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# SELECTED SUPPORT PROGRAMMES FOR THE INTERNATIONALISATION OF SMES (BASED ON THE EXAMPLE OF THE UK)

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**Purpose:** The article discusses the conditions for the participation of British SMEs in foreign trade. The activities supporting the internationalisation of small and medium-sized enterprises in Great Britain are described. There was attempt to group these activities into the process of supporting internationalisation, distinguishing the following stages: preparation of support, preparation of programmes, development of IT tools. Obstacles to the implementation of undertaken internationalisation activities were identified. The main objective of the article was to indicate effective programmes supporting SMEs in Great Britain.

**Design/methodology/approach:** An attempt was made to assess the effectiveness of internationalisation activities conducted in a specific period of time based on official reports and opinions of entrepreneurs and organisations supporting entrepreneurship. The research used literature studies and the desk research method consisting in compiling, analysing and processing data and information from existing sources, and finally formulating conclusions on their basis.

**Findings:** The research presented provided an insight into the obstacles encountered in the process of internationalizing SMEs in the UK. Identifying the needs of SMEs was the basic activity to ensure the effectiveness of the support. The UK government has proposed solutions to facilitate border crossing by British SMEs. Before implementation, the effectiveness of these solutions was tested, and after implementation, their annual evaluation took place.

**Originality/value:** The research perspective adopted in the research and the geographic scope of research – Great Britain, constitute a relatively little researched alternative to research conducted in their mainstream. The obtained research results may be of interest to representatives of science and practice, especially in the context of the new economic system after Brexit.

**Keywords:** SMEs, internationalisation, government-support programmes, private-support programmes.

Category of the paper: Research paper.

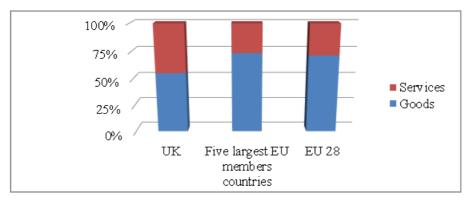
### Introduction

Internationalisation of small and medium-sized enterprises is an essential aspect in the era of globalisation. It is therefore of importance for the governments of the European Union to take measures that will result in a greater internationalisation of economic operators. This article presents effective programmes deriving from the Great Britain that are worth following in terms of creating support policies for the SME sector companies.

Research on the degree of internationalization of British micro, small and medium-sized enterprises is important for creating internationalisation programms for Polish organisations. Internationalisation conditions can be divided into external and internal. The first of these are related to general and competitive environment, both nationally and internationally. The second type of internal conditions lies in the enterprise, mainly in the terms of the company's potential and its commitment to the internationalisation process (Daszkiewicz, 2016). According to the resource view of exports, the company's results are derived from features such as size, experience and competence (Komor, 2017). The review of empirical research from 2000-2019 indicates significant impact of external determinants on export results. External determinants are: the foreign and domestic environments. The foreign environment is shaped by the structure and intensity of competitive systems in the sectors of enterprise operations (Kosińska, 2008). The task of the national environment is to support the internationalisation of native enterprises. The work carried out by researchers associated with Uppsala University should be considered groundbreaking for the development of research on the internationalisation of enterprises. Researchers have clearly demonstrated that it is the state authorities that will constitute an important external factor in supporting enterprises (Nummela, 2011). Based on case studies of Swedish companies, reserches proposed a process-oriented way of looking at issues of support for internationalisation of enterprises (Forsgren, 2015). Forsgren and others have argued that external support for the SME internationalisation processes should take place in separate stages. Pietrasiński (2014) analyses the impact of the government programms activating the internationalisation of enterprises on the activities undertaken by these enterprises. Oczkowska (2013) presents the relationship between government programms and the internationalisation of business operations. It emphasizes the role of the state in the processes of internationalisation of small and medium enterprises and shows good practices in activating the internationalisation of European small and medium enterprises. The effective programms originating from the Great Britain are also worth following in the creation of support policy for companies in the SME sector.

# 1. SME participation in foreign trade in the UK

The United Kingdom of Great Britain and Northern Ireland (UK) is one of the five largest economies in the European Union (EU). In the UK, services account for almost 80% of the economy and 20% are goods. The United Kingdom of Great Britain and Northern Ireland is an open economy. Goods and services were sold abroad (The sales value was in 2016 for about €670 billion). Goods constituted about 56% of the export in 2016. However, the export of services for years have been growing steadily. Services are exported to the USA (31% of services), Japan (19% of services), China (10% of services) (Apfelthaler, and Lin, 2017). Figure 1 shows the ratio of exports of services to goods, in the EU countries, in countries that belong to the largest EU economies by GDP (France, Germany, Italy, Spain, UK) and in the UK alone.

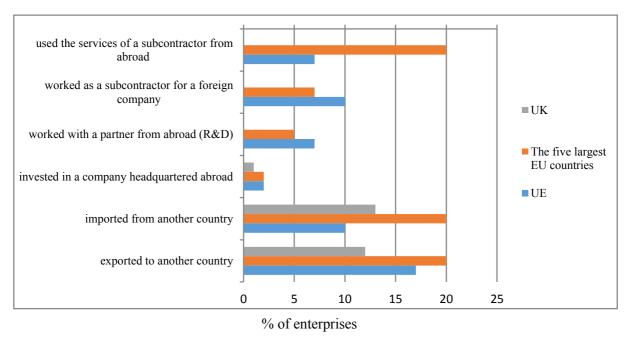


**Figure 1.** The ratio of exports of services to goods in the EU 28, the five largest EU economies and the UK in 2016. Source: World investment report investment and the digital economy 2017: UNCTAD.

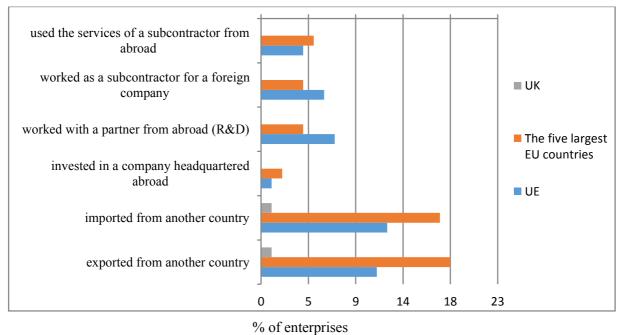
The UK is a country that exports more goods to countries outside the EU. Most goods and services are exported to the USA (mainly by large companies). The majority of SMEs from France, Germany, Italy, Spain and the UK do not participate in the international arena outside the EU. SMEs export largely to EU countries (about 30% of their services and goods) and only 3% outside the EU. An international analysis of the activity of the UK SMEs only showed that in 2015 17% of UK SMEs exported to EU countries and 11% outside the EU. The countries to which the UK SMEs export are Germany 67%, France 5%, Ireland 3% (https://www.pwc.co.uk/...).

Trade flows give only a partial overview of cross-border activities of companies (including SMEs). An important form of internationalisation is Foreign Direct Investment (FDI). Companies can invest abroad in order to: gain better access to foreign markets, to be closer to customers or suppliers, to strive for fragmentation of production processes so as to gain comparative advantages. Large EU companies contribute significantly to global direct investment (in total, the five largest EU member countries have 19% of global foreign resources obtained through FDI). Few SMEs are actively involved in FDI. The contribution of SMEs to

total FDI volumes is limited to less than 1%. FDI flows have three components: equity (purchase of shares in a foreign company, reinvested earnings in the foreign company and cross-company loans). None of these forms is preferred by SMEs. Research has shown that 68% of UK SMEs have no experience of any form of internationalisation, as shown in figures 2a and 2b.



**Figure 2a.** International — intra-EU activities of SMEs from the EU 28, five largest EU economies and the UK in 2016 (% of enterprises).



**Figure 2b.** International — extra-EU activities of SMEs from the EU 28, the five largest EU economies and the UK in 2016 Source: World investment report investment and the digital economy 2017: UNCTAD.

The figures show that UK SMEs seem to be focused on domestic activities. Despite this apparent reluctance to export, import and other forms of internationalisation, it was examined that only around 10% of UK SMEs declare that they will never export or import. Many UK SMEs were potentially willing to export or import, but respondents believe that existing obstacles have not yet been eliminated. The obstacles mentioned by the respondents are shown in Figure 3.

# 2. History and conditionings of internationalisation activities in the UK

The support needs of SMEs are changing as a result of Brexit and are also related to the geographical (island) location of the country. Once a colonial power, it still has international market partners and extensive experience in exporting goods.

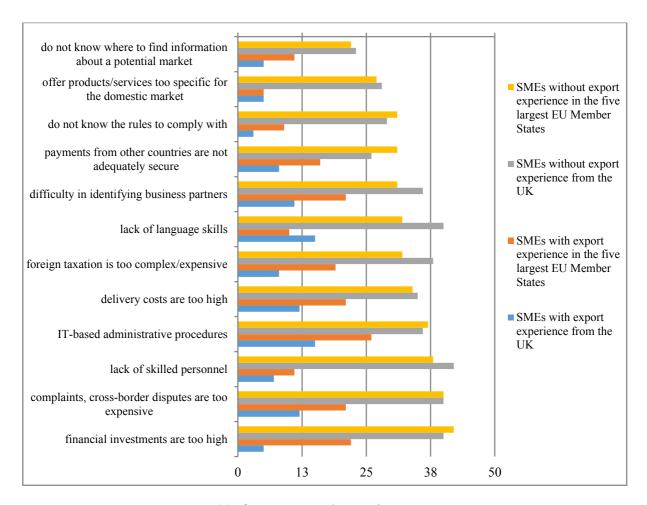
The previous studies have shown that a key factor for successful international expansion of SMEs is the implementation of niche strategies combined with UK brand recognition. Success was achieved by targeting a narrow product group and a clearly defined market segment (Tordjman, 1994; Simpson, and Thorpe, 1996; Foscht et al., 2006). Over time, exporting SMEs began to adjust their products and operations to local preferences in foreign markets (Feigenbaum, 1993; Lipow, 2002). The brand identity of the company with the British brand is still a key asset, but also a precedent in trade with the USA (Americans love British products and the quality accompanying them).

Research (Hutchinson et al., 2007) shows that the success of UK SMEs increasingly depends on internal and external factors supporting internationalisation. Internal factors include: a global vision (abandonment of national pride thinking), mindset (taking into account the needs and identity of foreign customers), an entrepreneurial personality and informal personal relationships in foreign markets. External factors include: governmental assistance and advice from international logistics operators and companies providing cybersecurity solutions for small businesses. Albauma et al. (1994), Morgan and Katsikeas (1997) identified four main sets of internal obstacles that explain why SMEs are reluctant to export. The authors identify: strategic, operational, information and process-based obstacles. The last three obstacles can be overcome by companies using e-commerce (c-commerce, m-commerce, social networking sales). By not being proficient in e-commerce operations they use logistics operators and integration platforms.

### 3. The characteristics of internationalisation support process

# Stage I of support — Investigation of the potential of SMEs for internationalisation and expectations of support

The process of company internationalisation is long-lasting (Alexander, and Doherty, 2009), characterised by organisational changes and increased risk exposure (Palmer, and Quinn, 2001). Researches to date have identified barriers to SME internationalisation (Salmon, and Tordjman, 1989; Muniz-Martinez, 1998; Burt, and Sparks, 2002; Evans et al., 2008). The researchers distinguished external obstacles to SME internationalisation such as: different regulations of host governments, economic and political instability, cultural differences, exchange rate fluctuations and difficulties in organising goods, information and money flows in distribution channels. Other researchers have documented internal obstacles that are related to lack of resources, management's attitude to foreign expansion, risk perception and insufficient knowledge of foreign conditions and markets (Salmon, and Tordiman, 1989). Fillis (2001) has argued that two types of external obstacles to internationalisation may arise: those created by the domestic market (e.g. weak government support) or the foreign market (e.g. intensity of competition, exchange rate fluctuations). Rundh (2001) argued that the most important obstacles concern lack of financial resources, language and cultural differences and administrative difficulties. However, Leonidou et al. (1995) claimed that SMEs require assistance in overcoming obstacles to foreign expansion. E-commerce has been identified as a factor that significantly facilitates the internationalisation of SMEs. Other researchers (Mostafa et al., 2005; Fosch et al., 2006) presented financial and organisational risks that cannot be mitigated without partners experienced in international business. Holmund and Kock (1998) and Terziovski (2003) recommend consulting with experts from outside the company as a way of filling in the knowledge gaps. In their opinion "internationalisation takes a lot of time and resources" which is a particular difficulty for SMEs. They argue that an international logistics operator has the necessary knowledge and resources. Figure 3 shows the main obstacles to the internationalisation of SMEs with and without international experience, which are frequently identified by EU governments.

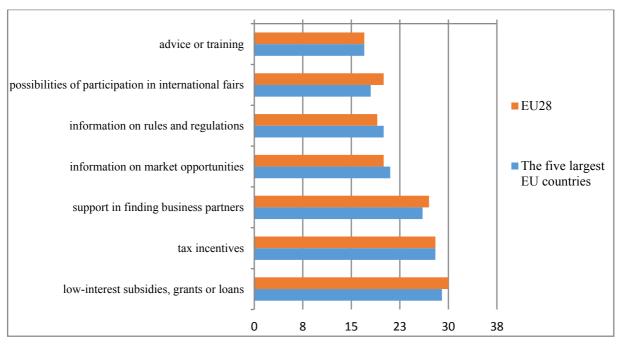


% of entrepreneurs/respondents

**Figure 3.** Main obstacles to the internationalisation of UK SMEs with and without international experience (surveys in 2016; % of responses) Source: Share of SMEs which have engaged in the respective activity outside the EU in the three years previous to the survey. European Commission (2016/2017).

Figure 3 shows that the greatest obstacle in undertaking export is the lack of specialised personnel, and for companies that have already started international operations, the financing of further investments is the greatest impediment.

The expectations of SMEs to support internationalisation are also investigated. In the five largest EU countries (including the UK) SMEs expect more assistance in supporting export financing and consider this support to be most useful, as shown in Figure 4.



% of entrepreneurs/respondents

**Figure 4.** Desirable forms of support for the internationalisation of SMEs (surveys in 2016; % of responses) Source: Share of SMEs which have engaged in the respective activity outside the EU in the three years previous to the survey. European Commission (2016/2017).

### Stage II of support — Applied programmes

The UK's policy to support the internationalisation of SMEs is responsible:

- Department for International Trade providing operational support for exporters and facilitating internal and external investment. The supporting body to the Department for International Trade is the British Business Bank.
- UK Export Finance provides financial products/services.

UK Export Finance offers a wide range of products: working capital loans and risk insurance. It provides opportunities to recover the cost of 'default' on an export contract; a direct loan and loan guarantee designed to encourage foreign companies to buy UK products. Apart from financial and insurance products, Export Finance also offers advice through Export Finance Manager. Advice is offered by regional contact points providing information about:

- payment methods and types,
- the types of financial support available,
- trade finance (before and after export).
- credit insurance,
- currency risks.

It is possible to discuss with a consultant the options of activity in particular markets, insurance of these activities, and contact with insurance brokers is ensured.

The Department for International Trade offers advice and support on networking, available grants and other incentives, advises on hiring and training employees and shares insights concerning specific markets.

The national promotional institution British Business Bank launches specific credit lines to finance exports and investments of SMEs based in the UK. British Business Bank offers a three-stage support programme for entrepreneurs pursuing international goals, while minimising risk.

- As a first step, the consultants conduct a detailed assessment of the company's readiness
  to export. This step includes an analysis of the organisational structure of the SME, its
  financial standing, leadership and commitment to the internalisation plan. Such an
  analysis enables the companies to prepare for the internalisation plan, overcoming
  weaknesses and management gaps.
- As a second step, the best market to expand is selected through a structured approach based on cautious analysis and market research.
- As a third step, the advisors assist the company in developing its market entry strategy by: identifying the best partners in the target market and competitors, developing a comprehensive roadmap of activities.

Apart from the specific assistance described above, the Bank offers free of charge content and tools that will facilitate export. The resources offered include video content, numerous articles and an eBook entitled 'How to achieve success'. The guide for entrepreneurs has been developed in cooperation with institutions from other countries, i.e. Export Development Canada and the Canadian Trade Commissioner Service, Canada Tariff Finder. The British Business Bank has recently launched the first phase of the 'Help to Grow' programme, which aims to provide funding for small businesses with the potential for rapid growth and export.

The Small Business Act for Europe (SBA)<sup>1</sup> is fully implemented. The UK has implemented all policy elements related to the EU recommendations which were announced between 2014 and the end of the first quarter of 2015. The Regional Finance Initiative is the only element that has not been completed during the reference period, although the UK Enterprise Bank provides regional lending.

<sup>&</sup>lt;sup>1</sup> The Small Business Act for Europe (SBA) is the EU's flagship policy initiative to support small and medium-sized enterprises (SMEs). It comprises a set of policy measures organised around 10 principles ranging from 'Entrepreneurship' and 'Responsive administration' to 'Internationalisation'. To improve the governance of the SBA, the 2011 review of it called for better monitoring. The SBA fact sheets, published annually, aim to improve the understanding of recent trends and national policies affecting SMEs. Since 2011, each EU Member State has appointed a high-ranking government official as its national SME envoy. SME envoys spearhead the implementation of the SBA agenda in their countries. The first principle of the SBA is 'Think Small First'. The 'Think Small First' principle is meant to be a guiding principle for all policy- and law-making activities. It requires policymakers to take SMEs' interests into account at the early stages of the policy-making process. The principle also calls for newly designed legislation, administrative rules and procedures to be made simple and easy to apply.

### Stage III of support — IT tools to support the internationalisation of SMEs

The Cyber Growth Partnership (CGP) (Apfelthaler, and Lin, 2017) is a partnership between UK industry, government, and academia. The CGP is the UK Government's initiative for business development. The government has recognised cybersecurity as a catalyst for economic growth and exports of services and products. The partners are focused on identifying opportunities and promoting exports, cybersecurity and raising the brand of British companies internationally. Industrial members of the CGP are ARM, Atkins, BAE Systems Applied Intelligence, Becrypt, BT, CISCO, HP, Intercede, L3 TRL, Raytheon, Sophos, and Surevine. Academic partners are members of Queen's University Belfast and the Engineering and Physical Science Research Council. The objectives of the CGP are:

- Increasing UK companies' understanding of and promoting access to export markets for cybersecurity services and products.
- Developing cybersecurity services and products in the UK to meet the demands of international markets.

The CGP runs export workshops to identify the potential of foreign markets and develop appropriate mechanisms to exploit them. The CGP seeks to identify the specific type and level of support for particular sectors to gain access to foreign markets. The UK Government commissions CGP studies that provide data on the security of trade in the global market. The CGP provides statistics for different countries. These studies are made widely available to companies in the UK (the studies are regularly updated). Individual companies may also commission CGP studies on specific countries or market sub-sectors. The UK companies have the possibility to receive the UKTI service — to conduct research aimed at solving specific problems.

The Gulf States, Brazil, India and Malaysia, the USA, China and Japan have been identified as high-growth markets. Companies from the UK are already well established there, as missions and trade events are organised in these markets. Cyber-security and support for the UK companies is especially assured there. Intercede (founder and member of the CGP) provides solutions that enable SMEs to verify their identity and credibility, advice on security, social media analysis, mobile device protection and infrastructure security. With a view to developing and improving its cybersecurity offering, the CGP is providing other companies with accreditation programmes, and has launched an online hub to map and promote UK cybersecurity companies. The CGP has established the UK Cyber demonstration Centre to showcase the latest technology for business. Thanks to the implemented technology solutions, the UK SMEs can offer their services to customers all over the world in real time. The Cyber Programme takes care of the development of the next generation of services. The CGP supports research on innovation and skills in the cybersecurity sector. The CGP organises courses and studies to enhance technical, business and communication skills. The CGP is also engaged in the Cyber Security Challenge UK, which is an organisation that recruits new people for the

cybersecurity industry. Eight universities in the UK have been designated as academic centres of excellence in business cybersecurity research (University of Bristol; Imperial College London; Lancaster University; University of Oxford; Royal University of Belfast; Royal Holloway University London; University of Southampton; University College London).

The results of the CGP/programmes of this partner organisation can be evaluated by means of indicators (share of SMEs in the global market, volume of exports by SMEs, number of the UK SMEs interested and/or involved in exports). The results of CGP can also be estimated in relation to the number of professionals trained in cybersecurity as well as in the flow of innovative cybersecurity products and services.

The CGP has made a significant contribution to the internationalisation of SMEs in the UK in the area of service export and cybersecurity. Through the Cyber Connect portal, SMEs are well aware of activities, events, initiatives and opportunities that support the export strategy of particular sectors (e.g. healthcare, financial services, retail).

IT tools to support SME internationalisation are also regional or local range. Hidden Art is a non-profit organisation that helps SMEs in the project industry in and around London. The aim of the support is to give SMEs access to a competitive, global marketplace. Hidden Art provides a dedicated network platform that connects businesses in the marketplace. Designers are provided with training and information. The Hidden Art Project 'Innovative Networks for Smart Growth' attempts to stimulate the growth of the local design community. Designers can sell their projects or design services worldwide through The Hidden Art e-shop, pop-up stores, international trade fairs. Apart from a dedicated B2B platform, The Hidden Art Project offers tailor-made tips provided by individual advisors. The support model combines the adjustment of the development path, improvement of commercialisation skills and directing to an appropriate community of activities: co-designers, producers or distributors. Project development programmes are arranged to help participants to develop their ideas and bring them to the foreign market. The Hidden Art network is open to all designers and currently has about 2,000 members. About 100 designers have their services/products in the Hidden Art online shop, and about 300 of them have their website in the Hidden Art catalogue. Joint marketing activities, events and programmes are organised or administered by Hidden Art. So far 450 companies have received support. The Hidden Art Project has increased the confidence of foreign customers in the London design community.

Another example of a private platform supporting the internationalisation of service SMEs is the one established by FedEx. SMEs operating on islands require mainly logistical support. The state provides financial support to logistics operators to develop services for SMEs. FedEx allows SMEs to reach new customers and international markets relatively easy. FedEx recognises the global environment, political forces, logistics and transport infrastructure, and distribution opportunities in export markets for SMEs. It provides its customers with information technology (CRM systems, WMF...). In 2016, FedEx IT technology for SME exports was transformed. As a result of the organisational, cultural and technical transformation, SMEs do not feel left alone in the organisation of transport and logistical

operations in cross-border trade. FedEx connects physical and digital networks (taking the next steps in the development of the Internet of Things), which facilitates and drives the growth of cross-border transactions, enabling faster, more cost-effective and more convenient flows. FedEx offers support to SMEs through dedicated, geographically focused industry teams, tailors services to the individual needs of SMEs and prepares various international shipping options such as International Priority shipping service. It educates entrepreneurs, believing they need to be up-to-date with new platforms to maintain competitive advantage and reach global customers. FedEx has prepared convenient order forms and simplified payment methods to work in c-commerce. According to SMEs, it is FedEx that has the best operating platform that provides the highest level of service. The evolving character of FedEx's relationship with SMEs, with new CRM module features and the use of new opportunities offered by the digital economy, improves the indicators of SME internationalisation. According to the 'FedEx export report for SMEs', European SMEs have introduced e-commerce (38% of SMEs with the help of e-commerce reach foreign markets, among them 55% generate revenues using m-commerce and 65% of SMEs use social media for promotion and sales on foreign markets). According to FedEx, the use of e-commerce and the integration of IT systems with an international logistics operator facilitates the start-up and operation of SMEs on an international scale.

### 4. The effectiveness of internationalisation measures for SMEs

The current and future performance of the UK's SMEs despite Brexit shows that it is the most rapidly growing sector. This is shown in Table 1.

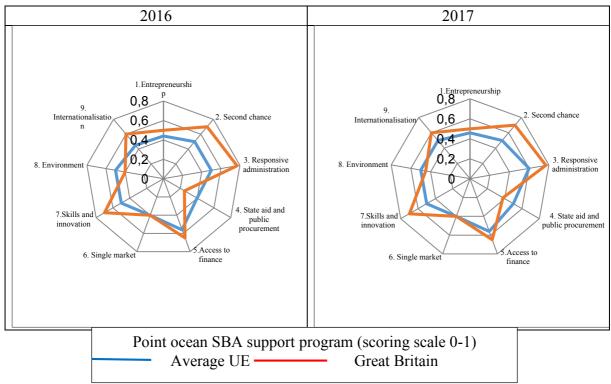
**Table 1.**Statistics on the UK's SMEs against SMEs from all the EU countries (2016)

Class size	Number of enterprises			Number of persons employed			Value added		
	United Kingdom		EU-28	United Kingdom		EU-28	United Kingdom		EU-28
	Number	Share	Share	Number	Share	Share	Billion€	Share	Share
Micro	1 757 336	89.3 %	93.0 %	3 401 353	17.5 %	29.8 %	250.1	19.0 %	20.9 %
Small	175 708	8.9 %	5.8 %	3 834 976	19.7 %	20.0 %	210.4	16.0 %	17.8 %
Medium- sized	28 832	1.5 %	0.9 %	3 180 868	16.3 %	16.7 %	221.7	16.8 %	18.2 %
SMEs	1 961 876	99.7 %	99.8 %	10 417 197	53.5 %	66.6 %	682.2	51.8 %	56.8 %
Large	6 482	0.3 %	0.2 %	9 060 255	46.5 %	33.4 %	636.1	48.2 %	43.2 %
Total	1 968 358	100.0 %	100.0 %	19 477 452	100.0 %	100.0 %	1318.3	100.0 %	100.0 %

Source: https://ec.europa.eu/eurostat/statistics-explained/index.php/International\_trade\_in\_goods\_by\_enterprise\_size#Share\_of\_SMEs\_in\_total\_trade\_.28intra\_.2B\_extra-EU.29.

Large companies are more pronounced in the UK rankings than in the rest of the EU. This is mainly a statistical phenomenon as companies with a turnover of less than £82,000 are not included in the Register of Companies, while in the rest of the EU the turnover threshold for registration is much lower. However, SMEs generate around half of the total value added and represent just over half of total employment in the 'non-financial business economy'. Due to the under-representation of the smallest SMEs, the share of value added generated by SMEs is currently around five percentage points lower than the EU average. With regard to employment, the share of SMEs is more than ten percentage points lower than the EU average.

The implementation of the Small Business Act for Europe (SBA) has been successful, as shown in Figure 5.



**Figure 5.** Information on the implementation of the SBA between 2016 and 2017 (1. Entrepreneurship; 2. Second chance; 3. Responsive administration; 4. State aid and public procurement; 5. Access to finance; 6. Single market; 7. Skills and innovation; 8. Environment; 9. Internationalisation) Source: http://www.legislation.gov.uk/ukpga/2015/26/contents/enacted.

Almost half of the domains of the SBA policy implemented in the UK have an advantage over the average rating of this policy in the EU countries. These include 'Second chance', 'Responsive administration', 'Access to finance and skills' and 'Innovation'. There are also areas where further improvements can be made, especially in the areas of 'Public procurement', 'Environment' and 'Internationalisation'.

Since 2008, there has been a significant improvement in conditions in the UK under most of the SBA's policy domains, including the 'Internationalisation' domain. This progress has been driven by the comprehensive policy support offered to SMEs since 2008. The UK Government has also been pursuing its active export support strategy, carried out by: Small Business, Enterprise and Employment Act or 'Exporting is GREAT' initiative. However, further efforts

are necessary to help more SMEs to become exporters, especially in extra-EU markets. The UK's profile in the domain 'Internationalisation' has unfortunately been weakening since the referendum date of 23 June 2016 due to the upcoming Brexit.

## **Conclusions**

The findings of the presented literature research and websites gave an insight into the obstacles encountered during the process of SME internationalisation in the UK. The analysis of statistical data showed the expectations of SMEs for support activities by the government. The study presents government support programmes in response to SME expectations. It also included the most interesting business solutions that facilitate the crossing of national borders by the UK SMEs. The main purpose of the article was to indicate effective programmes supporting SMEs in their internationalisation. And these were: Small Business, Enterprise and Employment Act, 'Exporting is GREAT' initiative. During the implementation of these programmes, the annual evaluations of the 'Internationalisation' area (from the European Small Business Act) in the UK have been increasing year on year (until 2017). The imminent Brexit is currently causing a further decline in the rating for the 'Internationalisation' area. The UK government has been searching for further support programmes for the internationalisation of SMEs. Further discussion about new technologies and platforms and their impact on internationalisation and business development is demanded not only in the UK and will be the subject of another research.

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