Internationalisation of innovation in SMEs

Workshop Report
June 13th, 2016, Brussels

July 2016
Internationalisation of innovation in SMEs

Workshop Report

July 2016

Authors:
Hannes Selhofer, Veronika Hornung-Prähauser
(Salzburg Research Forschungsgesellschaft mbH)
EUROPE DIRECT is a service to help you find answers to your questions about the European Union

Freephone number (*):
00 800 6 7 8 9 10 11

(*) The information given is free, as are most calls (though some operators, phone boxes or hotels may charge you)

LEGAL NOTICE

This document has been prepared for the European Commission however it reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.


Reproduction is authorised provided the source is acknowledged.

# TABLE OF CONTENTS

1. BACKGROUND AND OBJECTIVES ........................................................................................................ 5

2. SUMMARY AND CONCLUSIONS ............................................................................................................. 5

3. WORKSHOP PART I: CURRENT PRACTICES – HOW SMES INTERNATIONALISE THEIR INNOVATION ACTIVITY .............................................................................................................. 7
   3.1 Opening address by J.-D. Malo ....................................................................... 7
   3.2 Study results ................................................................................................ 8
   3.3 Feedback from discussants and from an expert survey ........................................ 10
       Feedback from discussants: M. Mulligan, D. Tee ............................................. 10
       Results of an Online Survey among experts ................................................... 10
   3.4 Case studies: WEPROG, LifeTec .................................................................... 11
       3.4.1 WEPROG (Denmark/Germany) ........................................................ 11
       3.4.2 LifeTec (The Netherlands) .................................................................... 12
   3.5 Discussion ................................................................................................. 12

4. WORKSHOP PART II: POLICIES IN SUPPORT OF SMES’ INTERNATIONAL RDI ACTIVITIES ................................................................................................................................. 14
   4.1 Initiatives of the European Commission ........................................................................ 14
   4.2 Study results ................................................................................................ 16
   4.3 Feedback from discussants and from an expert survey ........................................ 18
       4.3.1 Feedback from discussant: Christin Pfeiffer, INSME ............................ 18
       4.3.2 Feedback from discussant: David Golding, Innovate UK ...................... 19
       4.3.3 Results of an Online Survey among experts ...................................... 20
   4.4 Discussion ................................................................................................. 20
       4.4.1 Brain storming: ideas for a global partnership forum ......................... 20
       4.4.2 Discussion: the way forward ........................................................... 21

5. ANNEX 1: AGENDA ................................................................................................................................. 23

6. ANNEX 2: WORKSHOP PARTICIPANTS ............................................................................................. 24

7. ANNEX 3: ONLINE SURVEY RESULTS ............................................................................................... 25
   7.1 Sample size and structure ............................................................................ 25
   7.2 Assessment of current activities of SMEs ...................................................... 26
   7.3 Assessment of policy measures to support SMEs .......................................... 30
   7.4 Summary and general conclusions .................................................................. 36
1 BACKGROUND AND OBJECTIVES

This expert workshop dealt with the Internationalisation of innovation activities in Small and Medium-sized Enterprises. It gathered a group of about 25 experts from different backgrounds (industry, SME associations, research, consulting and policy). The workshop was organised by the InnovationLab of Salzburg Research GmbH on behalf of the European Commission’s DG Research and Innovation.

The workshop took place in the wider context of a study on the same issue which was conducted by empirica GmbH (Bonn, Germany) and Dialogic (Utrecht, NL). "Internationalisation of innovation" means, in the study and workshop context, that SMEs engage in cooperation with international partners in order to jointly or sequentially conduct research & innovation activities with the intention to increase economic impact through change, and/or that they innovate with the particular intention to gain access or better compete on a foreign market, for instance through customisation.

This study had three main objectives:

(1) to gain new insights on drivers and barriers for European SMEs to internationalise their innovation activity;

(2) to analyse related infrastructures and policy measures (in terms of strengths and weaknesses); and

(3) to develop recommendations for improved policies to support SMEs in this respect.

To this end, the study conducted case studies of SMEs and compared policy measures at EU Level seeking to enhance such internationalisation and identified good practices in Member States. As in a globalised economy, much of the potential for SME innovation cooperation resulting in increased competitiveness and opportunities for growth is outside of the European Union (EU), the focus of the study is mostly on internationalisation practices involving partners from outside the EU and its associated countries.

The main goals of the workshop were to validate the pre-final results of the study, to provide a platform for the exchange of views on related issues among experts and, thus, to support evidence-based policy making in the field of SME innovation.

2 SUMMARY AND CONCLUSIONS

The expert workshop on "Internationalisation of Innovation in SMEs", held on 13th June 2016 in Brussels, largely validated and confirmed the findings and conclusions of the study with the same title that was conducted by empirica and Dialogic on behalf of the European Commission in 2015/16. In particular, the discussions with the experts confirmed the following study results, with slight amendments in some cases:

Conclusions from case studies and other empirical evidence about drivers and barriers for SMEs to conduct international research and innovation and about support schemes used:

1 For a full list of the attendees, see Annex 2.

2 See http://europa.eu/rapid/press-release_STAT-13-5_en.htm on Eurostat's Community Innovation Survey 2012, which suggests that innovation cooperation with powerhouse economies and major markets like the United States, India or China is still modest.
The cases show that there are many different combinations of the types of internationalising innovation, and no dominant scheme appears to be visible. It is difficult to generalise across SMEs; sectors have their own specific features. There is no one-size-fits-all approach.

Collaborating with business and research partners in foreign countries was found to be the most prevalent type. The experts at the workshop confirmed that collaboration was a key success factor for internationalisation; the question is how international collaboration can best be promoted and facilitated.

Reaching a sufficient number of customers is the principal driver for internationalisation, as many SMEs offer highly specialised products or services for which the national or European market would be too small to run a sustainable business.

The challenges which SMEs encounter in their international activities can be subdivided into four groups: cultural, geographical, governmental and business-related challenges. A lot of experts consider cultural challenges (such as having the required knowhow about intercultural communication feeding into trust and efficient cooperation between partners) to be far more important than the purely ‘operational’ challenges to cope with geographic distance.

However, by and large the challenges encountered by SMEs when going international are well manageable, provided they have the willingness and mind-set.

SMEs use a variety of public support measures for internationalising their innovation activities and coping with challenges when doing so; European research projects seem to be a prominent stepping stone.

Most SMEs report positive impacts from internationalising their innovation activities. The international orientation and success in business seem to reinforce each other to some extent.

Conclusions from an analysis of European policies for supporting SMEs’ international activity:

There are four principal challenges when internationalising innovation: having the required knowledge (having to stay at the top end of international technological and knowledge development); establishing contacts to foreign countries; dealing with foreign cultures; and dealing with governmental policy, regulation in particular. Dedicated national and European policy measures may be organised in a way to help tackling these challenges.

The main strengths of the current European policy portfolio are the diversity of instruments, accessibility for all SMEs, and a clear focus of Horizon 2020 on research, development and innovation.

In general the European policy measures appear to have a positive effect on the likelihood of firms to cooperate with partners in other (European) countries, and thus boosting knowledge flows through innovation cooperation and networking. In particular, public support programmes for collaborative R&D projects offer an important opportunity.

A weakness is that the EU portfolio of instruments seems to be rather unbalanced; many policy measures that support internationalisation of SMEs focus primarily on export and trade promotion (‘access to markets’), without necessarily stimulating internationalisation of innovation activities of SMEs.

The study and the experts recommended the European Commission to design policy support measures aimed at internationalisation and innovation in conjunction because research suggests that both are interrelated. Policy instruments that are geared towards internationalisation can also be used to stimulate innovation, and policy measures that are geared towards research and innovation can be aimed at internationalisation, too.
The case SMEs present at the workshop suggested that education in the fields of business management/development for key staff of RDI-driven SMEs could be useful to help the latter to better manage their internationalisation and strategic business development activities at large. One of the case SMEs hailed initiatives supporting networking and showcasing, for instance at specialised international events, as windows for setting-up international cooperation.

3 WORKSHOP PART I: CURRENT PRACTICES – HOW SMES INTERNATIONALISE THEIR INNOVATION ACTIVITY

The morning session of the workshop explored current practices of European SMEs with regard to internationalising their innovation activity activities. The chairman, Hannes Selhofer from Salzburg Research, asked speakers and participants to focus their presentations and the discussion on the following questions:

- What is the current level of activity among SMEs in internationalising their research, development and innovation (RDI) activity?
- What are the main drivers for them to do so?
- What are the barriers and challenges they are confronted with, and what are successful strategies to cope with these challenges?
- How does the situation with regard to these issues differ between sectors and countries?
- What are ‘generic’ lessons that can be learned from available case study evidence?

3.1 Opening address by J.-D. Malo

The opening address was given by Jean-David Malo, Head of Unit B3 – SMEs, Financial Instruments and State Aid of the European Commission’s DG Research & Innovation. Mr. Malo said that the topic of this workshop – coined as the “internationalisation of innovation” – was a policy field that has barely been looked at in great depth yet. If at all, it was mainly considered in the wider context of SME internationalisation as a whole, which revolves mostly around trade, i.e. doing real business abroad.

He said that this was a reason why the Commission had asked empirica and Dialogic to conduct a study specifically on how European SMEs enter into R&I cooperation with partners abroad, and on how they customise products and services to enter foreign markets.

Referring to the study, he said that such internationalisation activities were a “daunting endeavour for an SME”, but that the 12 case studies that were conducted by the study demonstrate that it is possible, “with the right state of mind and with the right network”.

He also made a connection to “Open Innovation”, a concept that the Commission is currently trying to foster and which approaches cooperation from a slightly different angle, but with the same objective: drive innovation activity and promote growth opportunities for SMEs.

With regard to policy initiatives in this domain, he acknowledged the complexity of the policy landscape, mainly because of the large number of players in this domain, not only at EU-level but also at national, regional and even local level, and argued for cooperation and coordination among the players.

He thanked the experts for taking the time, coming to Brussels and contributing their views and expressed the interest of the Commission in the matter and the results of the study and the workshop with a view to shaping policy in this domain.
3.2 Study results

The key note of the morning session was given by Stefan Lilischkis from empirica GmbH, a research consultancy in Bonn, Germany. He presented evidence from 12 case studies on the internationalisation of innovation in SMEs which were conducted as part of a study by empirica and Dialogic (from August 2015 to July 2016), and suggested conclusions to be drawn from the cases.

Mr. Lilischkis first introduced the rationale for carrying out the study. He said that the internationalisation of SMEs’ innovation activities was seen as important for the European economy, because evidence suggests that internationally active SMEs create more jobs, are more profitable and more inclined to grow and innovate more intensely. However, only a minority of innovative SMEs is internationally active, even less outside Europe.

He explained that “internationalising innovation” can mean different types of activities; the study focused on the following types:

- the branch type – establishing subsidiaries in foreign countries for innovative purposes;
- the collaboration type – R&D or innovation involving a foreign partner;
- the customising type – accessing foreign markets with innovative products or services tailor-made to target market/customer;
- the IP type – acquiring intellectual property from foreign country;
- and the employment type – hiring staff from other countries.

He introduced some of the 12 company case studies that were conducted to explore such activities of European SMEs:

- **Aisense** (Slovenia): a company that markets a device that detects the direction of incoming gamma radiation in real time, and which engaged in collaboration with partners in the US and Japan;
- **Food Freshly** (Germany), a company selling freshness retainers for cut fruits and vegetables and providing related services, and which offers customised products and services from branches in the US and Dubai;
- **Intermet** (Poland), a company selling innovative composite and metal products such as protection systems of razor wire, and which uses trade agents and research partners in foreign countries;
- **KeyGene** (the Netherlands), which conducts strategic and applied research in the field of natural genetic variation in vegetables and other crops, and which maintains a subsidiary in US, internationalising to the outside and inside;

The other case studies in the study are Kapro (Israel), Acreo (Sweden), LifeTec (the Netherlands), Numeca (Belgium), poLight (Norway), Real Project Partner (France), Ticketbis (Spain) and Weprog (Denmark/Germany).

Mr. Lilischkis then presented observations and conclusions across the different cases. The most common internationalisation activities found were the collaboration with partners outside Europe (11 out of the 12 case companies), the customisation of products or services (7), and the establishment of subsidiaries (6). The main motivation to engage in internationalisation activities was (in 9 out of 12 cases) that the home market was simply not big enough to sustain business. Other reasons (in 5 cases each) were that the business ecosystems were international, the need to find partners or employees, and the need to operate in or close to important markets. The main barrier the companies saw themselves confronted with in their activities were cultural differences in the new markets (9 out of 12 companies said that this was relevant), whereas other potential barriers such as geographic or legal barriers were only relevant in specific cases.

Half of the case companies reported that internationalisation activities had a positive impact on growth (employment, turnover) and that this strengthened their competitive position.
Mr. Lilischkis concluded his presentation with a suggested typology of SMEs that conduct international innovation activities. Depending on their motives to internationalise, one may distinguish between "born globals", "urged globals", "intentional globals" and "accidental globals".

The types can be described as follows:

For **"born globals"**, going international right from the start is indispensable. This may have different reasons: the main customers (poLight, Weprog) or main research co-operation partners (Numeca) are located in foreign countries, or the company has an international strategy from the start (Ticketbis).

**"Urged globals"** may not have intended to go international from the start but it turned out to be a necessity in the course of developing business. This may be because technological developments that are at the core of the SME’s business become international (Acreo) or because potential customers in Europe are too reserved while customers in foreign countries are quite open (Aisense). It may also be that the home market is too small to grow the company further or that cost pressure increases so that going international for sales and production is a logical step at some point (Kapro). Being "urged" does not necessarily imply to consider international activity as a burden – at least it is no burden for the cases in this study.

**"Intentional globals"** actively seek opportunities in foreign countries. They clearly see the benefits of becoming active in foreign countries at some point of time in business development. It may be, as in KeyGene, that a new CEO comes in and gives the company a dedicated international direction in order to become more innovative and grow the company. It may also be, as in the case of Intermet, that the company develops certain products further in a way that target customers are rather located in foreign countries (like protection against pirate attacks). Another reason may be that large manufacturers that need to implement one of the SME’s products are located in foreign countries so that co-operation with them is necessary (Real Project Partner).

**"Accidental globals"** go global by chance. They did not intend to go international but passively find and seize opportunities to do so – for example because potential customers identify and approach the SME (Fruit Freshly, LifeTec).
3.3 Feedback from discussants and from an expert survey

Feedback from discussants: M. Mulligan, D. Tee

The study results were then discussed by Margaret Mulligan, European Projects Manager, and David Tee, Head of Membership Services, from the EBN Innovation Network. The EBN is a network of around 150 quality-certified EU BICs (business and innovation centres) and 100 other organisations that support the development and growth of innovative entrepreneurs, start-ups and SMEs.

Ms. Mulligan and Mr. Tee said that they appreciated the work carried out by the study and that they agreed to a large extent with the evidence and conclusions presented by Mr. Lilischkis. They drew examples from their own work in the EBN to demonstrate the requirements of SMEs that aim to internationalise their business and innovation activities, and how to best support them. Mr. Tee described the "incubation process" which EBN uses to provide services along the different stages when an SME aims to go international, starting with "lead generation" activities, moving on to pre-incubation activities (e.g. business modelling, prototyping, training), incubation activities (e.g. access to finance, coaching and mentoring) and finally leading to growth services (such as internationalisation and commercialisation support).

They argued that internationalisation typically happened in two stages: first, actions are aimed at exploring and reaching new markets as well as acquiring partners, investors or clients abroad; if successful at stage 1, companies will then typically enter into the process of creating a local venture in new market, hiring new staff, and co-developing new products with local stakeholders. They argued that investment in human relations as a premise to real collaboration was key during the internationalisation process. However, building a network of partners for collaboration requires building mutual trust and, thus, time. They said that activities to support SMEs in their venture should specifically help them in establishing trusted relationships with partners in foreign markets, for instance through mentoring schemes or creating meeting and networking opportunities.

They referred to the ACE project as an example which was developed by an EU project led by EBN and launched in 2013 (ACE - Accelerate Cross-border Engagement, see http://ebn.be/project/ace) that has developed a new tailor-made acceleration programme with targeted cross-border (legal, technical and business support) services to highly innovative ICT entrepreneurs, start-ups and SMEs with the potential to rapidly grow their businesses in international markets.

Results of an Online Survey among experts

Hannes Selhofer from Salzburg Research then presented results of an online survey among experts that had been carried in May and June 2016 (prior to the workshop) to validate preliminary study results. The target population of the survey were people with special expertise in SME innovation and/or international business activities of SMEs; the invitation to participate was sent out to the target communities with support of various EU networks. By 9th June 2016, 43 valid responses (35 fully completed and 8 partially completed questionnaires) had been received from an international sample (max. respondents from a single country: 4). Respondents were from SME support organisations or innovation agencies organisation (43%), SMEs and industry, research, consulting and policy.

The survey largely confirmed the results of the study. The results can be summarised as follows:

- **General conclusions**: Conducting trade and export is not the same as conducting research and innovation abroad – a vast majority of the respondents agreed that it is a big step from one to the other. Not all SMEs engage in research and innovation, however. There are different views among the experts on the relative importance of research, development and innovation (RDI) for SMEs – this may have implications for focusing policy schemes (trade missions vs. RDI support). In general, experts widely agree that the more innovative an SME is, the more it benefits from going international. Innovativeness apparently reinforces the international attitude and mind-set of a company.
• **Drivers**: The search for growth (the need to expand markets) is the most important driver for international innovation activity. However, other motives are also seen as clearly relevant (for instance the increasing globalisation of business eco-systems, and simply “success in business” – the expansion to international markets as a logical next step for successful SMEs).

• **Barriers**: Several experts see cultural and legal barriers as far more important than ‘operational’ barriers (such as the distance to markets and staff).

• **Complexity of the issue**: The survey showed the difficulty to explore this complex issue by means of standardised questions. Several experts raised concerns about the generalisation of issues (requirements, barriers etc. are often case-specific).

The specific results of the survey are reported in more detail in Annex 3.

### 3.4 Case studies: WEPROG, LifeTec

The second part of the morning session focused on two specific companies that were also presented as case studies in the study by empirica and Dialogic: WEPROG and LifeTec. The directors of these companies had been invited to the workshop to present the international innovation activities of their firms.

#### 3.4.1 WEPROG (Denmark/Germany)

Founded in 2003, WEPROG ([http://www.weprog.com](http://www.weprog.com)) provides worldwide operational weather related forecast services. Clients include the energy industry, in particular companies from the renewable energies sector. The company and its activities were presented by Corinna Moehrlen, co-founder and managing director of WEPROG (“Weather & wind Energy PROGnoses”).

Ms. Moehrlen first introduced the history of the company. Initially founded by the Danish TSO ELTRA (today Energinet.dk), the company developed from different research contracts with universities and TSOs in Germany, Ireland and Denmark. The “maturity phase in global competition” can be dated to have started in 2011. WEPROG provides its services currently mainly to the energy industry; other industries that require weather forecasts and which could be customers in the future include the water management, offshore oil, shipping and event industries. Contract sizes with customers typically range from 5,000 to 200,000 EUR.

WEPROG argues that its product is unique, as it is the world-wide only provider of physically based short-term ensemble weather forecasts, and as it runs the world-wide largest operational ensemble forecasting system.

A major challenge for the expansion of its services to other industries and markets is that most of the “unique” capabilities of the firm are of a technical character. According to Ms. Moehrlen, there is a communication problem: it is difficult to explain to potential customers that WEPROG may actually have a solution to their (forecast) problems, as they do not understand the technical aspects of the solution. From a different perspective: WEPROG has, maybe, a marketing problem in translating its solutions into a language that is properly understood by potential customers: “Selling complex technical methods is the greatest challenge for our business model,” says Ms. Moehrlen.

Regarding the internationalisation of the business, she concluded that WEPROG, in order to survive, simply had to be innovative and “to go out into the world to find tasks that others can't solve”. The main requirement for (constant) innovation is in her view “never to be content with the state-of-the-art”, which requires constant observation of ongoing developments and the market and thoughts about how to improve: analysis and search for novelties, discussing thoughts & results, testing, and experiment new ideas. The main fundament for international business is, in her view, building up an international network and becoming known within the relevant communities (which is time and resource-intensive with no immediate or guaranteed return on
investment). It requires being in contact with people around the world and learning about other country’s challenges.

3.4.2 LifeTec (The Netherlands)

Lifetec Group (http://lifetecgroup.com) is a 12-year old preclinical contract research organisation in the Netherlands active in the medical technological field. Lars Mulder, director of operations and business developer at LifeTec, presented how LifeTec is investing in a targeted marketing approach both to reach and stay in touch with existing clients, but also to be found by potential new international clients and research consortia, and how the company – through marketing efforts aimed at creating the “right type of access” – is trying to take away the issue of distance.

Lifetec Group is specialised in evaluating medical devices, performing applied biomedical research and developing enabling technology. It has currently about 15 employees. Clients are mainly from the biomedical industry (start-ups, SMEs, but also large multinationals), research institutions and hospitals. The market can be described as a biomedical niche (devices, therapies, regenerative medicine, biomaterials, pharma, R&D). The value proposition to customers is that LifeTec promises to shorten the time-to-market in the development of new products, thus saving customers money.

The objectives of the internationalisation strategy of LifeTec Group are

- mainly to generate exposure, be visible;
- to reach the right persons; and
- to attract international clients.

Currently, as Mr. Mulder explains, LifeTec is “mostly passively found” by clients from foreign markets who then visit the company in the Netherlands to discuss opportunities for a cooperation. While LifeTec does not intend to set up branch offices in foreign markets, it does highly value possibilities for face-to-face interaction possibilities and it is currently adjusting its marketing strategy in order to activate the outreach to new customers in foreign markets. The means to achieve this are targeted travels to other countries/areas, to visit technology-oriented conferences and trade fairs, and to participate as much as possible in international research consortia.

The main barriers and challenges which the company experiences in implementing this strategy are, according to Mr. Mulder, the academic background (staff is mostly research-oriented and to a lesser extent “business-oriented”; there is a lack of experience in marketing and sales), but also the distance to customers and cultural barriers.

He concluded his presentation with some lessons learned when doing international research and innovation. First, it is important to actively keep international clients up-to-date (e.g. with newsletters, webinars); second, LifeTec has good experiences with offering a virtual presence at experiments with possibilities to ask questions and get answers directly. And last but not least: for LifeTec, the participation in international research projects turned out to be highly valuable – not only because of the technological innovation (extension of the platform), but also as it has helped to expand the business network.

3.5 Discussion

The various presentations (of study results and case studies) were followed by a lively plenary discussion which focused both on company-internal factors for carrying out international research and innovation (such as skills and competencies) as well as framework conditions in Europe. The experts made, inter alia, the following interventions and observations:

The experts widely agreed that collaboration and networking with business and research partners in foreign markets was the key success factor for an internationalisation strategy. However, there was a short discussion of what is meant by “collaboration”, as many types of activities may be subsumed under this term. It was specified that, in the context of this workshop
and of the study, the term "collaboration" referred to R&D or innovation activities which involve a foreign partner.

In the same line of argument, there was broad agreement that becoming part of an international network is very important for SMEs. However, it was pointed out several times that this requires building trust and therefore takes time. There was a discussion whether international research projects (as in the example of LifeTec) are a good way to become part of such networks. Several experts expressed their view that this was actually a main argument for SMEs to participate in research projects; others argued that this was rather a side-effect and that it would mainly depend on the consortium structure to what extent SMEs can use the project to expand/strengthen their network (while the main goal of a research project should actually be the research-related goal in the narrow sense).

Another general point in the discussion was the difficulty to identify common lessons from individual case studies, because the situation (drivers, strategies, barriers, impacts of internationalisation) are likely to differ between sectors (e.g. manufacturing vs. services, high-tech vs. low-tech), or even from case to case. Alexander Bergfeld from Courage Partners and Ad Solem Acceleration (Germany) therefore asked the study team about the criteria how they had selected the 12 case studies, as the conclusions drawn may also depend on the selection. The study authors explained that the selection was partly driven by pragmatic reasons such as having access to companies and their willingness to participate in the study, rather than by sector-specific or other ‘objective’ criteria.

Ms. Andreja Jaklič from the University of Ljubljana’s Centre of International Relations argued that innovation cooperation in Europe was quite limited. She said she often observed in her research that European SMEs either stay local in their research, or – if they decide to go international – they directly turn to markets outside Europe (for instance the USA). She argued that was a risk for the European economy, because these internationally-minded start-ups often leave Europe when they start to grow, while it would be important to keep the IPR in Europe (to benefit from the growth of these companies in the long run). She argued that the cultural barriers often seem to be larger within Europe (between different European countries) than outside.

Professor Antonella Zucchella from the University of Pavia, Faculty of Economics, observed – in response to the presentations – that IPR in the strict sense seemed to be a marginal route for internationalisation compared to other routes. She said that for Italian SMEs often the purchase of machinery and equipment is a special route towards internationalisation, in particular for highly specialised firms.

Magdalena Sass from the ICEG European Center in Budapest argued that university spin-offs are very important in Hungary when it comes to international R&D activities of SMEs, as these new companies often go abroad with their research and innovation activities already in an early stage. She gave an example of a specific business model she has observed in her research: in the biopharmaceutical industry, highly specialised small companies conduct R&D activities for other firms as an operational business to earn money; from the revenues, they then conduct their own R&D to innovate and develop new products and services.

Lars Mulder from LifeTec said that, in his view, a major challenge was the lack of experience in marketing and business of founders with an academic background. Many innovative firms evolve from a research environment (e.g. spin-offs from universities); the founders are often highly talented researchers, but are not yet experienced entrepreneurs.

Christin Pfeiffer from INSME confirmed this view and suggested that the input and mentoring from investors is therefore very important. She said that, unfortunately, however, venture capital funding is not a strong point of Europe. From this perspective, this has a double negative impact: companies do not only lack finance, but also the accompanying inputs and guidance from investors. She hinted that alternative forms of finance, for instance crowdfunding, could to some extent mitigate this issue.
Bertrand Wert from the European Commission’s EASME referred to the **SME Instrument in H2020** (see [https://ec.europa.eu/programmes/horizon2020/en/h2020-section/sme-instrument](https://ec.europa.eu/programmes/horizon2020/en/h2020-section/sme-instrument)) where innovative SMEs can get EU funding and support for innovation projects that will help them grow and expand their activities into other countries. It helps high-potential SMEs to develop groundbreaking innovative ideas for products, services or processes that are ready to face global market competition. He suggested as well that efforts to help SMEs participate in public procurement abroad deserve to be strengthened, as foreign government procurers can be important clients, opening up new opportunities. This point was seconded by Christin Pfeiffer, who said that there was much work to be done in this domain, referring to a recent experience she had with the United Nations.

Mr. Bergfeld argued that a **strong brand/identity and a strong international culture** within a company (also within an SME) is a major driver and success factor for engaging in international research and innovation activities. He said that companies that go international and, thus, increase their customer base tend to benefit from a better (more in-depth) understanding of the needs of their clients. The experts agreed with this and confirmed that **“soft skills”** such as intercultural communication are still very important (and often neglected). Several experts contributed practical examples how misunderstandings (due to different business and social culture) have been a barrier when doing international business.

Finally, the example of LifeTec showed that internationalisation of R&D does not necessarily mean to go abroad in the sense of actually conducting the R&D activities abroad, but may also mean to **attract foreign (R&D) partners to come to Europe** (while keeping activities in Europe). While this type activity is not strictly in the initial study definition of “internationalisation”, it is certainly a viable route for some companies and should not be neglected when it comes to framing policy initiatives.

## 4 WORKSHOP PART II: POLICIES IN SUPPORT OF SMES’ INTERNATIONAL RDI ACTIVITIES

The afternoon session of the workshop focused on if, when and how to best support SMEs in their international research and innovation activities. The chairman asked speakers and participants to focus their presentations and the discussion on the following questions:

- Which types of policy infrastructures and support measures exist to support SMEs in their international RDI activities?
- Which mechanisms have proven successful? What kind of evidence do we have to make such an assessment?
- Which recommendations can be made to the Commission and to Member States for designing infrastructures and support measures in the future?
- How can European and national measures be combined in a synergetic way?

### 4.1 Initiatives of the European Commission

The session was started with an overview of initiatives of the European Commission to promote the internationalisation of innovation in SMEs, presented by **Samuel Maenhout**, Policy Officer in Unit B3 – SMEs, Financial Instruments and State Aid of the European Commission’s DG Research & Innovation, and contact person at the Commission for the study and the workshop.

Mr. Maenhout started with presenting the **case for SME internationalisation**. He showed that the bulk of growth of the world economy originates from outside the EU – developing and emerging markets are expected to account for about 60% of the world GDP by 2030. At the same time, global market integration increases, and SMEs can play an important role in constructing global
value chains. However, the actual measurable international activities of SMEs are still very limited, according to evidence. Less than half of the European SMEs have imported goods from another country (43%) or exported to another country (33%). Only 8% have worked with an R&D partner based abroad.

The EU tries to promote international activities through different mechanisms. The EU framework programme for Research and Innovation, Horizon 2020, which was the main focus of Mr. Maenhout’s presentation, offers various opportunities for SMEs.

![Horizon 2020 for SMEs = Integrated & Complimentary Support](image)

Mr Maenhout explained that SME activity within RDI-consortia conducting Research and Innovation Actions make out an expected 6 billion € (= 20% of the total combined budget) of the budgets of the Horizon 2020 priority “societal challenges” and the specific objective “leadership in enabling and industrial technologies (LEITs)”. Another 3 billion €, stemming from the same budgets, will be allocated to SMEs through a dedicated SME instrument.

A series of mostly indirect support actions is bundled under the specific H2020 objective “Innovation in SMEs” with a budget of 589 million EUR. This specific objective includes the EU support to the second EUREKA/Eurostars Joint Programme Initiative (2014-2020) that provides funding for market-oriented transnational collaborative projects of R&D performing SMEs.

Other opportunities consist in access to finance (different forms of debt and equity) for innovation and growth, respectively provided under InnovFin – EU Finance for Innovators (Horizon 2020) and the COSME Loan Guarantee Facility and Equity Facility for Growth in particular, and access to highly-skilled labour from abroad, for instance through the Marie Sklodovska-Curie Actions targeted to SMEs.

Mr. Maenhout then talked about different EU partnership, networking and matchmaking activities, and most prominently about the EEN – Enterprise Europe Network. EEN helps SMEs to make the most of business opportunities in the EU and beyond. Services are offered free of charge by around 600 member organisations, including chambers of commerce and industry, technology centres, universities and development agencies. Services include support packages for innovative SMEs, technology transfer, access to finance and advice on EU law and standards and on IPR issues.

4.2 Study results

The main presentation of the afternoon session was given by Robbin te Velde and Leonique Korlaar, researchers from Dialogic, an independent research consultancy in Utrecht, the Netherlands. They presented the study results with regard to policy in support of SMEs.

First, they introduced a framework how different support schemes and infrastructures can be usefully categorised as a baseline for the discussion how to best support SMEs, and plotted the 12 case studies which the study had conducted into this framework. The framework differentiates between different business processes that are targeted (WHAT), and the type of internationalisation (HOW). The focus of the activities from the case studies was in the areas of branching, collaboration and customising and focused on export and R&D, not so much on production.

<table>
<thead>
<tr>
<th>Internationalisation of innovation (HOW)</th>
<th>Business process (WHAT)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Export</td>
</tr>
<tr>
<td>Branching</td>
<td>●●●</td>
</tr>
<tr>
<td>Collaboration</td>
<td>●●●</td>
</tr>
<tr>
<td>Customising</td>
<td>●●●</td>
</tr>
<tr>
<td>IP Purchase</td>
<td>●</td>
</tr>
<tr>
<td>Employment</td>
<td>●</td>
</tr>
</tbody>
</table>

Mr. te Velde presented an overview of different EU support schemes, referring inter alia to COSME, ICI and ICI+, the Partnership Instrument and to the Framework Programmes (FP7 and H2020). The point here was that most of the money goes into the research programmes (FP7, H2020) and therefore focuses on the R&D / innovation business process.

He then explained three different routes through which SMEs can move RDI from home to abroad, depending on the business process on which they focus:

I. Theoretically through customisation of products (moving from exporting products to doing R&D abroad for local customisation). However, this is very difficult and only exceptionally found.

II. From manufacturing abroad to also doing R&D abroad. However, this is also much harder than is often thought. Also, there are often strategic reasons to keep the R&D activity at home.

III. To expand R&D activities (if such activities already exist) from home to foreign markets, regarded as the most viable way. Here, international research projects can play an important role, as well as international eco-systems.
Against this framework and the assessment of existing practices, the study then analysed the current portfolio of EU support schemes in terms of their **strengths and weaknesses**, and identified **opportunities and threats**. Their findings are:

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>• A diverse portfolio (with a mix of instruments focusing on export &amp; trade, production and innovation).</td>
<td>• Strong focus on trade and export which is only weakly linked to innovation.</td>
</tr>
<tr>
<td>• Accessible for all SMEs.</td>
<td>• Many instruments predominantly aim at trade promotion, do not target innovative SMEs and are not adapted to the specific needs of innovative SMEs.</td>
</tr>
<tr>
<td>• Collaborative R&amp;D and innovation policy measures effectively stimulate cooperation (focus on networking).</td>
<td>• Within trade and export promotion measures there is little attention for (upgrading) customisation.</td>
</tr>
<tr>
<td>• Continuing clear focus of H2020 on R&amp;D&amp;I (with internationalisation as a side effect but not as a main goal in itself).</td>
<td>• Little attention yet for human resource management (employment).</td>
</tr>
<tr>
<td>• Several countries have national policy instruments stimulating participation of SMEs in EU programmes (e.g. Horizon 2020).</td>
<td>• Complexity of EU policy measures hinder access for SMEs.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Policy measures that are geared towards internationalisation can also be used to stimulate innovation if innovative SMEs are targeted and (export promotion) instruments are adapted (esp. paying more attention to customisation).</td>
<td>• Increasing reliance from the national systems of innovation from Member States on EU funding due to slow growth of business expenditure on R&amp;D (BERD) in Europe.</td>
</tr>
<tr>
<td>• Existing policy measures that support research collaboration are a good starting point for SMEs to build international networks (requires careful network management).</td>
<td>• Emergence of China as a global scientific force, with an abundance of cheap high-skilled labour. As a result, R&amp;D might be delocalised from Europe to China.</td>
</tr>
<tr>
<td>• Global expansion of academic researcher community (esp. outside Europe) to continue.</td>
<td>• Expansion of Chinese firms into higher value services and manufacturing will squeeze out European firms. Subsequently this might lead to an increase in tensions over trade and investment relations.</td>
</tr>
<tr>
<td>• Rise of Open Innovation facilitates access of SMEs to global innovation networks from MNCs.</td>
<td>• Promoting an international orientation among entrepreneurs.</td>
</tr>
<tr>
<td>• The co-ordination between the two strands (I/II x III) can be improved.</td>
<td>• Upgrading overall business performance of SMEs (as a driver for internationalisation).</td>
</tr>
<tr>
<td>• Provide SMEs with information about IPR (and support them with licensing).</td>
<td></td>
</tr>
</tbody>
</table>
The study authors then offered their conclusions in terms of **policy implications** for the future design of support schemes and infrastructures. They grouped their conclusions into four domains: improving knowledge, facilitating contacts & networking, dealing with foreign cultures, and dealing with governmental policy. The suggested implications are:

| Knowledge | “Becoming more international” is a positive side effect of a policy that in first instance aims to make SMEs more research-intensive. Participation of SMEs in European programmes is relatively low because the programmes are too complex. |
| Contacts  | The strong focus on export and trade in the EC’s current portfolio of internationalisation support measures does not promote innovation. Export and trade measures should be adapted to the specific needs of innovative SMEs (e.g., using “innovation-oriented trade missions”). Considering that innovation routines and innovation networks greatly differ between industry sectors; policy measures should always be sector-specific. |
| Culture   | There is no particular need for newly designed governmental policy to help SMEs deal with foreign cultures, although briefings on do’s and don’ts can be useful. Policy measures should pay more attention to promoting an international orientation among entrepreneurs. |
| Policy    | Further harmonisation for specific markets should be pursued. In general, regulations could be implemented more swiftly for providing a clear regulatory environment for doing business. |

### 4.3 Feedback from discussants and from an expert survey

#### 4.3.1 Feedback from discussant: Christin Pfeiffer, INSME

Christin Pfeiffer, Secretary General at INSME, the International Network for Small and Medium Sized Enterprises, had offered to make comments on the study. She said that she had highly appreciated the study and the comprehensive effort that was made to collect and analyse the evidence, and that she agreed to a large extent with the findings and conclusions. She had a number of comments on specific aspects:

She raised the question of what exactly the study meant when talking of “innovative SMEs”. She argued that it is difficult to establish meaningful metrics for innovativeness. The official metrics (e.g., from the OECD) as applied in innovation surveys (such as “companies having introduced new products / services”) are certainly indicative, but SMEs may also be innovative in a different sense.

With regard to policy support schemes, she mentioned that several actions of the Horizon 2020 programme are increasingly looking how to better integrate SMEs in global value chains; this should be mentioned in the study and, if possible, be addressed in the analysis of the various schemes. One element to keep in mind is the importance of continuing to reduce red tape for SMEs to better take advantage of the support opportunities offered.

She further suggested that **Research Fellowship Programmes** such as the Marie Skłodowska-Curie actions (e.g. schemes for international research staff exchange) could be considered as good practice for promoting an international culture and stimulating collaboration and networking among SMEs.

Ms. Pfeiffer argued that **mentoring and coaching programmes** are very important. While these programmes cannot be implemented at European level (but need to be organised and delivered at
national or regional level), and are therefore not directly discussed and analysed in the study, it is still an important mechanism to promote the international orientation of SMEs. This could be mentioned in the study somehow. She also pointed at the importance of increasing access to risk capital, for instance by framing crowdfunding or investment matchmaking initiatives better.

Finally, she suggested that reverse innovation\(^3\) could rise in importance and become an opportunity for specific policy schemes.

### 4.3.2 Feedback from discussant: David Golding, Innovate UK

David Golding, Head of European and International Policy at Innovate UK (the UK national innovation agency) also provided feedback on the study. He said he appreciated the study and largely confirmed the findings.

He suggested that policy and support initiatives in this domain could be framed into three main categories: **innovation, internationalisation and trade**. He argued that innovation and internationalisation were probably mutually reinforcing, creating a virtuous circle. However, as correctly identified by the study, there are some **barriers to internationalisation**. These are, in particular:

- finding the right partners, collaborators and customers
- regulation
- Intellectual Property
- culture and language

Mr. Golding then addressed some general points and trends that should be considered. He warned that there was no such thing as a "typical SME" (they are very different, e.g. by size, maturity and sector). Generalisations in terms of requirements are therefore very difficult. There is a trend, however, that early-stage SMEs tend to be more globally mobile.

With regard to **policy**, Mr. Golding observed that the way how the EU supports innovation is changing. He regards the SME Instrument as a shift from 'project' to 'business'. There is also a greater focus on how to 'scale' businesses.

Looking at future initiatives, he strongly recommended that support schemes need to be simple to understand and access, and that schemes should build on what is already there and focus on connecting existing activities (as businesses want consistency and continuity). He also recommended that support needs to be tailored to the specific needs of the individual business (one size doesn’t fit all), and that schemes should be selective in targeting the right businesses. A specific goal should be to help SMEs access large businesses and supply chains.

---

\(^3\) Reverse innovation or trickle-up innovation is a term referring to an innovation seen first, or likely to be used first, in the developing world before spreading to the industrialized world. Refers broadly to the process whereby goods developed as inexpensive models to meet the needs of developing nations. See: [https://en.wikipedia.org/wiki/Reverse_innovation](https://en.wikipedia.org/wiki/Reverse_innovation)
4.3.3 Results of an Online Survey among experts

Hannes Selhofer then presented the second part of the results of the online survey that was carried out among experts in May and June 2016 in preparation of the workshop (see also Section 3.3 and Annex 3). The results can be summarised as follows:

- A majority of experts recommended measures for SMEs to foster innovation and networking as very useful or useful, in particular “participating in international research projects”, “participating in international trade fairs” and “using informal business networks”.
- Accordingly, they recommend that a high priority in support schemes should be given to support the development of SME networks, but also to grant programmes for international R&D cooperation.
- As for designing effective trade missions, it is recommended that these should aim “to strengthen SME participation in international networks”.
- A majority of the experts also advocates that regional and national programmes for industry-university cooperation could be effectively used as an entrance for SMEs international RDI projects.
- A majority of experts (70%) believes that support schemes should not focus on specific regions of the world more than on others.

4.4 Discussion

The last session of the workshop was a plenary discussion that focused on the way forward in policy making. It was structured into two parts. First, Samuel Maenhout presented a plan of the European Commission to organise a global partnership forum in 2017 and asked the participants for feedback and ideas. In the second part, the discussion was opened up and the experts were asked to make general recommendations for the directions of future policy initiatives to support SMEs in engaging in international research and innovation.

4.4.1 Brainstorming: ideas for a global partnership forum

The introduction to the H2020 Work Programme on "Innovation in SMEs" in the Industrial Leadership section says: "Providing further customised support for businesses that begin with a global strategy and can move quickly to take advantage of cross-border activities that are innovation-driven will therefore remain of crucial importance, as it allows SMEs to leverage the benefits of increased foreign demand for goods and services."

Mr. Maenhout presented one of the proposed actions that is directed towards this goal: the organisation of "a global partnership forum in Europe in 2017", i.e. a meeting place for a number of European SMEs that are looking to internationalise their activities, either by engaging in co-creation with a third country partner, or by customising a recent innovation to the needs of specific markets abroad. The forum is meant to address RDI-driven SMEs and shall provide them with high-quality information and expertise concerning cross-continental R&I cooperation and international market access, and offer matchmaking services. Any existing initiatives at European or national levels are to be taken into account. Approaches that extend the initiative onto the internet will be encouraged. The action is planned to be implemented through a direct contract (public procurement procedure to be launched in the first quarter of 2016) with an indicative budget of 600,000 EUR.

The participants made the following suggestions in the brainstorming session after the presentation of the plan:

- The forum could be used to disseminate lessons learned, including both success stories as well as lessons learned from failed initiatives (why did it go wrong?). These successes and
failure stories could be proposals from different actions of the H2020 programme: why was a proposal successful, why not?

- Several experts said it was important that such an event integrated the existing European networks and initiatives rather than trying to create a new platform or network. It was suggested that the event could even be hosted (and possibly be organised or co-organised) by one of the large networks, rather than being hosted by the Commission.

- Some of the experts had mixed feelings about such an event. They argued that similar efforts had been made in the past and that the benefits turned out to be less than expected. If the event will be held, they recommended communicating very clearly the specific objectives, rather than just framing it as a big get-together. For instance: who exactly are the target groups for whom the event is organised? What are the expected benefits for SMEs why they should participate?

- There was some debate on whether the forum should primarily be a real big meeting or whether it should lead to an online platform where companies can “meet” virtually, or how to combine these approaches.

- It was suggested that the focus of the forum could be on matching competencies by offering an innovative mechanism to search business partners with a complementary competency.

- Another suggestion was to use the forum for offering hands-on seminars and trainings, in combination with meetings in a conference style. Several experts argued that SME representatives appreciated opportunities to learn e.g. new techniques at such events rather than just participating in meetings. For example, there could be half-day workshops introducing new innovation techniques or seminars dealing with specific aspects of international business (e.g. on concepts like open innovation, reverse innovation, accelerator initiatives…).

- It was recommended to communicate the event very early to all stakeholders so that they can decide on participation and prepare their strategies and interventions for the event. It was also recommended that the event should be communicated not only to the direct target groups, but also to administrations and other intermediaries. In general, the recommendation was investing in communication.

- Another suggestion was to provide high-level information about specific markets at the forum which was not otherwise easily available to SMEs.

- Finally, there was a suggestion to bring in companies from different economies, in particular from China and other emerging markets which are important markets for European SMEs.

4.4.2 Discussion: the way forward

The second part of the concluding plenary discussion explored possible directions and priorities for future policy initiatives to support SMEs. It linked with the suggestions made by the study team (see Section 4.2). Evidently, there is no clear preference among the experts for specific types of measures or approaches. The issue is too complex and cannot be broken down into simple messages.

Nonetheless, some suggestions were made that should be considered by the Commission as well as other stakeholders involved in the design of policies.

- It was suggested to focus support measures on innovative SMEs rather than trying to benefit all.

- There was broad agreement that the support of networking and collaboration should stay a priority. The Commission might explore innovative mechanisms how networking can
be promoted, while fully taking into consideration the existing networks that already provide such services. Possibly, the Commission could jointly with the European SME networks aim to develop new mechanisms for fostering collaboration among SMEs and foreign partners.

- A more specific suggestion was to focus networking initiatives on bringing together SMEs, large firms and incubators; i.e. not only the exchange among SMEs should be encouraged, but exchanges within the broader value network.

- Finally, it was suggested to possibly revive the former "Exporters’ clubs", in particular at national/regional levels. It could be useful to create communities of practice as a mechanism for exchange and for providing services to SMEs.
# 5 ANNEX 1: AGENDA

<table>
<thead>
<tr>
<th>Time</th>
<th>Session</th>
</tr>
</thead>
<tbody>
<tr>
<td>09:30</td>
<td>Registration and welcome coffee</td>
</tr>
<tr>
<td>10:00</td>
<td>Welcome and introduction</td>
</tr>
<tr>
<td></td>
<td>- Jean-David Malo, European Commission, DG Research &amp; Innovation,</td>
</tr>
<tr>
<td></td>
<td>B3 – SMEs, Financial Instruments and State Aid</td>
</tr>
<tr>
<td>10:15</td>
<td>Empirical evidence: findings from a European study on the internationalisation of innovation in SMEs</td>
</tr>
<tr>
<td></td>
<td>- Dr. Stefan Lilischkis, Senior Consultant, empirica GmbH</td>
</tr>
<tr>
<td>10:15</td>
<td>What experts think about related issues: results of an online survey</td>
</tr>
<tr>
<td></td>
<td>- Hannes Selhofer, Project Manager, InnovationLab, Salzburg Research GmbH</td>
</tr>
<tr>
<td>11:15</td>
<td>Discussant: Margaret Mulligan / David Tee, EBN Innovation Network</td>
</tr>
<tr>
<td>11:15</td>
<td>Case studies / best practices: examples of SMEs with international innovation activities</td>
</tr>
<tr>
<td>11:45</td>
<td>Discussion</td>
</tr>
<tr>
<td>12:30</td>
<td>Lunch break</td>
</tr>
<tr>
<td>13:15</td>
<td>Part II: Policies in support of SMEs’ international RDI activities</td>
</tr>
<tr>
<td>13:15</td>
<td>Initiatives of the European Commission to promote the internationalisation of SMEs – an overview</td>
</tr>
<tr>
<td></td>
<td>- Samuel Maenhout, European Commission, DG Research &amp; Innovation</td>
</tr>
<tr>
<td>13:15</td>
<td>A comparative analysis of policy measures to support SMEs: good practice examples, lessons learned, and recommendations for future policy (presentation of study findings)</td>
</tr>
<tr>
<td></td>
<td>- Robbin te Velde, Principal Researcher, Dialogic</td>
</tr>
<tr>
<td>14:15</td>
<td>Discussants: Christin Pfeiffer, Secretary General, INSME</td>
</tr>
<tr>
<td></td>
<td>- David Golding, Innovate UK</td>
</tr>
<tr>
<td>15:00</td>
<td>Discussion</td>
</tr>
<tr>
<td>15:20</td>
<td>Concluding remarks and discussion – the way forward</td>
</tr>
<tr>
<td>16:00</td>
<td>End of the workshop</td>
</tr>
</tbody>
</table>

The workshop was chaired by Mr. Hannes Selhofer from Salzburg Research GmbH.
## ANNEX 2: WORKSHOP PARTICIPANTS

<table>
<thead>
<tr>
<th>Name</th>
<th>Organisation</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ayadi, Rym</td>
<td>EMNES – Euro-Mediterranean Network for Economic Studies; CEPS – Centre for European Policy Studies</td>
<td>EU</td>
</tr>
<tr>
<td>Bergfeld, Alexander</td>
<td>Courage Partners / Ad Solem Acceleration</td>
<td>Germany</td>
</tr>
<tr>
<td>Bernard, Florent</td>
<td>European Commission</td>
<td>EU</td>
</tr>
<tr>
<td>de Clock, Caroline</td>
<td>Service Public de Wallonie – DGO6 Economie, Emploi, Recherche</td>
<td>Belgium</td>
</tr>
<tr>
<td>Della Rocca, Gaia</td>
<td>Confindustria</td>
<td>EU</td>
</tr>
<tr>
<td>Dimitrova, Tanya</td>
<td>European Commission, DG Research &amp; Innovation</td>
<td>EU</td>
</tr>
<tr>
<td>Golding, David</td>
<td>Innovate UK</td>
<td>UK</td>
</tr>
<tr>
<td>Goncalves, Gil</td>
<td>Inovamais</td>
<td>Portugal</td>
</tr>
<tr>
<td>Jaklič, Andreja</td>
<td>University of Ljubljana, Faculty of Social Sciences, Centre of International Relations</td>
<td>Slovenia</td>
</tr>
<tr>
<td>Kayamanidou, Maria</td>
<td>European Commission</td>
<td>EU</td>
</tr>
<tr>
<td>Koch, Eric</td>
<td>European Commission, EASME</td>
<td>EU</td>
</tr>
<tr>
<td>Korlaar, Leonique</td>
<td>Dialogic</td>
<td>The Netherlands</td>
</tr>
<tr>
<td>Lilischkis, Stefan</td>
<td>empirica GmbH</td>
<td>Germany</td>
</tr>
<tr>
<td>Luz, Ricardo</td>
<td>EBAN – The European Trade Association for Business Angels</td>
<td>EU</td>
</tr>
<tr>
<td>Maenhout, Samuel</td>
<td>European Commission, DG Research &amp; Innovation</td>
<td>EU</td>
</tr>
<tr>
<td>Malo, Jean-David</td>
<td>European Commission, DG Research &amp; Innovation</td>
<td>EU</td>
</tr>
<tr>
<td>Möhrlien, Corinna</td>
<td>WEPROG</td>
<td>Germany / Den.</td>
</tr>
<tr>
<td>Mulder, Lars</td>
<td>LifeTec Group</td>
<td>The Netherlands</td>
</tr>
<tr>
<td>Mulligan, Margaret</td>
<td>EBN</td>
<td>EU</td>
</tr>
<tr>
<td>Noutary, Emmanuel</td>
<td>ANIMA Investment Network</td>
<td>France</td>
</tr>
<tr>
<td>Obreja, Simona</td>
<td>Eurochambres</td>
<td>EU</td>
</tr>
<tr>
<td>Pfeiffer, Christin</td>
<td>INSME</td>
<td>Italy</td>
</tr>
<tr>
<td>Rojanski, Vladimir</td>
<td>European Commission, DG Neighbourhood and Enlargement Negotiations</td>
<td>EU</td>
</tr>
<tr>
<td>Sass, Magdalena</td>
<td>ICEG European Center</td>
<td>Hungary</td>
</tr>
<tr>
<td>Selhofer, Hannes</td>
<td>Salzburg Research Gmbh</td>
<td>Austria</td>
</tr>
<tr>
<td>Sorac, Alberto</td>
<td>Innova BIC S.r.l.</td>
<td>Italy</td>
</tr>
<tr>
<td>Steiert, Thomas</td>
<td>Executive Agency for SMEs (EASME), EEN</td>
<td>EU</td>
</tr>
<tr>
<td>Tarnawa, Anna</td>
<td>PARP - Polish Agency for Enterprise Development</td>
<td>Poland</td>
</tr>
<tr>
<td>te Velde, Robbin</td>
<td>Dialogic</td>
<td>The Netherlands</td>
</tr>
<tr>
<td>Tee, David</td>
<td>EBN</td>
<td>EU</td>
</tr>
<tr>
<td>Viallatte, Philippe</td>
<td>European Commission, DG Research &amp; Innovation</td>
<td>EU</td>
</tr>
<tr>
<td>Wert, Bertrand</td>
<td>European Commission, EASME</td>
<td>EU</td>
</tr>
<tr>
<td>Zucchella, Antonella</td>
<td>University of Pavia, Faculty of Economics</td>
<td>Italy</td>
</tr>
</tbody>
</table>
ANNEX 3: ONLINE SURVEY RESULTS

As part of the preparatory work for the workshop, an online survey among experts had been carried out in May and June 2016. The objective of this survey was to validate the (preliminary) study results as additional evidence to the discussion and feedback obtained at the workshop. The target population of the survey were people with special expertise in SME innovation and/or international business activities of SMEs; the invitation to participate was sent out to the target communities with support of various EU networks. We have not detailed picture how many representatives of the target group have finally received an invitation to participate in the survey (gross sample); therefore, we cannot provide data on the response rate. The invitations were sent out in two steps: from European coordinators of the EU networks to the national network coordinators, and then to individual representatives of the various organisations in the network. We estimate that at least several hundred people across Europe have received an invitation this way. The response rate would then be in the range of approximately 5-10%, which is a common response rate for such surveys.

7.1 Sample size and structure

By 30th June 2016, 44 valid responses (35 fully completed and 9 partially completed questionnaires) had been received from an international sample (no more than four respondents from any single country). Respondents came from SME support organisations or innovation agencies (43%), SMEs (14%) and industry (14%), academic research (12%), consulting (10%) and policy (8%).

Respondents were asked to self-assess their expertise in four domains that were central to the issues raised in the survey: SMEs, innovation, research and international business. On the whole, based on the self-assessment, the sample seems to represent very well the target population; in all four domains, a majority of the respondents felt that they possessed “medium” or “high” expertise.

Table 1: Self-assessment of respondents regarding their expertise in domains relevant to the survey

<table>
<thead>
<tr>
<th>Domain</th>
<th>Assessment of own expertise</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High</td>
</tr>
<tr>
<td>SMEs</td>
<td>77%</td>
</tr>
<tr>
<td>Innovation</td>
<td>50%</td>
</tr>
<tr>
<td>Research</td>
<td>34%</td>
</tr>
<tr>
<td>International business</td>
<td>38%</td>
</tr>
</tbody>
</table>

Question: “How would you assess your experience / expertise in the following domains?”

Unavoidably, the issues raised in the survey were rather complex. A major challenge for this survey was to simplify the underlying concepts and considerations in a way which is suitable for standardised questions to be presented in an online survey, where it is not possible to present a lot of explanatory background information. To have an additional check if the questions were nonetheless clear enough, the respondents were asked (at the end of the survey) how easy or difficult it was for them to answer the questions. 13 said it was “easy” or “rather easy”, 22 said it was “mixed”, and only 3 said it was “rather difficult”.

To qualify as a valid response, respondents had to (i) provide a minimum of information about their professional background, (ii) answer at least one of the questions in the main parts of the questionnaire and (iii) possess at least medium expertise in one of four domains that were critical to the survey.
7.2 Assessment of current activities of SMEs

7.2.1 General assessment of internationalisation activities of SMEs

The first part of the survey explored general views about the internationalisation of research and innovation activities of SMEs. To this end, the respondents were asked to assess a number of statements on innovative SMEs by saying to what extent they agree with them, on a scale from 5 (fully agree) to 1 (fully disagree). Respondents were then given the opportunity to provide explanatory comments (in free text mode). The results are shown in figures 1a and 1b.

Most of the statements refer (explicitly or implicitly) to findings and conclusions from the study by empirica and Dialogic. To a large extent, the experts agreed with the proposed statements and thus confirmed the study findings. In particular, a vast majority of the experts agreed that it is “a big step for SMEs from merely conducting trade and export to also conducting research and innovation abroad”, and also that it is a big step from conducting research and innovation in the home market to doing the same abroad (see Figure 1a). The study underlying this survey has analysed this challenge in detail and presents different trajectories for SMEs to make this step (for a summary see Section 4.2 in this report, presentation made by R. te Velde at the workshop).

More than 60% of the experts also agree (although to a slightly lesser extent) that SMEs often get access to international research and innovation partners via existing international networks. The importance for SMEs to become part of such (international) networks and/or business ecosystems has been stressed by several participants of the workshop; the question then how to support and strengthen the integration of SMEs in such networks.

Experts also largely agree that the international orientation and the innovativeness of a company tend to reinforce each other. The more international an SME operates, the more innovative it tends to become; at the same time, the more innovative an SME is, the more it tends to benefit from going international (see Figure 1b). This may seem trivial, but has some important implications when designing support schemes. If this assumption holds true, it suggests to focus support schemes on innovative SMEs and/or such SMEs that have already an international orientation, as they seem to hold the greatest promise with regard to the business impact.

The experts rejected only two of the proposed views. First and foremost, they do not believe that establishing subsidiaries in foreign countries or partnering become less important due to the development of the digital economy (see Figure 1b, Item e). The underlying reasoning for this statement was that market transparency has significantly increased due to the internet, and that it may therefore be possible in many cases to market and sell one’s products and services globally on the internet rather than having to establish subsidiaries abroad. This aspect was also discussed when the case of LifeTec was presented (see Section 3.4.2), where indeed the company conducts its international business and innovation mostly from its home base (international customers usually come to the Netherlands to do business with LifeTec). However, this may work in specific cases (such as in high-tech sectors where services are unique and difficult to copy abroad), there are good reasons for the experts’ assessment that this can probably not be seen as a general trend that holds true across different sectors and types of businesses.

Experts also rejected the proposed view that there is little need for an innovative firm to go abroad if the knowledge base is located in the home country. Admittedly, however, this statement strongly simplifies a rather complex line of argument, and may therefore have led to a misunderstanding. If the going abroad refers to the trade activities (marketing, sales), the decision to internationalise the business will probably not depend on the location of the knowledge base. Probably, the responses expressed this. For R&D and innovation activities, however, it may be an important factor after all. An example was given at the workshop: European start-ups often go international right from the start if they do not have the right knowledge base in their local markets (see Section 3.5).
Figure 1a: Experts’ agreement with various statements about innovative SMEs (i)

a. ”Compared to larger firms, SMEs are more hesitant to move their research and innovation activities abroad.”

b. ”It is a big step for SMEs from merely conducting trade and export to also conducting research and innovation abroad.”

c. ”It is a big step for SMEs from doing research and innovation at home to doing research and innovation abroad.”

d. ”SMEs often get access to international research and innovation partners via existing international networks from large local partners (for instance universities or multinationals).”

Figure 1b: Experts’ agreement with various statements about innovative SMEs (ii)

a. ”If the knowledge base of an innovative SME is located in the home country, there is little need for the firm to go abroad.”

b. ”Even if there are many challenges for SMEs to go international: in most cases, these challenges are manageable.”

c. ”The more international an SME operates, the more innovative it becomes.”

d. ”The more innovative an SME is, the more it benefits from going international.”

e. ”In the digital economy, establishing subsidiaries in foreign countries and even partnering is becoming less important.”

Comments by respondents:
- ”It is difficult to make general statements of this type, as the opportunities and requirements for international innovation depend very much on the specific case: the sector, the structure of the supply chain, ...”
- ”All depends on the type of SME - research-intensive SMEs are more open and willing to do research abroad.”
- ”If an SME is already conducting R&D in its home market (if it has a dedicated R&D unit or infrastructure), expanding these activities to foreign markets should not be too difficult. Most SMEs, however, do not have a dedicated R&D unit nor a systematic innovation process.”
- ”The challenge is finding effective access to customers, why focus on research which few are doing.”
- ”Why would they be better off by doing the R&I abroad? Why would the EU be better off?”
7.2.2 Drivers and barriers

The respondents were then asked to assess different drivers for SMEs to internationalise their research, development and innovation (RDI) activities in terms of their importance (see Figure 2), as well barriers they are confronted with when doing so (Figure 3).

Almost all of the experts agreed that a major driver is the limitation of the national market: many SMEs have a need to expand their market in order to sustain or grow their business (Figure 1, Item a). This was also confirmed at the workshop; the two case studies of SMEs presented there (WEPROG, LifeTec – see Section 3.4) are good examples. In particular, if SMEs offer highly specialised products or services for which the national or European market would be too small to run a sustainable business, expanding to international markets can be a necessity (as stated in the study).

Other drivers are also important however; in many cases, it will probably be a combination of reasons why SMEs start to internationalise their RDI activities. As already indicated in the first section, there is probably a reinforcement between general success in business (in the home market) and the motivation to expand this business into international markets. Almost 90% of the respondents see “success in business” as an important driver for going international (see Item b).

Another driver which is also seen as important by most of the respondents is the general trend towards globalisation of business eco-systems. Many SMEs simply do not have a choice but need to act international in order to stay integrated in the value networks in which they operate. This is the case, in particular, for many SMEs in sectors with global supply chains such as the automotive industry. The respondents also confirmed that the degree of specialisation can be an important driver: SMEs that offer highly specialised products (such as LifeTec, see Section 3.4.2) find customers more easily or are, vice versa, more easily found by customers – this facilitates international business and RDI activities.

Figure 2: Importance of various drivers for conducting international RDI activities

<table>
<thead>
<tr>
<th>Item</th>
<th>0%</th>
<th>20%</th>
<th>40%</th>
<th>60%</th>
<th>80%</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>a)</td>
<td>25</td>
<td>8</td>
<td>4</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b)</td>
<td>12</td>
<td>21</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c)</td>
<td>14</td>
<td>19</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d)</td>
<td>15</td>
<td>17</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e)</td>
<td>8</td>
<td>15</td>
<td>11</td>
<td>4</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

N= 38/39 (depending on item)
Comments by respondents on the suggested drivers:

- “SMEs are born global. As soon as they have a website they are global whether they like it or not.”
- “The questions and answers concern internationalisation, not international innovation (as stated in the title).”
- “It is about the mind-set: everything is there, but if you do not know how to use it …”

A caveat when exploring drivers and barriers is the distinction between internationalising trade (in the wider sense) and internationalising RDI activity only (in the narrow sense). While this distinction was part of the specific assignment of the study, it was a big challenge to clearly make this distinction in the restricted context of the survey. One of the respondents made a remark that raises this issue (and possible confusion) when critically pointing out that “the questions and answers concern internationalisation, not international innovation (as stated in the title).

In the same way as for possible drivers, the experts were then asked to assess the importance of different barriers. The proposed barriers were grouped in three categories, in line with the way they are presented in the study by empirica and Dialogic: (i) cultural differences, (ii) language barriers, (iii) geographic barriers and (iv) legal barriers. The main conclusion from the responses obtained (see Figure 3) is that experts tend to see cultural and legal barriers as more important than purely ‘operational’ barriers such as the distance to customers or to staff abroad. This confirms to some extent the earlier assessment that in most cases, the (operational) challenges for SMEs to go international “are manageable” (see Figure 1b, Item b).

This general assessment was also confirmed in the workshop, where the participants pointed in particular to cultural differences as the main challenge to cope with when internationalising business activities (see Section 3.5). Understanding different needs of customers as well as the mentality of business partners is obviously a critical success factor. However, as one of the respondents remarked, it then depends of course on the (cultural) proximity or distance of the new market: moving from Europe to China can be more challenging for a small company than moving, e.g., to Canada or the USA.

Figure 3: Importance of various barriers for conducting international RDI activities

| a. Cultural differences: understanding different needs of customers in foreign markets. |
| b. Cultural differences: understanding the different mentality of business partners in foreign markets. |
| c. Language barriers |
| d. Geographic barriers: distance to customers |
| e. Geographic barriers: distance to staff abroad |
| f. Legal barriers: difficulties in dealing with different national regulations |
| g. Legal barriers: protectionism / customs issues |
| h. Legal barriers: lack of effective protection of intellectual property in target country |

N= 38/39 (depending on item)
Comments by respondents on the suggested barriers:

- "(The) ability to negotiate and establish attractive agreements is more important than IPR."
- "It depends very much on the proximity or distance of the new market. Moving activities to a neighbour country where the same language is spoken is relatively easy, while starting operations in China is much more difficult."
- "IPR issues are extremely dependent on target country."

The assessment that cultural barriers are still a major issue is slightly different to the overall conclusion from the case studies carried out by empirica and Dialogic: "While the study identified foreign cultures as a frequent challenge for internationalising SMEs' innovation activities, most case SMEs were found to be able to manage related issues without much further support." The study therefore suggests that policy measures could pay more attention to promoting an international orientation among entrepreneurs. However, it is possible that the conclusions from the case studies cannot be generalised in this regard, and that cultural barriers are still a difficulty to cope with when SMEs go international. The study also does not fully reject support in this regard: "However, public agencies, chambers of trade and embassies can be helpful for interacting with business partners from foreign cultures."

Legal barriers, including IPR issues, protectionism and difficulties in dealing with different national regulations, are also important, depending on the relative importance of IPR and regulations in the respective industry.

7.3 Assessment of policy measures to support SMEs

The second part of the survey explored the respondents’ views on how the internationalisation of research and innovation activities of SMEs can most effectively be supported. As in the first part, the respondents were asked to assess different statements and suggestions by saying to what extent they agree with them, or how to prioritise different measures, on a scale from 1-5. For each question, they were again given the opportunity to provide explanatory comments.

7.3.1 Designing effective trade missions

The first question concerned the design of effective trade missions, including ‘traditional’ trade missions (see Figure 4). The proposed statements were not restricted to RDI-oriented programmes, but several of the statements concerned possible links between classical trade missions and a focusing on research and innovation, as this is one of the central recommendations made by the study.

Almost 80% of the respondents agreed that "trade missions should aim to strengthen SME participation in international networks", and almost 50% even said that they “fully agree” (see Item f). This view was also reflected in the discussions at the workshop. Effective networking and collaboration were seen as critical success factors for SMEs that intend to internationalise their innovation activity; support schemes that help them in doing so are therefore seen as particularly promising. The challenge then is how to frame such missions in a way that they help SMEs connecting with business partners and linking with business networks.

Nearly 80% of the respondents also agreed that innovation-oriented missions in support of SMEs should be focused on specific technologies or sector-specific knowledge bases rather than on specific countries or specific products.

A majority of the experts also agree that regional and national policy programmes that are targeted at industry-university cooperation could be effectively used as an entrance for SMEs to
international RDI projects. This confirms one of the central recommendation made by the empirica/Dialogic study: "Policy instruments that are geared towards internationalisation can also be used to stimulate innovation, and policy measures that are geared towards research and innovation can be aimed at internationalisation, too." The study argues that taking existing research and innovation policy programmes seem "a natural pathway for the internationalisation of innovation" (as one of the trajectories to go international), provided that the emerging collaboration networks are carefully and proactively managed.

There are a couple of issues, however, where the experts were divided in their views in the survey. While about half of the respondents agree that traditional country-oriented trade missions are less suitable for supporting the internationalization of innovation, the other half are undecided or reject this proposition. Similarly, experts take different views on whether innovation-oriented missions in support of SMEs should be focused on pre-competitive research and earlier stages of product development. About 45% of them support this view, 35% are undecided on this matter and about 30% reject this view. This reflects a quite common discussion when framing RDI programmes: should they focus predominantly on early stages of the innovation process (such as feasibility studies, concept studies) in order to cover the risk of this type of research, or rather support the later stages of even the go-to-market phase?

Figure 4: Experts’ agreement with various statements about trade missions

<table>
<thead>
<tr>
<th>Statement</th>
<th>Agreement Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Regional and national policy programmes that are targeted at industry-university cooperation could be effectively used as an entrance for SMEs to international research, development and innovation projects.</td>
<td></td>
</tr>
<tr>
<td>b. Traditional country-oriented trade missions are less suitable for supporting the internationalization of innovation.</td>
<td></td>
</tr>
<tr>
<td>c. Trade missions should have a strong focus on fostering research and innovation activities.</td>
<td></td>
</tr>
<tr>
<td>d. Innovation-oriented missions’ in support of SMEs should be focused on pre-competitive research and earlier stages of product development.</td>
<td></td>
</tr>
<tr>
<td>e. Innovation-oriented missions’ in support of SMEs should be focused on specific technologies or sector-specific knowledge bases rather than on specific countries or specific products.</td>
<td></td>
</tr>
<tr>
<td>f. Trade missions should aim to strengthen SME participation in international networks.</td>
<td></td>
</tr>
</tbody>
</table>

N= 37/38 (depending on item)

Comments by respondents on trade missions:

- "Classical trade missions are an "overkill" for small firms, as there is usually no budget to support such missions (...)."
- "Innovative SMEs can make use of existing channels for developing products. Making 'international innovation' is a buzz word that is not needed."
- "Policy-led trade missions" are especially valuable for public-procurement-oriented sectors."
- "If too many sectors are targeted, efficiency (company-attractiveness) drops."
7.3.2 Initiatives to foster innovation and networking activities

In consideration of the importance of networking and collaboration, respondents were asked a specific question about effective mechanisms for SMEs to establish contacts and find business partners. This question did not directly refer to related policy initiatives, but concerned activities to be carried out by the companies themselves. The idea was that policy could then step in and aim to support and strengthen the type of activity that is considered as most effective.

Three measures were seen as particularly useful by a majority of the respondents (see Figure 5): almost 90% recommended participating in international trade fairs; almost 90% pointed at the importance of informal business networks; and almost 80% said that participating in international research projects was useful (almost 60% said it was “very useful”). Other mechanisms such as participating in international conferences and using intermediaries were also seen as useful.

The recommendation to participate in international R&D projects confirm a conclusion from the study by empirica and Dialogic: "As regards knowledge, European research and development projects apparently play a vital role not only for pushing technological frontiers forward but also for expanding international networks of innovation partners." (see Executive Summary, Policy Implications). The study makes several suggestions how the participation of SMEs in these programmes can possible be strengthened.

In the comments, respondents made reference to existing European business networks (here specifically to the Enterprise Europe Network with 600 partners in 60 countries) that help SMEs establishing contacts and which play an important role in the portfolio of possible measures to promote networking among SMEs.

Figure 5: Assessment of the usefulness of different mechanisms for SMEs to establish contacts and find business partners in foreign markets

<table>
<thead>
<tr>
<th>Mechanism</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Participating in international research projects.</td>
<td>90%</td>
</tr>
<tr>
<td>b. Participating in international conferences.</td>
<td>90%</td>
</tr>
<tr>
<td>c. Participating in international trade fairs.</td>
<td>80%</td>
</tr>
<tr>
<td>d. Using intermediaries (i.e. middlemen) in foreign countries.</td>
<td>70%</td>
</tr>
<tr>
<td>e. Consulting with embassies of the home country.</td>
<td>60%</td>
</tr>
<tr>
<td>f. Consulting with chambers of trade or chambers of commerce.</td>
<td>50%</td>
</tr>
<tr>
<td>g. Using informal business networks.</td>
<td>40%</td>
</tr>
</tbody>
</table>

Comments by respondents on initiatives to foster networking:

- "Finding the right person that has trust and access to customers is most important."
- "If the "eco-system" in which an SME operates is international, it will be relatively easier for the SME to start operations and innovation activities in new foreign markets."
- "Using further support networks, e.g. the Enterprise Europe Network (600 partners in 60 countries support international business, technology, innovation transfer)."
7.3.3 Usefulness of different types of support measures

In the next question, the respondents were asked to rank different types of policy initiatives and support measures according to the priority they should be given on a scale from 5 (high priority) to 1 (low priority).

Out of six proposed measures, two were given the highest priority by the largest number of respondents (see Figure 6): providing support to the development of SME networks (49% high priority, 40% priority); and grant programmes for international R&D cooperation (43% high priority, 38% priority). Almost 80% of the respondents also support the promotion of best practice examples, and about 60% are in favour of tax reductions for SMEs with international R&D activity.

Only very few respondents suggested to give a low priority to any of the proposed measures; however, the experts are more divided on some of the measures. More than 40% are undecided or not convinced about measures to promote an international culture among SME entrepreneurs through seminars and workshops, and about establishing help-desks / contact points in international markets.

Figure 6: Recommendations regarding priority for different types of support measures

| a. Tax reductions for SMEs with international R&D activity |
| b. Grant programmes for international R&D cooperation |
| c. Promote an international culture among SME entrepreneurs through seminars and workshops |
| d. Establishing help-desks / contact points in international markets |
| e. Promotion of best practice examples how to go international |
| f. Support the development of SME networks |

Comments by respondents on different types of support measures:

- "CEO-networks would be interesting."
- "Strengthen the support that is already available (do not duplicate support initiatives) and make sure that SMEs know about it."
- "Business, business, business - not research."
- "One can increase internationalization readiness, but there is no one international culture. And it makes no sense aiming at one."
- "Participating in international tenders usually requires to provide a specific set of business documentation, such as balance sheets, but also legal documents such as tax balance, (...). Only few countries in the EU (e.g. DK) have a standardised, digital and online application for providing this information in one sheet. This should be a common EU regulative that every country supports especially SME’s with a fast and efficient application."

The question was: “There are different types of measures to support SMEs that aim to internationalise their business and innovation activity. Which measures would you recommend to give priority?”
Respondents were then given the opportunity to suggest further measures which they thought to be useful to promote the internationalisation of SMEs’ innovation activities. Suggestions and recommendations made included the following:

- "By highlighting the growth potential through internationalisation in different geographical markets by entering different knowledge clusters which could support further product development."

- "By informing them on the current existing opportunities on the different markets and the financial schemes through which they can be supported in their activities, and by simplifying the administrative process to participate in EU projects, EU funding schemes and limiting the conditioning of their membership of an intermediary business organisation."

- "Don’t create new schemes unless there is a clear gap in current provision. If something new is needed build on what is already in place."

- "There are many support structures already available - business networks, chambers of commerce, Enterprise Europe Network, etc. - however, budgets are cut and those structures therefore weakened. Instead of "reinventing" the wheel - strengthen what is already available (and is working well) and make sure that SMEs know about it and have access to these services."

- "I do not think that government support schemes can effectively "motivate" or trigger SMEs to start activities in new markets. SMEs that are successful and competitive will make these moves by themselves, SMEs that are not competitive enough to internationalise their business will not be able to do so – irrespectively of the support schemes. Policies should therefore focus on creating good framework conditions for business in the domestic market. If business thrives at home, international orientation will be a natural consequence. Some support infrastructure (trade missions, contact points) may then be helpful."

- "I do not think that international innovation activities should be stimulated in a specific way (especially as the concept is not defined), smart SMEs should and will make use of internationalisation support to innovate if they are innovative in their core."

- "Local support for helping them understand and applying for international R&I"

- "Platforms enabling visibility and exposure to subject-targeted potential international clients."
### 7.3.4 Geographic focus for support measures

The last question was whether policy initiatives which aim at fostering research and innovation cooperation should focus on certain geographical regions more than on others. About two thirds of the respondents were against a specific geographic focus (see Figure 7).

Those experts that recommended that programmes should focus on certain regions (12) were then asked which regions they would prioritise. Two thirds of them (8) recommended to focus on the emerging economies in South-East Asia, 50% recommended the European Neighbourhood countries, the Euro-Mediterranean area, North America and Japan/Korea. Thus, there is no clear preference for any specific market in the global economy.

**Figure 7: Recommendation for geographic regions to focus on when fostering international RDI activities of SMEs**

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Neighbourhood countries</td>
<td>40%</td>
</tr>
<tr>
<td>Euro-Mediterranean area</td>
<td>40%</td>
</tr>
<tr>
<td>Africa</td>
<td>20%</td>
</tr>
<tr>
<td>South-East Asia</td>
<td>20%</td>
</tr>
<tr>
<td>China</td>
<td>0%</td>
</tr>
<tr>
<td>the Middle East</td>
<td>0%</td>
</tr>
<tr>
<td>North America (USA, Canada)</td>
<td>0%</td>
</tr>
<tr>
<td>Japan / Korea</td>
<td>0%</td>
</tr>
<tr>
<td>Australia / New Zealand</td>
<td>0%</td>
</tr>
<tr>
<td>Other (please specify in …)</td>
<td>0%</td>
</tr>
</tbody>
</table>

Question: "Do you believe that policy initiatives which aim at fostering research and innovation cooperation should focus on certain geographical regions more than on others?"

- YES: 32% (12)
- NO: 68% (25)
7.4 Summary and general conclusions

The goal of this survey was to collect views from experts on some of the findings and conclusions of a much more detailed study on the internationalisation of innovation in SMEs. By and large, the views consolidate the study findings.

Conclusions on SMEs internationalisation activities, drivers and barriers

- Expectedly, the topic turned to be difficult to be explored by means of standardised questions. Experts therefore raised some concerns (in their feedback and remarks) about the generalisation of issues as presented in the simplified questions.
- Conducting trade and export is not the same as conducting research and innovation abroad – there is broad agreement that it is a big step from doing one to doing the other.
- The experts broadly agree that certain factors reinforce each other: innovative SMEs and SMEs that have success in business in their home market will find it easier to internationalise their business activity; in the same way, SMEs with an international business orientation tend to become more innovative. Thus, measures that effectively promote innovation activity and/or international business orientation promise to have positive ‘side effects’ and impacts.
- There are different views on the relative importance of RDI for SMEs in general. This may have implications for focusing policy schemes (general trade missions vs. specific RDI support schemes).
- The search for growth and the resulting need to expand markets beyond the home market is a major driver for international innovation activity.
- Several experts see cultural and legal barriers as far more important than ‘operational’ barriers such as managing the geographic distance to customers and staff (whereas the study by empirica and Dialogic concludes from case studies that these challenges are manageable “without much further support”).

Conclusions on policy initiatives

In general, the views expressed by the experts are further evidence for the central conclusion by the empirica/Dialogic study: “The European Commission can be recommended to design policy support measures aimed at internationalisation and innovation in conjunction because research suggests that both are interrelated.” Some specific conclusions that can be drawn from the survey are:

- The participation in international research and innovation projects (in the framework of international RDI programmes) can be useful starting point for the internationalisation of innovation.
- Measures to support networking and connecting with business partners are seen as particularly useful, in particular the participation in international trade fairs and business conferences, and the participation in informal business networks. Policy could think about mechanisms and infrastructures to promote these activities.
- Out of different possible support mechanisms, experts recommend in particular providing support to the development of SME networks (90% recommend this as a priority); and grant programmes for international R&D cooperation (80%).
- Most of the experts asked (about two thirds) do not recommend to prioritise specific regions when designing policy initiatives and support schemes.
How to obtain EU publications

**Free publications:**
- one copy:
  - via EU Bookshop (http://bookshop.europa.eu);
- more than one copy or posters/maps:
  - from the European Union’s representations (http://ec.europa.eu/represent_en.htm);
  - from the delegations in non-EU countries (http://eeas.europa.eu/delegations/index_en.htm);
  - by contacting the Europe Direct service (http://europa.eu/europedirect/index_en.htm) or calling 00 800 6 7 8 9 10 11 (freephone number from anywhere in the EU) (*).

(*) The information given is free, as are most calls (though some operators, phone boxes or hotels may charge you).

**Priced publications:**
This report presents the results of a workshop on the “Internationalisation of Innovation in SMEs” held on 13th June 2016 in Brussels. It means that SMEs engage in cooperation with international partners in order to jointly or sequentially conduct research & innovation activities, and/or that they innovate through customisation with the intention to gain access or better compete on a foreign market. The workshop was linked with a study conducted on the same issue and had the objective to validate the preliminary findings. The report summarises the presentations that were given at the workshop and the subsequent discussions among the participants. The report also presents the results of an online survey among experts carried out in preparation of the workshop in May and June 2016.

Studies and reports