spatial dynamics of foreign direct investment in China. It very clearly exemplifies some of the issues described in the IBPR case study of China and has wider lessons around internationalisation, investment and innovation capacity in regions.

Very much echoing the work of Porter and Krugman Xiaolau Fu notes that the engagement with and transmission of knowledge from and to the foreign enterprise is quintessentially a local process where “spatially bounded knowledge spillovers” occur (Fu, 2018, p89)⁸. This is particularly the case for “tacit” knowledge which is typically contextual to the firm and difficult to codify, and accordingly more readily transmitted via face-to-face contacts and interpersonal relationships.

Fu also recounts how openness of the local economy to MNEs locating into the region has a significant impact on regional innovation performance. He focuses on “the role of absorptive capacity in the evolving regional innovation system” rather than absorptive capacity within the firm. He highlights how the former is largely a reflection of the development of technological capabilities within the region and the outcome of a complex interaction of incentive structure with human resources, technology efforts and institutional factors. The efforts of the regional agents, i.e. business, government and the universities to create and then strengthen the linkages between these agents determines the performance of a regional innovation system and FDI investors tend to be particularly well-placed to access and integrate these resources as they are much more accustomed to managing innovation. MNEs are more experienced and efficient in managing innovation and appropriating it; their resource and skills base and capacity is broader, deeper and more sophisticated.

Indeed, it is Kafourosa and his collaborators contention is that the very process and experience of operating internationally and in many different markets is what endows firms with the managerial and technical experience to successfully capture the fruits of innovation (Kafourosa et al, 2008).

Fu’s findings and observation on these aspects reflect the OECD measures for tracking national and regional innovation efforts and outputs: the innovation performance of a firm is determined not only by “hard” factors such as R&D manpower and R&D investment, but also by certain “soft” factors such as management systems and practices and governance structures.⁹

Internationalisation and innovation

In this section the significance of the relationship between internationalisation and innovation is considered and how strengthening either of these can have positive impact on the other. In examining this interaction, it is imperative to emphasise the importance of supporting this conjointly in SMEs as these usually contribute to a virtuous cycle where success in internationalisation stimulates stronger innovative effort and vice versa.

⁸ Fu (2008) notes spillovers as including: knowledge transfers through the supply chain; skilled labour turnover; and demonstration effects.

⁹ Chiefly, as per the OECD’s Oslo Manual, OECD, 2005 which highlights that the innovation process is more than just BERD and GERD effort.

SMEs seeking to grow beyond the constraints of their initial, typically local markets often make this growth transition on some advantage (experience, know-how, innovative products). Their success in new markets is bound up with their ability to withstand the competitive challenges that established firms in their line of business have in new territories and these are characteristically either innovative products and often embodying process innovations. Scholars have acknowledged that knowledge is a non-rival production asset which can be re-used without depletion but also that spill-overs from its production are essentially geographically localised and very much dependent on the *tacit know-how* capabilities of the individuals who are able to make use (or optimise the appropriability) of that knowledge (Jaffe et al, 1993). Clearly to echo Paul Krugman: geography matters and particularly at the regional and local level.

The triggers and the capabilities to make the jump into different markets are typically oriented around capturing growth opportunities from some competitive advantage bound up in an innovative product and often utilising process innovations that further strengthen the competitive lead.

The early phases of foreign direct investment involved a mixture of product and process innovation advantage and typically mixed with organisational and managerial innovations. The insertion of American corporation Westinghouse in Trafford Park in Manchester in 1903 saw the replication of their classic grid system layout of the park, the acceleration of the use of AC motors on assembly lines and the attraction of American capital to Europe. In 1911 Ford began making the Model T car on Trafford Park scaling up rapidly for UK demand for its car on the same 'fordist' principles they had triumphed with in America.

Westinghouse's and Ford's early internationalisation of their operations was about exploiting both their product knowledge as well as intangible assets and managerial know-how to manufacture exceptionally competitively. The trigger to them moving beyond the USA was to reap value and opportunity from their advantages beyond tightening markets.

Similar types of issues and process still play their part in the FDI and SME internationalisation process in the 21st century. This is echoed in a series of papers, which although taking or making somewhat different emphases, point to clear and dynamic relationships between innovation and internationalisation (Altomonte et al, 2014; Mariotti et al, 2008; Kafouros et al, 2008; Dohse et al, 2018).

There appears to be a clear consensus that the route to successful internationalisation is to have innovative advantages and to trade and build on these. We will return to these in more detail below.

Factors in the Investment Location Decision Process

In this section we summarise and develop upon the insights from the IBPR and the broader literature identifying a number of factors can be identified as of key importance and major drivers in determining foreign direct investment decisions. These include:

1. Land and premises? [Including assistance with planning processes.];
2. Support for a soft landing? [The facilitation of FDI process typically via one-stop-shop solutions];
3. Grants, financial assistance and the corporate taxation regime;

4. Supply chain capacity [The agglomerations that exist in the region, their mobilisation and promotion, and their fit as a cluster of supply appropriate to the FDI?];
5. Labour – skilled and semi-skilled [ISCED¹⁰ levels 4, 5, 6; and particularly the incidence of STEM skills to embed higher order activities and facilitate technology transfer and strengthen the region’s absorptive capacity];
6. Infrastructures [both hard physical assets and knowledge-based systems];
7. Digital infrastructure [both fibre enabled and 5G connectivity];
8. Research and development capacity for the inward investor to tap into;
9. Openness, cultural, quality of life, liveability & environment, international schools; and
10. Marketing the regional assets – knowledge search & information signalling from the region to prospective investors or their agents.

Fu (2008) notes that 80% of China’s foreign direct investment is concentrated in what were the coastal export processing zones or regions. These poles or zones of growth were clearly developed and promoted to attract FDI and boost local business growth. Their take-off and development reflect many of the drivers in project partners’ regional plans to build on sectoral strengths and supply chains to attract new investment and stimulate the formation of new businesses locally. For example, as per the Polish 14 regional special economic zones which were designed and developed to encourage investment, “develop new technologies, create new jobs, develop exports” (Ambroziak & Hartwell, 2018).

It is also clear that the process is dynamic: regional strengths can be competed away. Regions can and do rise and fall as one era’s competitive sector and advantage is creatively destroyed and new emergent sectors and activities evolve to replace previous regional specialisations (see for example, Menzel, & Fornahl, 2010).

The competition to attract new investment is also about maintaining that investment and the supply chains and regional absorptive capacity that sustains its long-run competitiveness. Mazzacutto notes Pfizer’s disinvestment in Sandwich, Kent and move of the its investments into Boston, MA in the USA where it could access the innovation ecosystem of the National Institutes of Health (NIH), HEI and skilled researchers in that region (Mazzacutto, 2013, p 8). As the Boston case study in the IBPR highlights Boston is a world leading region in health-related research and has a dense network of specialist sector bodies on medical devices and other specialities which contributes to the region garnering over 60% of the NIH’s research spend. The NIH’s annual budget was \$37Bn and its research spend \$10.123Bn (source NIH data sheet).

Finally, there is also the fundamental importance of digital technology and infrastructure. As Teece notes the modern age’s key general purpose technology is digital: the digital revolution is the most ubiquitous and central factor in economic activity and with its remarkable economy-wide and cumulative economic impact.¹¹

Increasingly FDI is digitally-based and focused (EY, 2018) and digitalisation is reducing the transaction costs and enabling SMEs to internationalise more easily.

¹⁰ ISCED was developed by the United Nations to allow compilation and analysis of skills levels.

¹¹ He describes general purpose technologies as having 3 main characteristics: (1) they “are pervasive, i.e., in wide use; (2) are capable of ongoing technical improvement; and (3) enable complementary innovations in application sectors.” (Teece, 2018, p1369)

Partners' Good Practices and the Transfer of Good Practices

Here we review project partners' good practices in light of the discussions above on the PESTLE drivers noted in Table 1 and the factors highlighted in the IBPR and around the discussions at inter-regional workshops as well as transfer workshops.

The project partners' good practices very clearly echo *at a practical level* the PESTLE issues identified in tables 1 and 2 above as well as confirming many of the themes and findings in the literature on internationalisation and innovation.

Discussion

Whilst every region has its economic and social specificities it is clear that there is a strong common theme across the Project Partners' economic structures evocative of their recent past as older industrial areas and where regional transformation efforts continue against the backdrop of overcoming past path dependencies which both locked-in and locked-out economic activities. Michael Steiner typifies old industrial regions as those where there are prevailing *"externalities of similarity (in contrast to externalities of diversity in agglomerations) in which the dominance of a few large plants creates intra-regional barriers for new firms"* (Steiner, 1985, p395).

As Lars Coenen and his colleagues note, this pattern of functional lock-in and distinct industrial mono-structure take time and effort to break and typically means not only diversifying the industrial base but also the innovation system supporting new activity (Coenen et al. 2015). Their analysis of the transformation of the Northern Swedish paper and pulp industry and shifting its 'place-bound historical legacy of the current industrial structure' to a new structure of 'Biorefinery of the Future' (BioF) reads like a policy framework and template for action for transforming Project Partner regions.

Undoubtedly these are themes and issues that Project Partners have and continue to work through within the European Union's SMART Specialisation initiative and related Stairway to Excellence (S2E) aimed at closing the economic and innovation gaps between regions.¹²

However, neither these policy convergences and general templates, nor the pressures of globalisation have brought, or will bring, a one-policy fits all regions. Project Partners' regional Structural Funds programme activities clearly reflect the specificities of overcoming past place-bound structural legacies and of developing new regional strengths and new agglomerations.

Project Partners Good Practices

Rather than use a taxonomic approach to the GPs the organisational principle for the following section is to simply follow the original application. Trying to cram the good practices into another analytical would neither help explain the origin and logic nor the power of the good practice in question. Furthermore, such an approach would detract from the geographical specificity and qualitative logic and reflection of the territory it grew out of.

¹² Just to recap the S2E initiative describes this approach as three-pronged 1. Raise awareness of the actions needed to enable synergies between different EU funding programmes for research and innovation; 2. Share experiences in combining funding from Structural Funds and Framework Programme to improve excellence in R&I systems; and 3. Draw lessons for the future.

1. REGGIO EMILIA

Reggio Emilia has long been a strong advanced, industrialised region but with many of the issues displayed where a major engineering business (in this instance: Officine Reggiane) dominated the physical, social and economic landscape. Officine Reggiane's business' decline caused the spin out of many skilled workers who established their own enterprises. This was a prelude to its complete closure and to local efforts to re-use the space and to re-animate the whole social and economic space around the old factory complex. Reggiane's demise has been followed by more recent wider regional decline which is being addressed via regional economic development initiatives including the use of ERDF and policy changes accentuating the strengthening of the innovation and enterprise ecosystem.

Reggio Emilia's RIS3 strategy emphasises the competitive strengthening of the productive system particularly around identifying innovation paths that maintain and sustain a high ranking of regional productive activities, and in addition also support organisational and intangible based innovation.

Thus, the regional RIS3 methodological elements and based on tried and tested innovation ecosystems and encompassing:

- A. Structural strengthening: increasing investments and employment levels, boosting the efficiency of research and technological innovation activities, enhancing value chains and post-production services and diversification.
- B. Technology foresight: Identifying and anticipating medium-term technological trajectories and focusing research and innovation activity to better align with socio-economic and technological trends.
- C. Enhancing entrepreneurial systems and cross-fertilisation: Mapping and networking current and emergent excellences and specialisations so that sectors and business can be linked into growth and innovation opportunities.
- D. Enhanced and participative governance: better coordination between policy makers and stakeholders so that shared goals and public and private actions converge.

Reggio Emilia's three GPs highlight practical measures building on these strategic pillars:

1. Reggio Emilia South Africa - from solidarity to economic development (topic and focus: International Partnership);
2. 3S Strategy: developing the Innovation Park, international hub for the attraction of investments, businesses and talent (focus: Attraction of investment); and
3. Higher education in support of internationalisation processes (focus: Penetration of territories, attraction of talents, creation of partnerships).

In the GPs the following enabling factors are clearly important: supportive role of agencies, government, regional and local institutions, well-developed business culture, good quality educational system, universities and strong innovation system, civic capacity and social capital, transport and logistic infrastructure, business and industrial zones, good skills available across all levels, good productivity and supply chains, local networks and sector bodies in the target countries, culture and readiness to collaborate on technology transfer and innovation.

Reggio Emilia established and developed over a 40-year period, institutional relationships at the political, social, educational and cultural with South Africa. This history of political and cultural

solidarity has created a powerful relationship of collaboration and trust that has enabled the City to extend its relationship to the economic level, thus promoting culture of internationalisation. This privileged relationship based on mutual respect and a direct connection to social and political dimension in the target country, and has become a key cultural asset and territorial brand for Reggio Emilia. The territory as a whole, through the involvement of territorial actors in the context of Reggio Emilia and South Africa relationships, supports and promotes the internationalisation of enterprises.

This has facilitated:

- The promotion of Reggio Emilia's values, expertise, products and services
- Support to enterprises in creating partnerships in new markets and/or strengthening the existing ones.
- Opening of new internationalisation routes based on pilot projects envisaging new perspectives for the South African Black Economy in the fields of automotive, agro-industry, energy and environment.
- The formalisation of initiatives, relations, past interventions for the realisation of economic actions.

This history and culture of international solidarity has encouraged a wider willingness to engage and compete at the international level in a much more collaborative manner. Reggio Emilia has chosen to innovate its economic, social and cultural model by focusing on the attraction of knowledge, research and innovation and the exchange of talents, experiences and relationships.

The second GP articulates how the Northern Area of the city has been identified as a key territorial dimension for the development of a strategy transforming it into a place of research and knowledge production to attract enterprises, researchers and investment and culminating in the realization of the Innovation Park. This good practice illustrates how a city could increase its competitiveness at international level by building a multi-level project based on territorial distinctive competences, through the attraction of enterprises and talents, the development of a research system and the implementation of actions aimed at supporting an ecosystem of innovation and technology transfer, where territorial skills become driving forces for the innovation of other productive sectors. The Innovation Park project is composed of several dimensions: 1) Development of specific skills; 2) Construction of infrastructures for research and innovation; 3) Coordinated and privileged accessibility; 4) Development of high-value-added services for enterprises; 5) Attraction and mobilisation of funding.

The Innovation Park project is an example of a catalytical project in which the main public actors, economic stakeholders, researchers and private actors work together. An innovative aspect of the GP lies in the role of "entrepreneur" played by the Municipality of Reggio Emilia.

Building on a culture of excellence, particularly in training and educational paths, the region has promoted partnership between business and universities that is developing common strategies for the penetrating new markets, for attracting talent and investment, and for creating international networks.

Projects presented within the related GP focus on the collaboration between the University of Modena and Reggio Emilia UNIMORE and foreign universities and companies, through the active participation of students in programs and/or experiences of intensive training, in order to

enhance the skills needed for the development of new products and/or new markets. The activities of this action lines are based on institutional agreements, which identify students as the hub for the sharing of skills to be transferred to businesses. The University has the role of 'facilitator' of exchanges and coordinates and co-finances the initiatives. Unimore was able to consolidate its relationships and network with local economic actors, with the aim to enhance and innovate its academic activities in order to foster integration between specialist and disciplinary training and cultural internationalisation issues and territorial needs. Unimore also strengthened its academic network through formal agreement with foreign universities.

A wider network of Italian and foreign universities, cultural associations, business with consolidated experienced on foreign markets and students was activated.

Reggio Emilia Transfer Workshops

Building upon an analytical review of strengths and weaknesses of the local ecosystem, the Reggio Emilia Municipality and its LSG identified two GPs within the Compete In project that could help stimulate new developments at local level, address local gaps and enhance the development of local strengths.

Given the importance of and based on lessons from effective examples of internationalisation, attraction and cooperation, the aim is to improve:

- the capacity to work together to develop joint strategies and projects;
- tools and a strategic framework focusing on specific territorial dimensions and distinctive competences and how these can be enhanced;
- better coordination and networking among the activities proposed by key regional actors
- coordination between local actors and enterprises located in the same countries (for business, for institutional activities, for cooperation projects, etc);
- involvement of pivotal companies and business that are particularly exposed to structural challenges;
- a strong network built on the excellence, skills and competences of the territory, where mutual support between enterprises and companies are promoted and celebrated;
- ensure a variety of inputs from different stakeholders (on projects, events, etc) willing to propose, promote, share, gather forces on projects using stakeholder skills and competences which will enhance and enrich the projects.

On the basis of this logic Reggio Emilia selected the WBHS and VIT EMPRENDE as good practices to be examined and worked through in Transfer Workshops. Suggestions that came from the transfer of experiences included:

- Need to communicate local strategy, vision and character (territorial marketing and internal and external communication of the territory);
- Leveraging existing actions and values to improve strategies and common activities;
- Importance of the shared design and implementation of new projects
- Importance of involving enterprises (companies need to identify their aims but proactively ensure these go beyond self-interests for wider social and economic benefits; coordination and collaboration among businesses and with stakeholders);
- Defining the contribution & assets of stakeholders and mapping of this ecosystem;
- Building commitment on promotion and attraction activities;

- Enhancing the visibility of the ecosystem, key enterprises and projects, improving the ecosystem's efficiency, leveraging physical places to enhance communication, skills transfers, and attraction of new activities;
- Create a critical mass of actors able to play a role in wider and especially external milieus;
- Creating a culture of internationalisation at multiple levels.

These elements with the transfer of experience will be reflected in the further development of Reggio Emilia's Local Action Plan.

2. VALENCIA ENTREPRENEURSHIP and COMPETITIVENESS INSTITUTE – IVACE

The Good Practices selected by IVACE reflects the Valencia region's focus of their RIS 3 specialisation strategy which aims to strengthen a competitive economy around knowledge-based leading sectors. The strategic goal is the creation of an environment conducive to innovation and an enhanced international reputation built on leading companies delivering value-added products and services.

Ivace sees innovation and internationalisation as the key drivers for economic growth and industrial competitiveness and are focusing resources on funding R&D investment and particularly activity in businesses where innovation effort has lagged due to the traditional sectoral patterns or the limited size and capacity of enterprises. Valencian has a more industrialised economy than the rest of Spain with 16.5% of the total workforce still occupied in the industry. However, the Valencian economy is weaker than the national average in technology-based and capital-intensive sectors such as the chemical, medical and pharmaceutical sectors.

The Valencia Competitiveness Institute IVACE proposed three best practices which echo many of the drivers noted in the Pestle analyses above.

The **Xpande/Xpande digital** and **Sicomex** programmes are designed to provide potential exporters with the tools they need to go international.

The **Xpande/Xpande digital** includes training, the design of an export strategy and grants for the implementation of an internationalisation plan. Chamber of Commerce personnel provide one-to-one tailored consulting sessions on products, customers and markets selection, market entry strategy, marketing plan and a business plan. Eligible costs include travel and accommodation, participation in international fairs, point of sale exhibitions, translation of promotional material and web sites, market surveys, feasibility studies, etc.

Sicomex targets experienced exporters. An expert with a sound local market knowledge is selected in a foreign country. Market entry services are provided for a limited number of companies over a set time period, with costs are shared by the programme participants. After 1 year the SME typically manages the export activities itself. The expert travels to Spain to analyse and study each of the participants (from 3 to 8 SMEs), including products or services, experience, resources, distribution channels, etc.

One-Stop-Shop Law: this recently passed regional law provides a framework of administrative simplification to minimise the problems and transaction costs that foreign companies face when investing in the Valencia region. The law seeks to facilitate compliance of administrative procedures between various departments and agencies of the Regional Government, as well as

with the State Administration and local government, acting as a liaison with the investor. It aims to eliminate the disincentive effect that complex administrative procedures create for companies when starting an investment project.

The investor will enjoy the following advantages:

- Advice provided by a single entity;
- Information about the procedures necessary for the realisation of the project;
- Prioritisation of projects selected;
- Reduction of the ordinary deadlines of the administrative procedures foreseen in the autonomous legislation (decrees, laws and orders);
- Support on identifying possible problems and solving them;
- Follow-up of the dossier up to the implementation of the Project.

Projects benefiting from this scheme must meet three criteria. Economic criteria: an investment in fixed assets, excluding real estate, for an amount equal to or greater than 600,000 euros. Employment criteria: generation of ten or more jobs with an indefinite full-time contract. Social and environmental criteria; including environmental protection, promotion of social inclusion, equality in the workplace, family reconciliation and co-responsibility.

The third good practice, **VIT Emprende** is a network of innovative entrepreneurs that the City Council launched via Fundació InnDEA València. Of particular importance are a number of IT tools such as an APP and local and international networking.

VIT-Emprende members can share knowledge, collaborate in R&D activities, transfer technology, go international and create synergies by networking with bodies across the Valencian entrepreneurial ecosystem.

Advantages to SMEs participating in this project include: access to competitive talent and facilitated building of teams. Easy access to training for entrepreneurs. Participants are typically willing to collaborate with other businesses. Events and activities provide visibility for support projects and connect entrepreneurs with the city's industry as well as fostering networking. Mentors and leaders share their knowledge. This emerging innovation ecosystem provides access to investment through its accelerators as well as a milieu generating and disseminating innovation. Outputs include: 500 Start-ups; 7 accelerators; 15 Venture Capital; 40 co-working spaces, and a network of 2,500 stakeholders.

TRANSFER WORKSHOPS

On May 9th to 10th 2018, IVACE, hosted the representative from Emilia Romagna with a particular focus on understanding the inner workings of the Emilia Romagna Go Global strategy programmes to provide deeper insights into how the Good Practice could contribute to improving local policy instruments support SMEs' internationalisation.

IVACE and the Direction General of Internationalisation have selected this best practice to address Valencia ERDF Operational Programme's Axis 3 which is aimed at improving innovation and internationalisation in SMEs. This also aligns with the region's general promotion strategy. The ERDF OP is a response to the weakness of local SMEs and aims to tackle the reliance on a weak Spanish domestic market, and to stimulate the growth of technology-based SMEs.

In this regard Emilia Romagna is performing very well, and is one of the leading export areas in Europe with a very competitive industrial sector. IVACE wants to emulate Emilia Romagna's success and thus is evaluating the feasibility of a more comprehensive internationalisation strategy for the region, focusing on current exporters' needs and coordinating a more thorough ongoing support for SMEs across sectors.

The implementation of these practices may be difficult as the institutional framework differs between Valencia and Reggio Emilia. There are also potential obstacles in building cooperation between service deliverers and exporters.

TRIIP Transfer Workshop: This took place on the 5th October with IVACE hosting representatives from Future Position and TRIIP programmes to exchange insights and deepen understanding of how they inspired and supported micro-SMEs' internationalisation efforts. IVACE wants to improve its support of micro-firms and especially innovative businesses in new sectors by providing new support strategies. The TRIIP methodology emphasised a broad approach embracing human, technical and financial capital and resources capabilities within micro-enterprises following a diagnostics' phase.

LOCAL ACTION PLAN DEVELOPMENT

IVACE's will focus on tackling a number of issues in its Local Action Plan to:

- Offer a more comprehensive support programme to new entrepreneurs and start-ups based on the evidence and insights drawn from Gävle's TRIIP project.
- Provide a more effective and efficient strategy for the internationalisation of the territory, building on insights from the experience of Emilia Romagna's ERGO, and the Emilia Romagna go global projects.

The international promotion of new innovative enterprises is one of the issues Ivace is focusing on in the medium/long term. Start-ups can now reach international markets almost immediately, even from launch. In this context, boosting entrepreneurship and internationalisation will strengthen employment, promote technological innovation and stimulate industrial growth.

The Valencia region has traditionally exported consumer goods, building materials and agri-food products. The services and export programmes originally designed for the needs of traditional exporters have been progressively adapted to the new innovative sectors. The profile of the firms demanding services, funds, promotional activities abroad and assistance has dramatically changed over the past 5 years. Companies are asking for a different approach to internationalisation, starting with very limited resources, and seeking to go international early, often from the very beginning.

IVACE recently initiated a programme of cooperation between business incubators and accelerators, creating new tools for start-ups and promotional activities explicitly designed for these new companies. IVACE believes there is a lot of room for improvement. In both cases, the objective is to achieve more impact and enhance efficiency in the use of human and financial resources around activities that will:

- A. Explore in detail the existing institutional framework, stakeholders and human and financial resources required.

The first step was the preparation of a report for the Director General of internationalisation highlighting the most important transferable characteristics of the ERGO particularly focusing on methodologies and procedures to select activities and markets that are a good fit to local needs for growth.

Currently IVACE is preparing the annual internationalisation plan for regional clusters and will explore the Emilia Romagna approach where they select the best proposals on the basis of the clusters competing and offering the best and most innovative solutions for internationalisation. This could help IVACE and the Valencia region to break out of the current methodology of simply supporting existing exporting sectors without review of what might be better, more innovative and successful internationalisation strategies.

- B. Consult and agree the strategy with the stakeholders involved;
- C. Develop a detailed draft schedule of support and implementation activities and consult and revise these with the stakeholders; and
- D. Monitor activities and outcomes.

3. UPPER SILESIAN AGENCY for ENTREPRENEURSHIP AND DEVELOPMENT LTD - GÓRNOŚLĄSKA AGENCJA PRZEDSIĘBIORCZOŚCI I ROZWOJU (GAPR)

The region of Silesia reflects many of the features and experiences of old industrial areas seen by other Compete In project partners and especially those such as the Wakefield region with its similar history of coalmining and the issues facing the region following the decline of the industry. The crowding out of other industrial activity and a buoyant SME sector has seen a particular emphasis by GAPR on stimulating increased start-up and inward investment activity and especially in ex-coalmining areas. In the former “Gliwice” mining area a new development area – the “New Gliwice” Business and Education Centre, has been established offering low-cost business space and tax preferences for high tech businesses.

The Górnośląska Agencja Przedsiębiorczości i Rozwoju has focused on three GPs to strengthen inward investment and sectoral development as well as support regional SMEs’ export activities:

1. Methodology of identification of direction of internationalisation for given industries;
2. Silesian Investors and Exporters Assistance Centre;
3. Attracting FDIs and domestic investments by Katowice Special Economic Zone – systematic approach.

These good practices provide added value and transferable experience through:

- Methodology for assessing the export potential of any given company and/or its sector; and identification of suitable target foreign markets and entry strategies for accessing such opportunities;
- Providing a template and guidance for the FDI within an old industrial area such as the Silesia region; and
- Providing a “one-stop-shop” approach for FDI into a territory prioritised as special economic zone such as the Katowice Special Economic Zone.

Following consultations with GAPR's Compete In Local Stakeholder Groups, and in light of the Silesia region's experiences of internationalisation, two GPs were chosen which will provide a good fit with local priorities, the potential to learn and transfer good practice around supporting exporting activities, and improving SMEs' capabilities in developing the skills and capacity to export. GAPR and its LSG felt that Spanish Valencia region partners' "XPANDE Programme" and "SICOMEX" Programme and secondly the GP from Sweden of the TRIIP project GP would assist the Silesia region to address existing gaps in regional knowledge and skills.

The Valencia GPs provided a systematic approach to increasing SMEs' capabilities to learn and generate export capacity – both from an initial developmental basis (XPANDE Project) and in its operational and practical phase (chiefly SICOMEX).

The second GP of critical interest to GAPR was the Sweden TRIIP GP – which combined a systematic approach to initially diagnosing the capacity gaps within smaller and especially micro-SMEs and step-by-step learning processes that will increase SME managers' capacity to understand and be more effective at exporting.

Both GPs identified for transfer were particularly suited to the Silesia region's structural conditions and arrangements and would allow GAPR to develop a Local Action Plan with a good fit to current European Structural and Investment Fund programme activities and long-term economic structural issues.

4. WIELKOPOLSKA REGION POZNAN

The Wielkopolska region is a highly industrialised zone but with many more traditional sectors updating processes and integrating modern techniques into manufacturing and production procedures. Whilst its industrial base is more diversified than typical older industrial areas, its regional trajectory and strategic priorities very much reflect the type of issues faced by Northern Sweden's paper and pulp sector. Thus, in the Wielkopolska region's RIS3 we see a focus on making an impact on traditional sectors and businesses (across the food, bio-based raw materials, furniture and interior design as well as machine production and repair industry) to essentially upgrade the sectors and to link them to knowledge and related activities to improve their competitiveness and innovativeness and also the internationalisation of products of high value added.¹³

It is clear from both the region's RIS3 and its good practices within the Compete In project that there is a strong emphasis on enabling SMEs to learn and develop internationalisation strategies and skill and enhancing the institutional linkages that will sustain such over the long run. Wielkopolska Region presented three good practices to project's partners, all of which represent different aspects of support for SMEs internationalisation:

1. "Gospodarna (thrifty) Wielkopolska" project within RPO 2014-2020 (analyses, trade fair & investment support);

This complex support scheme is organised by the Marshal's Office comprising participation in regional stands at trade fairs outside European markets, investment promotion (including an

¹³ There is a very interesting and detailed focus on enhancing the logistics and Specialised logistics processes notably around ICT and data analytics that echo David Teece's observations around ICT as a general purpose technology but also Saisana et al (2018) on the 'transversal impact of Logistics Performance Index' as an indicator of competitiveness.

electronic database of investment areas) and Wielkopolska Brand building (which develops a graphics and visual identification system).

2. Comprehensive advisory service on export & export guarantee for SMEs offered by regional guarantee fund;

This provides consulting and coaching services combined with financial instruments, offered within JOSEFIN project by Development and Promotion of the Wielkopolska Region, and Wielkopolska Agency for Enterprise Development.

3. Support for the development of enterprises' international cooperation offered through activity with the chambers of commerce in Wielkopolska.

Combines a series of different projects led by three Wielkopolska chambers and focuses on helping enterprises to understand conditions of running a business in foreign markets, especially outside Europe.

Wielkopolska Region chose two good practices to import within transfer workshops:

1. XPANDE/SICOMEX programmes from Valencia;
2. TRIIP project from Gävle.

The choice was triggered by the interesting, innovative and complementary approaches taken by these GPs to the topic of internationalisation. For example, in the Spanish and Swedish GPs there were common elements of consultancy and coaching (XPANDE and TRIIP), and with the agent scheme (SICOMEX) a very focused methodology targeting micro-enterprises (especially with TRIIP). Thanks to the transfer workshops, detailed aspects of both practices were presented aiming at verifying and checking their usefulness and fit with Wielkopolska conditions and development as well as their integration with existing priorities and activities in hand.

The Wielkopolska region proposes to explore the issues of regional fit and demand by highlighting and raising questions of interest on some of the elements of XPANDE/SICOMEX and TRIIP GPs which will be included in a questionnaire survey (one of LAP actions) of regional business environment institutions and enterprises.

The institutional capacity building needed to take the transfer process further forward, particularly around developing a Local Action Plan with an appropriate fit to local conditions as well as the facility to influence on-going practice, will develop processes within the Wielkopolska Region.

This is also reflected in Poznan's investment support scheme: the electronic database of investment areas of the Wielkopolska Region will help to promote a more efficient response to international investors and facilitate and develop long-term institutional innovations.

5. MUNICIPALITY of GÄVLE

Gävle, like Wielkopolska region, is attempting to refresh and update traditional sectors familiar to many other old industrial areas and encountering many of the issues described and analysed by Lars Coenen and his colleagues (Coenen et al, 2015) account of efforts to restructure and re-orientate the paper and pulp sectors in Northern Sweden.

The Gävle RIS3 has five key priorities and sectoral foci:

1. Digital services and processes: Industrial process IT. Broadband and sensor technology, Geo - localisation and positioning, Internet of things.
2. Material technology and sustainable production: Material technology and sustainable production;
3. Smart sustainable cities and societies; effective transportation, energy efficiency, energy systems and sustainable city building, both from a planning perspective and house construction and waste remediation;
4. Sustainable and inclusive organisation of work: Sustainable and inclusive organisation of work;
5. Bioeconomics: Bioeconomy, sustainable production and value adding processes to refine biomass (primarily from the forest) to reduce climate effects and to reduce the use of fossil-based products.

Specifically, the Gävle GPs reflect added value to internationalisation around a series of themes that articulate some of the RIS3 strategic issues noted above, chiefly:

- A. Attracting new capital for construction projects – the case of the municipality of Gävle, SBA – Stockholm Business Alliance and MIPIM (Marché International des Professionnels d’Immobilier).

The cooperation of the municipality and the Stockholm Business Alliance for participation at MIPIM is a key strategic principle and includes sharing preparations and responsibilities. The added value of this approach derives from and is built on:

- Joint effort and message on investment opportunities in the region, a unique opportunity to reach many international decision makers at the same time.
- Strengthening existing, and bringing in new, business contacts to learn more about the investment opportunities in Gävle which can with time result in actual investments.
- The municipality is a good reference for local/regional/national companies when discussing business and new projects in other countries.

- B. ICT Meta Cluster

Most SMEs have little or no recognised brand name, limited resources for promotion and difficulties attracting capital. SMEs in Sweden and the Baltic region also face a challenging situation due to very small domestic markets. The ICT Meta Cluster addresses these challenges in a focused, innovative and very cost-effective way by creating and validating complete value chains. It has developed a one-stop-shop toolbox for involving and supporting SMEs notably around a unique and innovative collaboration of ICT clusters from Sweden, Estonia and Latvia, where they share resources, knowledge and contacts, give SMEs the possibility to have a strong presence in each new market.

- C. TRIIP – The Regional Innovation Internationalisation Project

Regions compete in an increasingly global, creative and knowledge-based economy and it is particularly challenging for micro-companies to develop good positions in international markets. The TRIIP project helps the participating companies through a diagnostics phase to analyse their export/import venture, to develop internationally competitive product packaging and provide network and contacts into various markets. Micro companies usually don’t get access to this kind of specialist support to internationalise, as the support system tends to focus on larger, more mature companies. The project has also developed an e-Coach for step-by-step guidance.

Strengths and Gaps in the Gävle Ecosystem: links to selected GPs

The business structure in North Central Sweden is imbalanced and traditional. There is a need for a more diversified business structure to decrease vulnerability, enlarge markets and broaden the skills-base of the labour market. Identified strengths are strong (large) export companies with high-end competence, a strong tourism sector and proximity to the growth regions of Stockholm, Göteborg and Oslo.

There are some very strong, large exporting companies with world class competencies but too few small and medium sized companies going for international markets. The report “The internationalisation of businesses takes new roads”, by the Swedish Agency of Regional and Economic Growth (2015), places the region of Gävleborg at the bottom of the list with only 15% of the companies involved in international activities compared to the 35% of the best performing regions in Sweden.

The existing support system is fragmented with many good individual initiatives failing to achieve sufficient impact, and with lack of knowledge about the different stakeholders and actors and what they can offer, and gaps in common objectives and visions, and an absence of proactive coordination across the system and its activities. It is difficult for SMEs to locate information and find what support is available. This, together with the lack of resources, the high cost of internationalisation and the need for contacts and network are the largest obstacles to internationalisation in SMEs.

Increasing SME internationalisation and creating a more efficient support system, adapted to the economy of tomorrow and mobilising scarce resources, there is a need to:

- Create a common vision and objectives for the support of SME internationalisation among local/regional stakeholders;
- Develop a regional internationalisation action plan for SMEs, involving all relevant stakeholders;
- Ensuring cities/regions acting as facilitator of the internationalisation of regional systems.

The COMPETE IN-project is helping this process, as it brings important knowledge and experiences from other European regions to support local/regional development. Gävle has learned from all partners in the project, but the experiences of the VIT Emprende of Valencia and the Higher education support to SME internationalisation from Reggio Emilia are of specific interest to Gävle and will be included in the Gävle region’s Local Action Plan.

Gävle selected the following GPs for transfer workshops:

- VIT Emprende – IVACE, Valencia;
- Higher education support to SME internationalisation – Reggio Emilia.

The VIT Emprende programme is of great interest to the Gävle region, particularly regarding implementation in the region’s LAP because it focuses on the creation and continuous development of the ecosystem community, using digital and social media for communication, bringing in new stakeholders, “sharing is caring”, connecting, facilitating and boosting network and internationalisation activities and know-how exchange.

Higher education support to SME internationalisation: cooperation between UNIMORE – University of Modena and Reggio Emilia and the municipality of Reggio Emilia is of interest to the Gävle region in series of ways. First, they have been able to involve companies in driving internationalisation processes forward, for example, in the Food Innovation Programme. Secondly, the involvement and leadership by the municipality in showcasing child education and building this contribution into broader cultural internationalisation activities of the city, businesses and other civic organisations.¹⁴ Gävle is looking to include both of these aspects in their LAP.

6. EMILIA ROMAGNA ECONOMIC DEVELOPMENT AGENCY LTD - EVRET

The Emilia Romagna region (ERR) suffered in the great recession with the more traditional businesses and sectors experiencing significant decline and losses. The region's SMART specialisation and RIS 3 strategy has sought to address these structural weaknesses by focusing regional innovation policies and activities on five leading sectors including three current key pillars of the regional economy: agro-food, mechatronics and motoring, buildings, and two fast developing clusters: health and well-being, culture and creativity. Threaded throughout these five pillars is a prioritisation of innovation support activity and helping to manage and lead the "servitization" of manufacturing industries and other traditional service industries, through advanced logistics, software and other knowledge intensive services. Echoing these priorities, experience ERR contributed three GPs:

A. Emilia-Romagna Go Global (ERGO) 2016-2020

This integrated programme of internationalisation activities concentrates efforts and resources on initiatives and actions of strategic importance for the whole regional system, including businesses, universities and research centres. In short, ERGO is a methodological and coordination tool to align regional actions on priority markets and sectors and drivers of international competitiveness. ERR offers companies support across the internationalisation process from initialization through to more advanced assistance.

Actions include intervention on: 1) information, training & economic intelligence; 2) cooperation agreements in target countries; 3) organisation of business and/or institutional meetings in target countries; 4) creation of co-financing calls for projects supporting SMEs' internationalisation activities; 5) joint promotional projects in target countries; and 6) initiatives for attracting foreign investments.

B. INVEST IN ER - Regional law 14/2014 promoting investment in ER

This targets domestic and foreign investments towards ERR's Smart Specialisation Strategy priorities and sectors, particularly recognising the pervasive impact of ICT technologies and the digitisation of services across productive processes as a strategic measure for strengthening regional competitiveness and deepening skills-bases. The ERR focuses on: 1) promoting the strengthening, innovation, smart specialisation, internationalisation of productive value chains;

¹⁴ Again, there is an interesting aspect to the education and cultural exchange routes being taken by Reggio Emilia which echoes some of the remarks by Saisana et al (2018) on the transversal contribution of PISA Test Scores as a country's performance in this area contributes to both its long-run Efficiency and Endowment in competitiveness.

2) stimulating research & innovation projects, social entrepreneurship and the participation of workers; 3) facilitating the inflow of domestic and foreign investment into the territory with the ERR supporting this to deepen regional value chains and employment growth. These are paralleled by ERR's **Settlement and development agreement** with investors whereby both parties agree location, investment scale, the employment levels, as well as transport and digital infrastructure and welfare provisions. The ERR coordinates the delivery of the locational investment process including the mobilisation of financial incentives, technical support, and other appropriate regional stakeholder involvement.

C. SMEs Consortia for Internationalisation

In this the ERR targets supporting SMEs whose smaller scale and resources (skills, finance, specialist staff) are helped via a Consortia features coordinating information & advice, skilled and specialist mentors and technical staff to develop plans for penetrating foreign target markets. The consortium helps SMEs reduce risks, costs and time to enter in a foreign market as well as assisting the individual SME to participate in trade missions, exhibitions, international events. Specialisms and expertise in different international markets are mobilised especially to help micro and smaller SMEs.

TRANSFER WORKSHOPS

27-28 march 2018 – Transfer workshop on Valencia GPs Xpande, Xpande Digital, Sicomex

ERVET and its LSG members selected the GPs from IVACE's region, notably **Xpande** a technical assistance/consultancy services to SMEs; **Xpande Digital** a scheme combining technical assistance with development of a Digital Marketing Action Plan with financial incentives to implement it. These appeared to complement ERR's measures such as 3.4.1 of the ERDF ROP 2014-2020 providing financial incentives for the development and implementation of an export plan, including also its digital dimension, including preliminary assistance and consulting phase screening readiness to export plus training and financial aid. ERR measure 3.4.1 covers expenditures for the development of an export and/or digital marketing plan, but leaves it up to the SMEs to select and purchase the appropriate external expertise from the market. ERR sought ideas for alternative delivery mechanisms to enhance the quality of the services to SMEs.

Sicomex this GP is delivered by ARVET, a private association of exporters which is part of IVACE's LSG and is similar in scope and concept ERR's SMEs export consortia. ERVET and its LSG wanted to get an in-depth knowledge of SICOMEX's detailed workings and learn how it might help improve effectiveness and efficiency of ERR's existing tool.

19 June 2018 Transfer workshop on Wielkopolska Region GPs Gospodarna (thrifty) Wielkopolska and Electronic Database of Investment Areas of the Wielkopolska Region (eBOI)

ERVET and its LSG selected the **Gospodarna (thrifty) Wielkopolska** GP to get ideas for improving the ER's multi-annual program "ER GO GLOBAL 2016-2020". Both project partners programmes integrate a range of different measures in a single programme delivering coordinated and focused tools and measures supporting regional SMEs' internationalisation.

The **eBoi database** is a geo-referenced technical information tool summarising opportunities and assets for investors investments and ERR wanted to see if the GP's model could strengthen its approach around ERVET's one-stop-shop services for foreign investors.

LOCAL ACTION PLAN DEVELOPMENT

Following the transfer workshops, evaluation of the opportunity and feasibility of embedding elements of the GPs were examined by ERVET and other partners in the ERR.

The SICOMEX GP hires a consultant in the SME's target market to provide market entry advice and support services for a limited period. Costs are shared among the participant companies. For ERR to successful transfer this GP would require changes to local internal governance procedures so trying to implement this GP was abandoned.

Gospodarna (thrifty) Wielkopolska: this GP's success depended on similar stable long-term and strong policy and governance framework similar to Evret and ERR Emilia-Romagna's Go-Global activities. Whilst the **eBoi database** on investment information for the Wielkopolska region was very valuable it had to be complemented by specific information and face-to-face information exchanges. Furthermore, updating the eBoi database required a great deal of shared interest and voluntary cooperation between municipalities and other actors which needed considerable effort and commitment. Efforts to develop a single georeferenced database of investment areas in Emilia-Romagna proved very difficult as it would require a major degree of coordination and information exchange which would only ever be partial and would require more evidence and information that would be too burdensome for ERR partners.

Xpande's methodology which combined mentoring and advice to SMEs wishing to start exporting with monetary incentives tested Xpande innovative practices in the 2018 call. These included:

- 1) two separate calls one targeting non-exporting SMEs (A) and one supporting SMEs participation in trade fairs (B);
- 2) agreement between ERR and Unioncamere (Regional Association of the Chambers of Commerce) which entrusted Unioncamere to lead assistance with non-exporting SMEs;
- 3) introduction of a mandatory screening assessment of the export potential of applicant SMEs;
- 4) introduction of a modular training programmes for non-exporting SMEs to build up the skills & management capacity needed in the export process and international markets;
- 5) reduction of minimum turnover eligibility €500.000;
- 6) reduction of project life from 24 to 10 months;
- 7) lowering of project costs to a € 6.000 minimum;
- 8) increase of the co-financing intervention contribution to 50% of eligible costs.

Xpande Digital: the various schemes above should increase the number of SMEs approaching foreign markets but they will not cover or address SMEs needs for digital marketing and on-line selling approaches. Despite the various calls by ERR for further novelty in the internationalisation support regime there are still gaps of provision in delivering the complex specialist support needed by SMEs to function and succeed in digital transactions internationally.

In conclusion, ERVET and Emilia-Romagna Region provisionally agreed that the COMPETE IN Action Plan strategic goal would further explore and take stock of the operational experiences and practices developed by the Chamber of Commerce of Spain in cooperation with the Chamber of Commerce of Valencia in the framework of the XPANDE DIGITAL initiative.

The aim would be to thoroughly assess the opportunities and feasibility of introducing a measure/call offering more tailored support for the region's SMEs internationalisation efforts and particularly in designing and implementing activities within the Action Plans that support digital marketing in foreign markets, as well as reducing their transaction costs and enhance their capacity to overcome barriers to operating internationally.

7. Leeds Beckett University

The UKE4 region's past problems and Smart Specialisation plans echo many of those of other project partners: strengthening innovation amongst existing business and particularly improving the relationship between the academic research community and businesses. Additionally, there is a focus on enhancing the STEM skills base as a means to raising the capacity of firms, especially SMEs, to absorb and generate innovation.

The initial UK partner: Wakefield Council identified three good practices which reflected local priorities and experiences around innovative projects addressing specific problems within the region. The Wakefield region is an ex-coalmining region where the long path dependent dominance of coal led to a classic crowding out of sectoral diversity, business density per capita and inward investment. The three GPs from the Wakefield region reflect key priorities within the area to build business capacity and networking to enhance the business profile of the area. Efforts to stimulate the business birth and survival rate, especially in higher value-added activities, and enhance the region's profile in emerging sources of FDI (notably from China) are also a priority.

The Wakefield economy is a classic old industrial area where the past prevalence of the coalmining left deep-rooted and long-lasting social, economic and environmental legacies. These include lower progression rates to higher education, lower skill rates, lower business density per capita of economically active population and polluted sites that had to be environmentally remediated and reclaimed if reused.

The environmental issue of the coalfield sites' legacy has been relatively straightforward to successfully remediate and most have been put to new industrial and commercial uses. New service sector and logistics jobs have replaced mining and manufacturing job losses but skill levels still lag well behind regional and national levels.¹⁵ The latter has also been part of the story behind Wakefield's relatively poor performance in attracting higher value-added and knowledge-based economic activity. There is no university based in the Wakefield district and the local businesses and SMEs' participation in the regional innovation ecosystem is poor compared to neighbouring NUTS 3 areas.

¹⁵ As at 2016-2017 data point the Wakefield NUTS 3 region lagged by 10.2% points behind Great Britain averages for university and higher qualification levels and 4.6% points behind the NUTS 1 area (Yorkshire and the Humber) level.

The region's ESIF Strategy 2014-2020 and SMART Specialisation Strategy highlighted employment and skills levels, lower SME birth and survival rate, lags in productivity and innovation activity and outputs, and weaker ICT infrastructure capacity and skills capability as issues to be tackled.

Three good practices were identified that address specific aspects of these general weakness:

- A. Wakefield Bondholder Scheme;
- B. Building a long-term economic and civic partnership with China;
- C. Leeds City Region Growth Programme.

A. The **Wakefield First Bondholder Scheme** is a public/private sector initiative with three aims:

1. Accelerate the economic growth of the Wakefield district by branding, marketing and promoting it to a national and international audience;
2. Bring together private sector business to share and learn from each other and explore supply chain opportunities; and
3. Work together to identify key sector's and develop clusters of key enterprises.

The WBHS scheme is a business membership scheme where businesses pay proportionate to their size as well as contributing in-kind resources and expertise to achieve the three aims of the scheme.

The scheme delivers the following practical activities:

- Marketing - Wakefield District has had an image problem struggling to shake off its industrial past and coal mining history. The WBHS has developed a comprehensive marketing strategy, a regional brand and marketing material and collateral used in inward investments packs, and internal promotional graffiti in office space.
- Investment and Education events - WBHS holds monthly (First Friday) events attracting 100-150 unique visitors to network and receive presentations on a key business subjects which have included Exporting, Social Media, Business Planning, Business finance, Skills and Cultural Destination Planning.
- Business Week- the Annual Wakefield Business week is organised in partnership with the Local Authority and Chamber of commerce to promote the Wakefield district and demonstrate new approaches and technologies. It typically attracts over 800 unique visitors to a wide range of networking and business briefings and includes a business conference and awards event.
- International Trade Missions - WBHS part finances and produces materials for international events and in the last three years has attended MIPIN France three times and supported international trade missions to China, Germany and Poland. This material is also used by individual WBHS members as well as other businesses and organisations when they travel internationally on business.

The Wakefield Bondholders Scheme strengthens the institutional assets to promote inward investment as well as a mechanism for transmitting knowledge and know-how to SMEs wishing to internationalise. This mobilisation of SMEs and larger businesses creates networks of support as well as marketing collateral that highlights how a region's attractiveness can be better promoted to investors. The key principle is that business voices are the main and authoritative interlocutor that are better placed to provide the type of material that would appeal to an inward investor wanting to come to the region.

Building a long-term economic and civic partnership with China

As with many other old industrial areas the added impact of the Great Recession pressed Wakefield's partnership structures to develop measures set to diversify the local economy. Working in partnership with the national Department for International Trade, Wakefield Council and its partnership organisations began to identify different areas of the world where there would be significant opportunity to develop civic and economic agreements to deliver culture and economic benefits to the region.

One of these was Xiangyang, China based on the logic of the region's location and geographical specialisation. This echoed Wakefield's prominence as a logistics hub and its relative strength in logistics, warehousing and transportation. Xiangfan is an important transportation hub in central China today and is referred to as 'the strategic passage of the north and the south' and 'a thoroughfare of seven provinces'. The second aspect was based on Wakefield's growing reputation as a cultural destination with international tourist attractions in the form of The Hepworth Gallery and Yorkshire Sculpture Park. This aspect was also reflected in Xiangfan and Xiangyang's pre-eminence as an historic tourist and growing tourist destination. Finally, the industrial past of Wakefield's coalmining and heavy industry legacy struck a chord with that of Xiangfan and Xiangyang - also an ex-mining area undergoing industrial and economic change and similarly looking to diversify its economic base towards more high-technology and value-added activities.

A series of joint civic and business visits resulted in the development of a number of trade and exchange agreements between Xiangfan and Xiangyang and Wakefield as well as other Wakefield business and public sector organisations (for example, Wakefield's further education college and Chinese further and higher education institutions).

The Leeds City Region Enterprise Partnership

The LEP Business Growth Service is a one-stop-shop, helping small and medium-sized businesses in the region to find the right support and funding to realise their growth ambitions. Businesses can find information online quickly and easily about the support available from the LEP and its partners. The programme has replaced separate disparate support schemes at a local level, to ensure consistency for business and a more efficient low-cost, high-impact model.

The programme supports local small and medium-sized business to find the funding and expertise they need to grow and expand, either from the LEP or a network of partners including universities, colleges, international trade organisations and private business. The programme also helps to attract new investment and jobs by helping companies looking to take advantage of the investment opportunities in our region.

Where required, businesses can also speak directly to Business Growth Advisors who can connect them with the right support for their individual needs. Each area of the region has a specialist advisor who works directly with enterprises, engaging with all sectors (with the exception of retail) to offer a free, impartial service that keeps track of all the latest Government-backed products in the market. Over the last two years the programme has engaged with close to a thousand individual businesses in the following general areas:

1. Investing in the skills of new and existing employees;
2. Looking for external funding, be that grants or loans;
3. An interest in creating new products and services and working with universities or an innovation partner;
4. An interest in exploring new markets and being open to overseas trade

Good Practice Transfer Workshops

Leeds Beckett University selected the Gävle TRIIP and Valencia VIT Emprende good practices for its transfer workshops. This was driven by an appreciation of the former's detailed methodological approach to supporting SMEs and the latter's emphasis of building a wider ecosystem to support the innovation and internationalisation process and particularly looking at embedding needed talent in the SME being supported to internationalise. Both good practices represent very sophisticated and effective ways of providing the necessary inputs of expertise and the complementary assets to raise SMEs' capacity to successfully internationalise.

From the transfer workshops and in the subsequent follow-up transfer processes Leeds Beckett University will drill down into the detail of each of these good practices to gain a more granular understanding of the "must have" elements and environment support needed for an effective implementation of the good practice in Leeds and Wakefield. In transplanting the good practices Leeds Beckett University wants to make sure that the required "nutrients" and other factors are ready and in place for the programme of activity to readily mutate, grow and flourish. These will be fed into the more detailed development of the Local Action Plan and building on consultation with the LSG.

A reflection on the interaction in the Transfer Workshops highlighted the degree to which Project Partners' Good Practices could be potentially enhanced and further developed via synthesis of feedback and ideas from the regions receiving the transferred good practice. For example, from the Wakefield Bondholder Scheme contribution and interaction in the Transfer Workshop in Reggio Emilia the Bondholders will explore developing their Business Week around the theme of an Innovation Week as suggested by LSG stakeholders and Lead Partner representatives.

This suggests that another stage to the TWs events and activities could be to encourage a synthesis reflection event or exchange between donor and recipient regions involved in the good practice transfer process.

Policy Instruments: place, clusters, innovation & absorptive capacity

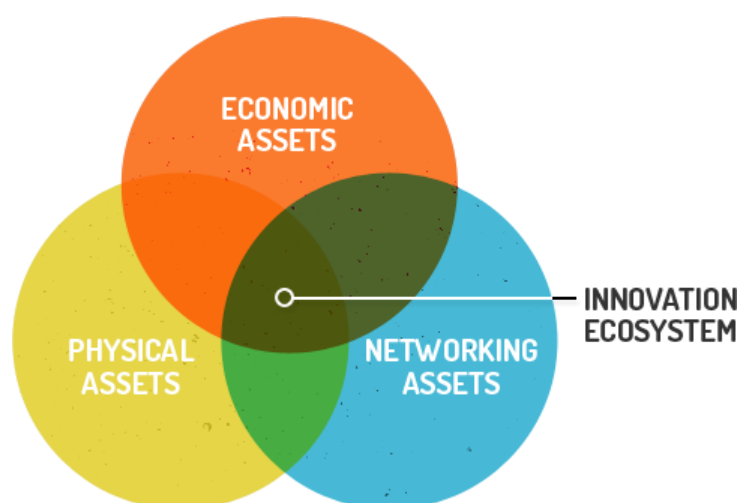
In this section we move from regional specificities embodied in the detail of project partners' good practices to consider a more global frame of analysis to draw out more general themes before moving to conclusions and recommendations.

The story is that we live in a global world where everything is at once local but global. Above we noted Porter's remarks of the paradox of "enduring competitive advantages in a global economy lie increasingly in local things".

All the Compete In partners function within that global economy and the overarching EU cohesion policy and structural funds programmes that evolved to meet the challenges of change in that global system. However, it is also clear that the logic of subsidiarity and each region's uniqueness resulted in regional specific responses and practices. The rebuilding of new sources of competitiveness has underlined the importance of supporting SMEs and their resilience and particularly around their capacity to generate and absorb innovation.

This complemented growing awareness and action on improving and supporting Regional Innovation Systems. This reflected acknowledgement of the importance of the relationships between agglomerations of industry and the underlying support research and innovation infrastructure and how university research and development connected with the regional and local economy. Since the 1980s globally universities had become more involved in enterprise activity. This included more pressure to demonstrate relevance and impact through academic spin-outs, assistance to graduates as well as in property developments such as science parks and innovation centres for knowledge-based enterprises.

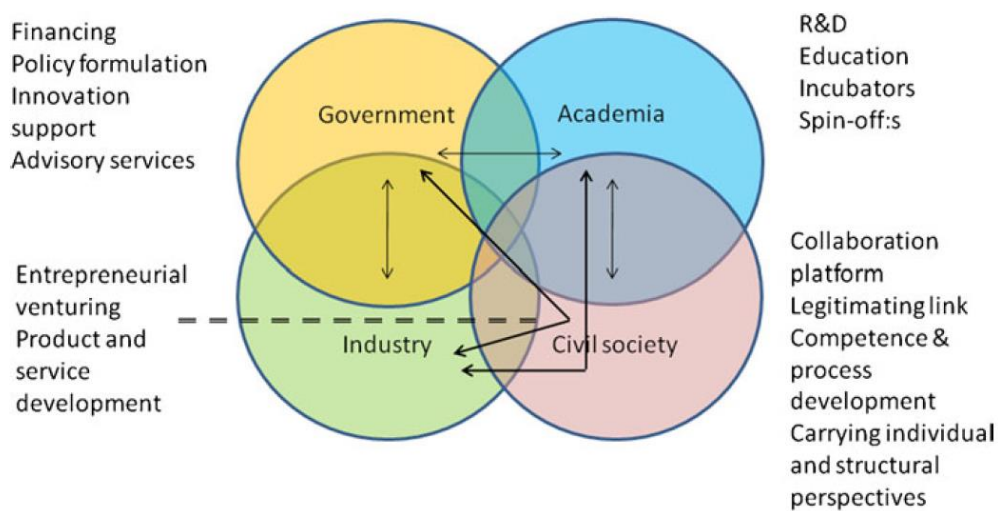
There was also growing interest and activity to dig deep, to get really granular and stimulate and improve innovation activity in local areas, by growing and sustaining local innovation systems. The Brookings Institution's Bruce Katz and Julie Wagner have provided an excellent summary of this approach in their work on innovation districts published in 2014. They describe a multi-faceted Innovation Ecosystem composed of three key elements: Economic Assets, Physical Assets, and Networking Assets which sustain "a synergistic relationship between people, firms and place (the physical geography of the district) that facilitates idea generation and accelerates commercialisation".



Source: Katz & Wagner (2014): *The Rise of Innovation Districts: A New Geography of Innovation in America*.

Although very much focused on US cities their work has had a big influence on city regions in Europe and the UK. For example, Marshall’s industrial district of Sheffield commissioned Katz to update his model for the South Yorkshire region as well as present it for the region at the international FDI conference and exhibition at MIPIM in Cannes in 2014. In many ways Katz and Wagner’s work on innovation districts reflects the Quadruple Helix model that has influenced and is increasingly driving regional innovation in the European Union. And a **central theme running through both is the importance and logic of cooperation and of partnership.**

The figure below is taken from a study looking at ways to tackle the gender gap in entrepreneurship and ICT innovation in the Baltic Sea Region.



Source: Lindberg et al (2014) *J Knowl Econ* (2014), 5, 94–113

Lindberg and colleagues examined the experience of a number of partners drawn from Estonia, Finland and Sweden in a project supported by Interreg IV-A programme funding. They found that despite the commitments and involvement of government and academia in partnerships supporting entrepreneurship and innovation, that these organisations displayed “partial blindness” and lack of understanding as to how private companies functioned and that it was not-for-profit Non-Governmental Organisations who were most important in delivering change and support to female entrepreneurs. The NGOs provided the demonstration of the value of collaborative networking and how increased visibility for the women’s businesses was positive and valuable. This provided the confidence and impetus for collaboration venturing with other businesses and expansion into different fields. The NGOs also acted as the bridge to government and academia, acting as facilitators with the pragmatic judgement and skills to help businesses access resources, academic research and training support. They were clearly key enablers with the necessary social and know-how capital in the partnership process to make the project work for women entrepreneurs.

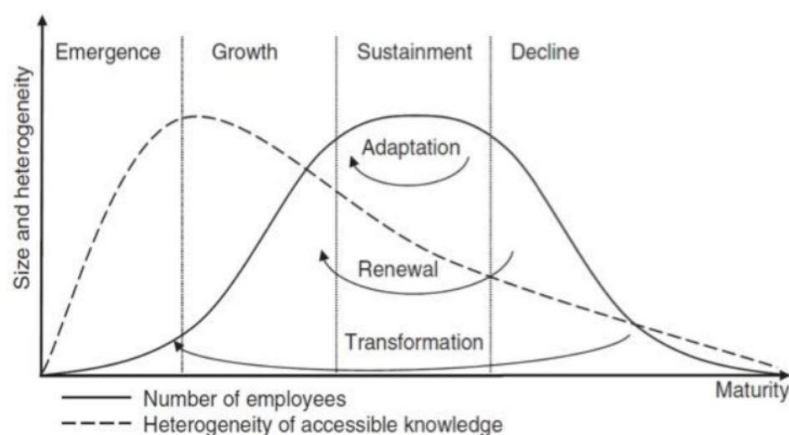
These regional and local innovation ecosystems integrate with the production and innovation systems organised in global value chains and dispersed across countries (OECD, 2015). Very clearly these global production and innovation systems are neither homogenised and

undifferentiated. Regional specialisation still persists and the clustering of related production and supply chains typifies these systems.

Clusters epitomise and exemplify the regional specialisation that results from the accumulation of competitive advantage (typically path dependent) in making particular products or services and the related mobilisation and maintenance of ancillary skills and know-how to produce those goods competitively.

But it is also clear that clusters rise and fall. Max-Peter Menzel, and Dirk Fornahl describe a four-stage life cycle for cluster growth and senescence as depicted in the figure below (Menzel & Fornahl, 2010).

Figure 2: The Cluster Life Cycle



Source: Menzel, & Fornahl, 2010, p 218

The evolution and conversion of regional economies within the EU underscores the story of the creative destruction of old sectors that has seen the restructuring of the coal and steel sectors and the re-use of space of the old industrial areas for new activities which are often cleaner, more sustainable and safer.

It is also clear that regions are advancing on a broad front where the emphasis is on developing and promotion of ecosystems that includes the provision of well-appointed and high-quality space (enterprise zones, business and industrial parks, technopoles and innovation centres, etc), support for innovation activities and the development and retention of high skills.

Clusters remain exceptionally important as regional assets to mobilise and promote and sustain. Harnessing activity and support of innovation as a means of sustaining the cluster's competitiveness is fundamentally important.

Paralleling these efforts there are also the "softer" institutional factors and measures to grow and support cluster development.

Institutional networks evolve as clusters evolve and mature and as the patterns of linkages within the sector develop. As Fornahl and colleagues note:

“change in quantitative development of the cluster is connected to a qualitative change, marked by changes in firm capabilities, network structures and the institutional environment”. (Fornahl et al, 2015, p 1925).

Increasing employment and professional densities inexorably lead to professionalism within disciplines as evidenced in the evolution of the engineering institutions in the UK. The rise of different clusters generated the rise of specific engineering disciplines with ‘the transformation of the engineering knowledge-base from a craft to science reshaping the occupational structure (Whalley, 1986, p40).

The codification of knowledge within clusters got built into specialist curriculum and textbooks, which stimulated the growth of differentiation in professions. In the 1980s Peter Whalley notes there were 16 major professional lists associations under the umbrella of the Council of Engineering Institutions functioning as learned societies and setting qualifying standards (Whalley, 1986, p 208 and 216).

As the cluster develops so too does the advanced skills base and the region’s absorptive capacity evolve. A range of studies: Abreu et al, 2008; Fu, 2008; Dohse et al, 2018 all point to the importance of the development of a region’s absorptive capacity as a key factor in stimulating innovation and internationalisation.¹⁶

International collaborations are significantly associated with product innovation (Abreu et al, 2008; Dohse et al, 2018). There is a clear body of evidence indicating that encouraging the use of new management techniques, the training of managers and the development of networks across multiple geographies may improve the innovative behaviour of firms within regions. The IBPR case study on Brazil highlights the role of HEI and business schools in mentoring business managers and leaders to gain confidence and develop international collaborations.

Whilst specific to Germany, the work of Dohse et al (2018) echoes the findings of Abreu et al (2008) of the importance of having and/or developing the necessary technical and managerial capacity within the firm as critical to overcoming new challenges over investment in technical plant. Dirk Dohse and colleagues describe the German government’s 2015 initiative: ‘Internationalisation of Leading-edge Clusters, Future Concepts and Networks’, which has been a paradigm shift away from the grant and R&D tax credit policy popular across the EU and advanced OECD countries. It shows the role and potential for place-based innovation support around clusters and internationalisation to make a major contribution to regional development.

These are important issues for project partners to consider in developing their local action plans and policy instruments within their regions. It highlights the need to advance across a broad front of programmatic action. In this regard the imperative of creating and sustaining milieus and ecosystems becomes clearer.

In the final section a range of more granular practical measures are presented as key enabling factors to focus on and potentially link up and integrate.

¹⁶ Using data UK Innovation Survey 2005 Abreu et al (2008) shows that the stock of technically skilled staff in firms is positively associated with innovation, particularly for manufactured goods. Innovation management capacity is also significantly positive association with increased innovation activity as well as collaborative behaviour.

Conclusions and Recommendations

The enabling factors have been informed by the International Best Practice Review (IBPR), a broader examination of good practices developed by projects partners and a contextualising of this with analysis. They are the key cornerstones for building regions that are better at internationalisation, both as a destination for investment and as a springboard for SMEs to launch internationally.

The table below gauges how ready and advanced a region is to internationalise. As a template it can also highlight gaps in the provision and development of current and emerging practice, and particularly around how existing good practices and those being transferred into the project partner’s region will feature in local action plans and potential future regional plans and ESIF programmes.

The first table below addresses the FDI issues.

FDI Enabling Factors	PESTLE
Provide a systematic and responsive service (benchmarked, monitored and performance managed) to potential investors seeking to come to the region.	POL
Ensure that there is a readily accessible strong, modern and resilient infrastructure for the flow of people and goods into and out of the region.	ENV
Ensure that there is a resilient and modern digital and advanced ICT infrastructure. It is clear that digitalisation is a fundamental enabling technology for <i>all</i> sectors and economic activities.	ENV
Ensure that there is good access to STEM skills, particularly around ICT skills, for these are the complementary assets that will guarantee that SMEs and other enterprises in the region have the absorptive capacity to develop, consume and adopt innovations as well as attract and anchor FDI.	TECH
Identify and support innovation amongst SMEs, particularly facilitating access to higher education and research institutions that can problem solve and act as a long-term resource for businesses.	TECH
Identify and support the development and promotion of supply chain linkages with FDI and between local technology-based SMEs.	ECON
Ensure that there are soft landing and facilitation spaces (such as within incubation and innovation centres) available for new entrants to the region (set-up offices, virtual offices, brokering local services & suppliers).	POL
Create mechanisms for regional responses to structural challenges and sectoral changes to reshape local competitiveness.	POL
Showcase quality of life and “liveability” strengths in the region.	SOC

The following table focuses on SMEs' internationalisation issues and enabling factors.

Export Enabling Factors	PESTLE
Provide mentoring and support for SMEs that are looking to move into markets that are new to them, especially internationally, so that their resource base and competency is extended.	POL
Support the development of networks of businesses and business support organisations to share information, best practice, develop linkages and the exchange of tacit knowledge at peer-to-peer levels.	ECON / TECH
Enhance and develop complementary assets and ecosystems that promote added value and innovation efforts.	SOC / ECON
Promote high-tech clustering (or agglomeration) around existing and emerging sectoral and supply chain strengths.	TECH
Stimulate and support institutional engagement and network assets (e.g. trade and technical associations, executive coaching & training) to sustain a culture of open innovation.	SOC / ECON
Promote a culture of international linkages and openness (cultural, academic, trade missions, business fairs, and mentoring SME managers to participate).	ECON

To promote their region's internationalisation performance both in FDI and exporting project partners should strengthen the key enabling factors presented in both the tables above.

Each of the components in these two tables can be systematically developed to create a template for an action plan where each is broken down and mapped out into series of sub-actions addressing in more detail specific activities that need to be addressed by policy makers and delivery agencies.

Whilst collectively the elements outlined in the tables may seem a daunting task for regional and local agencies to implement, it is also clear that many regions have either already started or are in the process of implementing initiatives that address the components. It is clear from the Compete In good practices that project partners have developed, and within the good practices that they have selected for transfer, there are patterns of excellence evolving within the regions in terms of performance in internationalisation. The trick for all lies in building competencies across a broad front but also in not 'resting on your laurels'.

For example, the first bullet point could be actioned or reviewed by creating a detailed checklist and flowchart to assess the journey or experience of an investor through the inward investment support process. Review of a successful and an unsuccessful project could help highlight

potential gaps in current systems and how these might be remedied. (Checklists are powerful tools; see Appendix 1 for a simple summary plus a link to a detailed mapping.)¹⁷

Similarly mapping out the connectivity of a site within the region could highlight where there are gaps or bottlenecks in the functional operation of a location right down to the flow of goods in and out as well as labour. It is a fact of modern life on business and industrial parks that tricky congestion issues can arise from workforces accessing a site such that it creates real difficulties for trucks to deliver and move goods on and off the site. These could provide a useful practical checklist when either pre-visiting or visiting a site with an investor as well as draw attention to the need for practical measures to tackle the problem whether via some parking mitigation, investment in roads, provision of public transport or other transport mode initiatives (cycle routes, etc).

Clearly the digital theme is one for particular action and attention. Digitalisation is a quintessential General Purpose Technology, a “must-have”, that every region must articulate to its best possible level. As Teece notes: *“The digital revolution creates a virtuous cycle. [Where]...Even fundamental research is benefiting from digitally enabled research tools...”* (Teece, 2018, p 1384).

Furthermore, digital connectivity is not just represented by physical network technology such as 5G network access or how fibre infrastructure is connected nationally and internationally (resilience and internet exchange infrastructure)¹⁸.

It is represented by the skills to operationalise such assets by large firms as well as SMEs. Are local HEI and other vocational institutions producing the “right” or proper fit of skills needed to operate state-of-the-art ICT networks and facilities? And if not, then how can this be remedied?

¹⁷ Atul Gawande has shown checklists are very powerful methodological tools for both assisting teams across, a wide range of disciplines, to organise itself as well as benchmark its practice against good or optimal practice (Gawande, 2009). Surgeon Gawande’s pioneering work on checklists resulted in the World Health Organisation’s surgical safety checklist and implementation manual and worldwide reductions in postoperative complications and mortality (Bergs et al, 2014).

¹⁸ See for example: <https://www.internetexchangemap.com/>

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Appendix 1: Checklist for Investment Enquiry Responses

The Checklist		
1	Original Enquiry (agent, direct, reactive, proactive, website)	✓
2	Dedicated, competent single point of contact inward investment service & office	✓
3	Website & social media resources	✓
4	Database of land and property (linked to website) – including ownership, costs, etc	✓
5	Customer Relationship Management system	✓
6	Information on utilities, ICT, skills, HEI	✓
7	Clear positive links with the physical planning process	✓
8	Assistance with project managing the build or insertion process	✓
9	Assistance with finding the right skilled workforce	✓
10	Supply chain and After-care follow-up	✓

A more detailed exposition of this checklist is provided here:

[Checklist.xlsx](#)

Appendix 2: Model of Innovation & Internationalisation

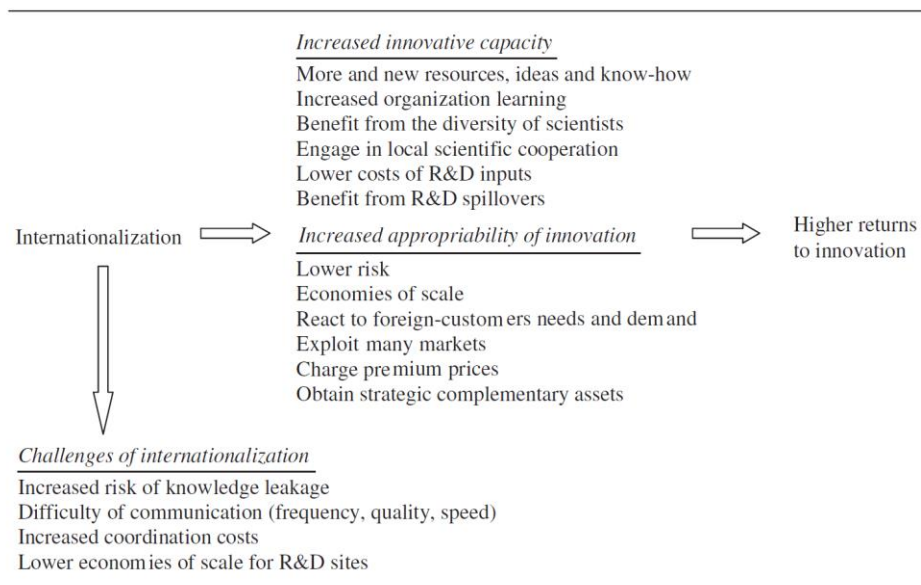


Fig. 1. The main implications of internationalization.

Source: Kafourosa et al, 2018, p 65