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REMOVING BARRIERS ΕΞΑΛΕΙΨΗ ΤΩΝ ΕΜΠΟΔΙΩΝ
TO SME ACCESS ΠΡΟΣΒΑΣΗΣ ΤΩΝ ΜΜΕ
TO INTERNATIONAL MARKETS ΣΤΙΣ ΔΙΕΘΝΕΙΣ ΑΓΟΡΕΣ

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to International Markets

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FOREWORD

In line with the OECD *Istanbul Ministerial Declaration on Fostering the Growth of Innovative and Internationally Competitive SMEs (2004)*, the OECD Working Party on SMEs and Entrepreneurship (WPSME) decided to undertake a joint activity in co-operation with APEC on *Removing Barriers to SME Access to International Markets*. Likewise, the APEC SME Working Group (SMEWG) also agreed to strengthen its co-operation with the OECD, including through the development of this common project, a project which APEC itself had initiated. A Project Plan [OECD CFE/SME(2005)7/REV3] was prepared and the project was undertaken.

The project completed a first stage that aimed at gaining a better understanding of the barriers to SME internationalisation and sharing knowledge of government interventions to reduce those barriers. This report represents the outcome of this work and is based on two original surveys to obtain insights of the barriers to SME internationalisation: one addressed to SME Policymakers in OECD and APEC Member Economies, and the other addressed to SMEs. The report sets out some policy recommendations and suggests directions for future work. The OECD and APEC will consider how to assist governments to implement the recommendations.

This report was prepared by two consultants, Prof. Lester Lloyd-Reason and Prof. Terry Mughan, Anglia Ruskin University, United Kingdom, in collaboration with Mme Mariarosa Lunati, CFE SME & Entrepreneurship Division, under the supervision of Mme Marie-Florence Estimé, Deputy Director of the OECD Centre for Entrepreneurship, SMEs and Local Development (CFE). Mr. Toru Ueno, CFE SME & Entrepreneurship Division, contributed with various inputs to this study. Significant contributions were provided by the OECD Trade Directorate: Mme Barbara Fliess and Mr. Anthony Kleitz.

The preparation of this report was guided by a Steering Group co-chaired by Dr. Roger Wigglesworth, New Zealand, and Mr. Efstathios Zafrantzas, Greece. The Co-Chairs along with the members of the Steering Group: Mr. Serge Boscher and Mr. Jean-Hugues Pierson, France; Mr. Naohiko Yokoshima, Japan; Mr. George Bramley and Ms. Heather Booth di Giovanni, United Kingdom; offered many valuable comments during the drafting and review of this report.

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REMOVING BARRIERS TO SME ACCESS TO INTERNATIONAL MARKETS

A Joint OECD/APEC Project

EXECUTIVE SUMMARY

1. Although SMEs are a major source of growth and job creation, they appear to be under-represented in the international economy relative to their contribution to national and regional economies. Many commentators have postulated that this low level of participation is due to the existence of various barriers, tariff and non-tariff, which act as an impediment to SME involvement in international markets. In response, almost all economies currently provide a package of support services and programmes designed to help firms to overcome these barriers. This project seeks to contribute to the identification of these impediments, the identification of best practices in support programmes and to the development of policy recommendations to address the impediments.

2. To achieve these objectives, two kinds of survey have been used, a Member Economy Policymaker Survey completed by member economies of both the OECD and APEC, and a Survey of SMEs' Perceptions of Barriers to Access to International Markets. This report presents the findings of these surveys and a review of the literature and recommends measures to help member economies ensure that their support programmes match the expectations and needs of SMEs. The project and the recommendations which form a key part of it need to be considered in a global context within which SME exposure to international markets may take many forms, from the traditional one of exporting to more recent forms stemming from the globalisation of economies and organisations such as involvement in Multi-National Enterprise (MNE) driven supply chains.

3. The Survey of SMEs' Perceptions of Barriers to Access to International Markets received 978 usable responses from SMEs worldwide. When asked to rank the 10 barriers¹ considered to have the most detrimental impact on their ability to access international markets, the responding SMEs identified barriers concerned with internal capabilities and access to markets to be the most important with barriers in the business environment of less importance. However, when SME responses are broken down according to their level of activity in international markets, a shift in barriers can be identified. Among firms which are actively exporting the ranking of barriers in the business environment and the firm's own capabilities emerge as stronger obstacles whilst financial and access barriers decrease.

4. Although *shortage of working capital to finance exports* appears to be the most significant barrier, the top four barriers are very close in terms of the rating given to them by the SMEs responding to the survey. Furthermore, these top four barriers are rated as by far the most serious by the SMEs both in terms of their average weighting and the number of times they are mentioned. Although SMEs report *shortage of working capital to finance exports* to be one of the most serious barriers, care must be taken

¹ The Top 10 Barriers as identified by SMEs: 1. Shortage of working capital to finance exports; 2. Identifying foreign business opportunities; 3. Limited information to locate/analyse markets; 4. Inability to contact potential overseas customers; 5. Obtaining reliable foreign representation; 6. Lack of managerial time to deal with internationalisation; 7. Inadequate quantity of and/or untrained personnel for internationalisation; 8. Difficulty in matching competitors' prices; 9. Lack of home government assistance/incentives; 10. Excessive transportation/insurance costs.

when interpreting this result. Rather than a reference to the general issue of ‘access to finance’, this could likely be more related with cash flow considerations. When the barriers are clustered, it appears that SMEs who consider *shortage of working capital to finance* to be a serious barrier, also have difficulties with *granting credit facilities to foreign customers, slow collection of payments from abroad* and *difficulties in enforcing contracts and resolving disputes*. In reality therefore, this barrier could be a mix of the internal (high-level financial management skills) and the external (business environment considerations and political risk) barriers rather than an issue of ‘access to finance’.

5. In addition to exporting, importing is used as a mode of internationalisation by a significant number of SMEs engaged in international trade, the “international SME”. Of all respondents who reported on their exporting and importing activities, 68.1% are involved in exporting whilst 54.6% have some involvement in importing. Although the survey reveals that importing is actually less important for service firms, of which only 25.0% import products or services directly, of those international SMEs offering either products, or services and products in combination, 62.2% and 62.6% import products or services respectively.

6. The responses to the Member Economy Policymaker Survey suggest that member economies consider the main barriers facing SMEs to be internal to the firms and are not connected to barriers created by government policies. The top 10 barriers² almost exclusively relate to a lack of knowledge and internal resources, both financial resources and human resources. External barriers, especially those imposed by governments, score relatively low.

7. Government support programmes place a strong emphasis on exporting SMEs, with 72% focussing exclusively on supporting export activities and a further 20% including exporting as their focus alongside other activities. Just 6.9% of government support programmes do not have export support as their main focus. A wide range of government support programmes were reported, but just 33.8% of SMEs responding to the survey had made use of these programmes. The survey instruments did not allow for a detailed investigation of the reason for the relatively low take up rates. Where the SME does engage with government support however, levels of satisfaction are high, with 74% reporting that the support offered had ranged from useful to extremely useful.

General conclusions

8. SMEs report a range of barriers which they perceive to be detrimental as they seek to access international markets. There is clear evidence of market failure which creates these barriers preventing these SMEs engaged in international trade from achieving their full potential. The case for continued and improved government support for SMEs seeking to internationalise has therefore been strengthened by these surveys. For the most part, support programmes are appropriate to the key barriers reported by the international SME, particularly at the earlier stages of the firm’s international experience. There are however some mismatches in perception between member economies and SMEs with regard to barriers and the report identifies specific areas where these could be better aligned.

9. SMEs appear to go through a learning process when they engage in international activities. Firms that are not yet active exporters seem to underestimate both the barriers present in the external business

² The Top 10 Barriers as identified by the Member Economy Policymaker Survey: 1. Inadequate quantity of and/or untrained personnel for internationalisation; 2. Shortage of working capital to finance exports; 3. Limited information to locate/analyse markets; 4. Identifying foreign business opportunities; 5. Lack of managerial time to deal with internationalisation; 6. Inability to contact potential overseas customers; 7. Developing new products for foreign markets; 8. Unfamiliar foreign business practices; 9. Unfamiliar exporting procedures/paperwork; 10. Meeting export product quality/standards/ specifications.

environment and their own shortcomings in terms of their internal capabilities whilst overstating the barriers associated with financial matters and with regard to access to markets. Those firms new to international activity value information about markets and opportunities which provide a foothold for them in their international venture. They also need assistance with clarifying and understanding the challenges facing them. More experienced international SMEs need a different kind of intervention as their problems tend to be more specific to the business and the competitive environment. These companies are less well-provided for by the majority of government support programmes.

10. Government programmes also need to be more cognisant of the diverse ways in which these firms can nowadays engage with international markets. Although a wide range of government support programmes were reported, these had a clear emphasis on supporting the exporting SME. The trading realities for the SME engaged in international trade however would appear to be far more complex, with importing playing a significant role for the international SME.

11. The findings of this study provide a general understanding of the key themes related to barriers to access to international markets for SMEs across a wide range of economies rather than a detailed understanding of the underlying issues within specific economies. Accordingly, the policy recommendations that follow are broad in scope and it is recommended that governments should gather more specific data before undertaking policy mechanisms designed to achieve the outcomes described in this report.

Policy recommendations

12. **Member economies can play an important role in helping internationalise the SME sector. In doing so they may wish to review the provision of assistance they provide for SMEs about to or already engaged in internationalisation, taking into consideration:**

- i. *That a multifaceted approach to a generic problem faced by SMEs entering international markets (e.g. business capability) may more quickly produce benefits for the SME.*
- ii. *The dynamic, contingent nature of those barriers as they manifest themselves in the experience of the SME. Governments can do more than they do presently to prepare companies for the challenges posed by the national and global business environment.*
- iii. *Exporting is not the only economically beneficial mode for building internationally competitive firms. Joint ventures, licensing, establishment of subsidiaries or branches, franchising and importing also provide insights and opportunities for SMEs seeking to access international markets.*

13. **Governments need to ‘segment’ support they offer on the basis of the experience of the SME seeking support for internationalisation:**

14. Overall the message emerging from the study is that barriers are not uniform and constant to all SMEs. To remove them, therefore, governments and agencies need first to ascertain what kind of SME they are dealing with, what stage of international operations it is at, whether it has perceived any barriers and if so what kinds of barriers does the SME regard as important. Whilst the data and recommendations this report presents allow for barriers to be clustered and prioritised, on an aggregated level, it is simultaneously critical for the enterprise to be located within a sequence of learning and experience that conditions these perceptions. This barrier shift, or rolling sequence of barrier identification, appears to be more or less uniform across SMEs and will strongly influence the level of participation in and success of programmes designed to help them.

- i. *Firms new to international activity require 'how-to' guides, written/on-line case studies and support from experienced international SMEs to provide assistance and 'how to' knowledge in addressing initial problems and challenges (e.g. How to anticipate the consequences of going international, how to plan market visits and trade-fair strategies or how to identify potential international partners).*
- ii. *More experienced international SMEs are more likely to be assisted effectively through the delivery of specific services (e.g. introductions to potential clients) or grants to allow them to engage specialised sources of support.*
- iii. *Medium-sized international SMEs seeking to grow their businesses may benefit most from specialised training and support to help develop their higher level skills in the areas of gathering and elaborating information on international markets.*

15. Governments need to increase the awareness of existing programmes for assisting with SME internationalisation:

- i. *Governments should do more to publicise the wide range of support programmes available to SMEs seeking to access international markets as, on the whole those programmes are regarded as useful by enterprises that use them.*
- ii. *Programmes to support internationalisation need to be integrated better with others that promote growth, competitiveness and innovation.*
- iii. *Government support programmes ought also to dovetail with those being offered by NGOs and private sector providers.*

Recommendations for further work

16. The OECD and APEC should continue to cooperate closely, and also partner with other international institutions, to assist governments in removing the barriers to SME access to international markets and promoting SME internationalisation. Further work could be developed in the following directions:

- i. Collate and assess best practice in member economies for government support programmes to assist SMEs to internationalise.
- ii. Identify key performance indicators and other methodologies to evaluate and monitor the effectiveness of support programmes for the internationalisation of SMEs (this work would be carried out in co-ordination with the OECD Entrepreneurship Policy Indicators Project).
- iii. Improve the availability of data and statistical information relating to SME internationalisation.
- iv. Improve knowledge of SMEs activities in the field of international investment and implications for policy (this work would be carried out by the OECD Investment Committee in cooperation with the OECD Working Party on SMEs & Entrepreneurship).
- v. Extend the current OECD Working Party on SMEs & Entrepreneurship work investigating the benefits accruing to SMEs involved in global supply chain networks to analyse also the beneficial linkages between SMEs and Multinational Enterprises who operate in the same external markets.

1. INTRODUCTION

17. Although SMEs³ are a major source of growth and job creation, SMEs appear to be under-represented in the international economy relative to their contribution in national and local economies. Many of the problems facing SMEs for their efforts to internationalise are known regarding information, finance, management and so on. Almost all economies currently provide a package of services and programmes designed to assist firms to internationalise effectively. But these programmes are not necessarily aimed at, or geared to, smaller firms. The aim of this OECD-APEC project is therefore to gain a better understanding of the barriers to internationalising *defined as all those constraints that hinder the firm's ability to initiate, to develop, or to sustain business operations in overseas markets* faced by SMEs, and to share knowledge of government interventions to reduce those barriers.

18. This report seeks to contribute to the ongoing identification and monitoring of those impediments, the identification of best practices in support programmes for SMEs and developing ways for reporting and action mechanisms for dealing with the impediments.

19. The report is structured as follows. The following section presents a review of the literature in the field, and covers in particular: *i)* the main issues in SME internationalisation; *ii)* the patterns of international business activities of SMEs; *iii)* an analytical approach to investigate the management of SMEs seeking to compete effectively in international markets; and *iv)* a review of government policy aimed at supporting the international SME. Section 3 introduces the methodology of this project and presents the findings of the two surveys undertaken: the Member Economy Policymaker Survey and the SME Survey; the final part of Section 3 analyses the barrier matches and mismatches in perception between governments and SMEs. Finally, section 4 contains the report's general conclusions, policy recommendations and suggestions for future research.

³ See Annex 1 for the definition of SME.

2. SMEs ENGAGED IN INTERNATIONAL ACTIVITIES: “THE INTERNATIONAL SME”

2.1. Many issues emerge from the literature...

20. The past twenty years has seen growing policy and academic interest in the role of SMEs within a global context. The OECD report on “Globalisation and Small and Medium Enterprises” (1997) noted that in general terms, SMEs contribute between 15 and 50 per cent of exports, and between 20 and 80 per cent of SMEs are active exporters. Although actual numbers may vary across countries, the report comments that the great bulk of SMEs are now subject to the pressures of globalisation even though they may not be internationally active in any way.

21. In part, the increased level of interest in this area of research has been stimulated by the growing debate on globalisation, its impact on the development of SMEs and the entrepreneurial response required by businesses to deal with increased competition (Ibeh, 2000). There has been much debate surrounding the negative impact of globalisation on the international SME arising from increased competitive pressures. However, SMEs have long found opportunities in the global economy and as international trade has expanded, so too have these opportunities.

22. Research has shown⁴ that even the smallest of businesses are internationalising at an increasing rate (McDougall and Oviatt, 1999). In fact, start-ups in most of the trading economies of the world are increasingly being launched with cross-border business activities in mind — the ‘born-global’ trend (Autio, Sapienza, and Almeida, 2000; Etemad and Wright, 2003). Entrepreneurs are focusing more on international business as global communications and transportation become more efficient and as trade agreements pry open national markets to foreign competition. Research indicates that size does not necessarily limit a firm's international activity (e.g. Wolf & Pett, 2000, Verwaal & Donkers, 2002) and that SMEs often become global competitors to take advantage of their unique resources (Gomez-Casseres, 1997; Pope, 2002).

23. The numerous benefits to SMEs engaged in international trade are well documented, with a considerable body of evidence that international trading activity stimulates increased productivity growth by strengthening competition and innovation and increasing access to new ideas and technology (DTI 2006a). International trading activity enables businesses to achieve growth and economies of scale which domestic markets alone would not provide. Exporters are consistently found to out-perform non-exporters using a variety of measures of success, including profitability, production, wages and sales volumes (Aw & Hwang 1995, Bernard & Jensen 1997, van Biesebroeck 2003, Isgut, 2001). While it is likely that a significant degree of self-selection is present, where it is the most successful firms who tend to enter international markets, there is considerable evidence to suggest that ongoing export activity results in further performance improvements (Baldwin & Gu, 2003). Furthermore there are strong links between innovation, internationalisation and productivity growth (Harris, 2004 Harris & Li 2005, Hughes, 2004). Internationalisation allows access to new market opportunities, allows for the absorption of excess production capacity or output, and improves resource utilisation and productivity. It exposes the SME to international best practice, knowledge and technology through greater experience of the competitive

⁴ For more detailed analysis, see Palitch, L.E. & Bagby, D.R ‘Trade Trends in Transatlantica’, (2006) in ‘Trading Places: SMEs in the Global Economy’, Lloyd-Reason, L. & Sear, L., Edward Elgar, forthcoming.

pressures of the international trading environment (MED 2002). The emergence of transnational production systems enables the disaggregation of value chains and advances in Information and Communications Technology (ICT) reduces barriers and costs associated with distance.

24. Despite these advantages, the SME share in the total value of international trade is often found to be markedly lower than their share in GDP, evidence of the barriers facing the SME seeking to access international markets. An OECD Trade Survey, "Looking Beyond Tariffs-The Role of Non-Tariff Barriers in World Trade" undertaken in 2005, reported that businesses feel that numerous non-tariff barriers affect their access to foreign markets with different surveys carried out in different parts of the world reporting similar kinds of obstacles. A recently published paper in the UK (DTI 2006b) identified numerous barriers to internationalisation facing the SME (see section E) whilst a study into barriers to entrepreneurial new ventures in New Zealand (Shaw & Darroch 2004) found a range of barriers from financial and cost-based barriers to limited market knowledge. Barriers to internationalisation commonly reported by SMEs include lack of information, knowledge and experience in international markets, the high costs of establishing and maintaining foreign distribution and marketing networks and the difficulties involved in managing complex relationships at distance.

25. In the light of such barriers facing the international SME, these firms have attracted the attention of policy makers, with a recognition on the part of government that these barriers have the effect of reducing the ability of potential high growth firms to achieve their full potential from international markets. Furthermore, any barriers to international trade are likely to impinge disproportionately on the international SME which are often the most productive, R&D intensive and most growth orientated and thus potentially the strongest contributors to a dynamic national economy. It is not surprising therefore that a wide range of policy instruments aimed at supporting the international SME have emerged over recent years.

2.2. ...but scarce data are available for the analysis of a complex and evolving phenomenon

26. There is often an underlying assumption that exporting and internationalisation for all practicable purposes mean one and the same thing. In reality the situation is far more complex and exporting is only one type of international activity undertaken by the international SME. However, when discussing the role of the "international SME" within the global economy it must be acknowledged the poor empirical base for the "international SMEs." The OECD SME and Entrepreneurship Outlook (OECD, 2005) has noted that major deficiencies are apparent in terms of international comparability which prevent meaningful high quality empirical analysis. This highly problematic issue was recognised in the 2004 Istanbul Ministerial Declaration in which Ministers invited OECD to develop a robust and comparable statistical base for SME analysis. Although national studies into the area of the international SME have been conducted, there are very few sources of data allowing for meaningful comparison. With these difficulties in mind, the analysis that now follows draws upon two significant studies into international SME behaviour, one from the European Union and one from the USA.

27. The first of these is *Small & Medium-sized Exporting Companies: A Statistical Handbook*⁵, which was prepared by the Office of Trade and Economic Analysis at the International Trade Administration (ITA) in the United States. It is based on statistics generated from the U.S. Commerce

⁵ Reference: www.ita.doc.gov/td/industry/otea/docs/SMEstat-hbk2001.pdf. Please note the report has now been replaced by a later version.

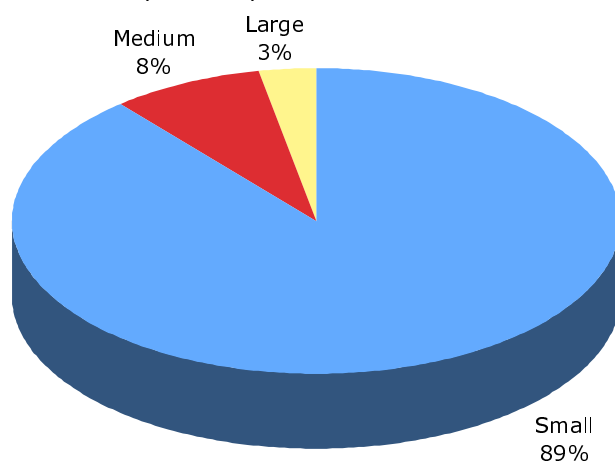
Department's Exporter Data Base, which provides a snapshot of American exporting companies through a study of 238,284 exporting firms⁶ accounting for 85 percent of all measurable merchandise export value.

28. The second study, the *2003 Observatory of European SMEs: 2003/4 Internationalisation of SMEs*, provides statistics on European SMEs. This report, funded by the European Commission, is extensive and offers uniform data on SMEs from 19 European countries (15 EU countries, plus the four member nations of the European Free Trade Area). The report is based on data from 7,745 SMEs, a sample that was stratified by industry, enterprise size, and country. Overrepresentation of certain countries, sectors, and size classes were corrected using appropriate weightings, and all reported percentages refer to weighted findings.

29. It is important to note that the EU report (ENSR) considered internationalisation in all its forms, whereas the US report focused on export activity alone, and then only on merchandise excluding services. The US report is also different in that it compares data representing ten years of export activity; the EU report focuses on responses of study participants from a single year. Finally, the two reports use different definitions for SME size categories. The U.S. study defines small companies as those having fewer than 100 employees and medium-sized firms as having 100-499 employees — the groups combined being SMEs. Large firms are those having 500 or more employees, while very small companies have fewer than 20 employees. In the EU study, SMEs include firms with fewer than 250 employees, which breaks down into micro enterprises (0-9 employees), small companies (10-49 employees), and medium-sized companies (50-249).

30. Data from the ITA report show that the international business involvement of SMEs is rapidly accelerating. Between 1987 and 2001 the number of SMEs participating in exporting grew by 250 percent, from 65, 871 to 230,736. This latter number accounts for 97 percent of all US exporters (as indicated in Figure 1) and, relative to large firms, the number of SME exporters grew nearly twice as fast between 1992 to 2001. That is, exporting SMEs increased by 113.6 percent during this period (compared to 56.3 percent for large firms), and SME export revenues surged from \$103 billion to US\$182 billion.

Figure 1. Size Composition of U.S. Exporting Companies, 2001
238,284 Companies Exported Goods from the U.S. in 2001



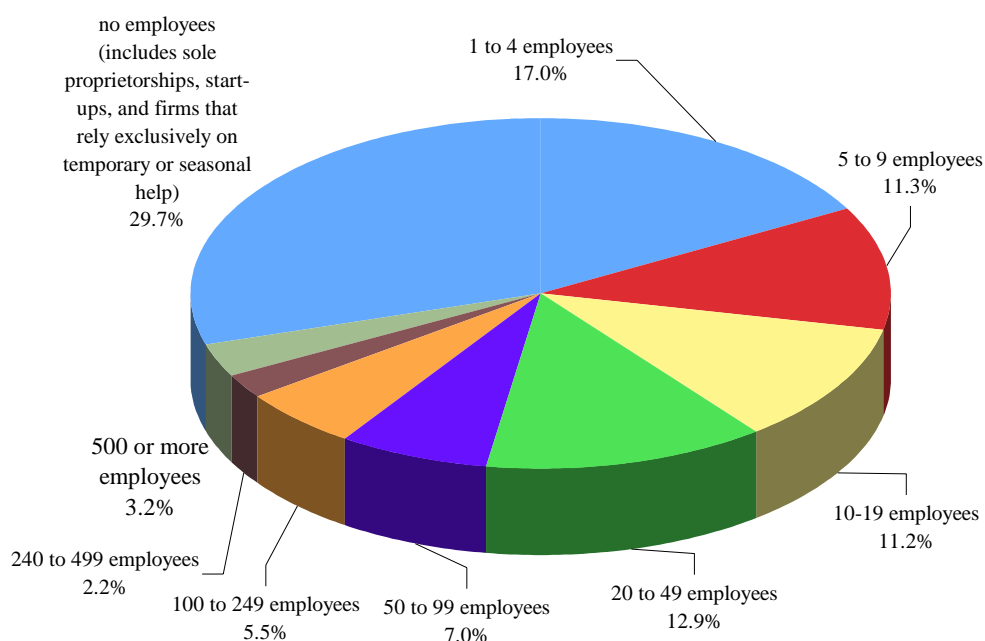
Note: Small = less than 100 employees; Medium = 100-499 employees; Large = 500 or more employees.

Source: U.S. Department of Commerce, Exporter Data.

⁶ These were *mostly* U.S.-domiciled firms, but the study also indicates data from U.S. affiliates of foreign firms that export goods from the United States.

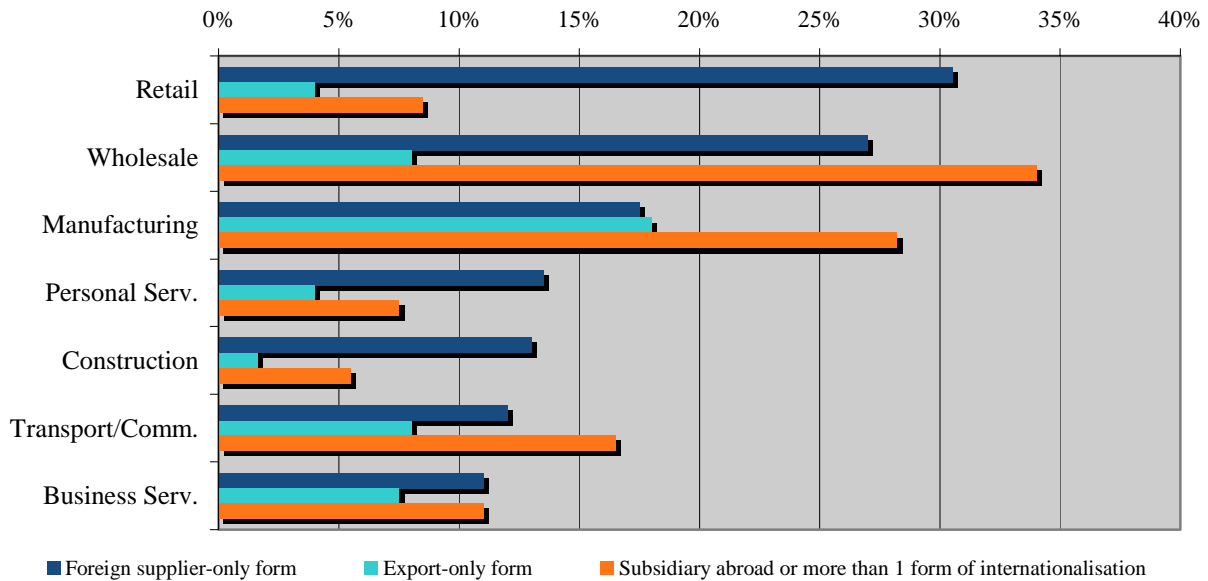
31. Most exporting SMEs are surprisingly small. More than two-thirds of all US exporters (69 percent) have fewer than 20 employees (for a detailed breakdown, see Figure 2). This statistic is even more noteworthy when considering that the data are based on merchandise exporters only and do not include services, where smaller firms are likely to predominate. Furthermore, this figure does not include importing, an activity in which the EU report Observatory data suggest smaller firms are even more apt to be involved. Thirty percent of international SMEs in the EU study engaged solely in importing versus 18 percent in exporting alone; however, export and import activity are more frequently found in combination, which seems to indicate that one promotes the other, an interpretation that is supported by a Dutch study (Elk & Overweel, 1991). This correlation is less than consistent across industry sectors (see Figure 3), but these data underscore the main thrust of this section: SMEs appear to be far more internationalised than common perceptions suggest.

Figure 2. Percent of U.S. Exporting Firms in 2001 by Number of Employees
238,284 Companies Exported Goods from the U.S. in 2001



Source: U.S. Department of Commerce, Exporter Data Base, 2001.

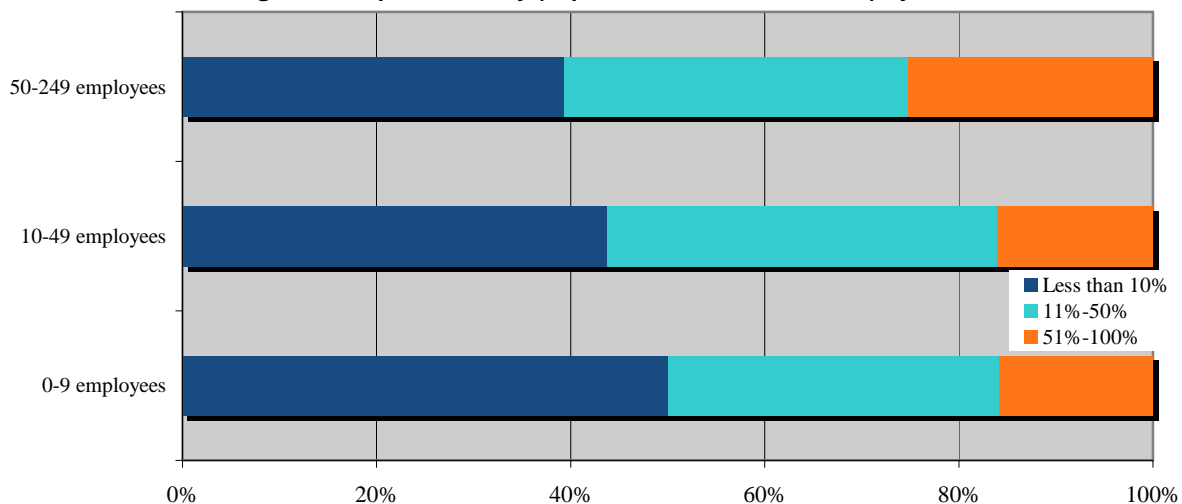
Figure 3. Internationalisation in Different Sectors



Source: ENSR Enterprise Survey, 2004.

32. The EU report reveals that only 17 percent of the micro enterprises (0-9 employees) in their sample had exports or exports in combination with other forms of international business. This number increases to 38 percent for small companies (10-49 employees) and 51 percent for medium-sized firms (50-249 employees). Thus, firm size seems to have a significant impact of the internationalisation activity of European firms. Furthermore, export *intensity* (i.e., exports as a percentage of total sales) increases with firm size (see Figure 4), though these size-related differences are less striking than those related to internationalisation. Regarding similarities to American firms, though, caution is needed as it is difficult to make meaningful comparisons with the ITA data because the US study includes only exporters and uses different firm-size definitions.

Figure 4. Export Intensity (export as % of total turnover) by Size



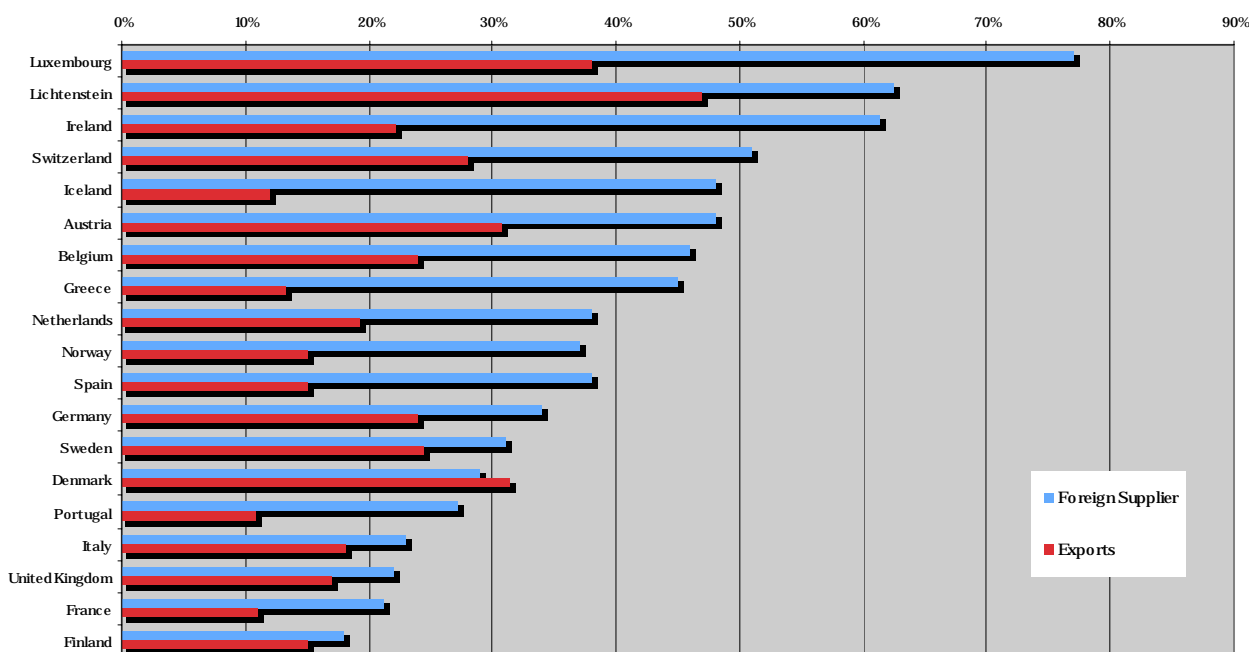
Source: ENSR Enterprise Survey, 2004.

33. SMEs in the United States accounted for almost 30 percent of the country's total exports, in dollar terms. Thus, it is worth remembering that although large firms constitute only 3 percent of all exporters, they produce over 70 percent of the value in exporting. This is consistent with the global spread of large firm exports. In 2001, 63 percent of SME exporters traded with only one other country, while 54 percent of large firms exported goods to *five or more* foreign markets. Still, SME revenue from exporting rose by 77 percent from 1992 to 2001, and most of these SMEs (90 percent) achieved these results from a single location as opposed to setting up operations in multiple locations.

34. In all product groups, the majority of US exporters are SMEs; however, there are some notable differences between categories. For example, SMEs make up more than 90 percent of exporting firms in the manufacture or machinery, computers and electronic products, and transportation equipment. They also maintain a dominant share in sectors such as wood products, apparel manufacturing, and printing and related goods. It should also be noted that more than two-thirds of the SMEs are non-manufacturers, and these companies had 60 percent of total SME exports. SMEs also constitute 93 percent of high-tech exporters, which suggests that this category of firms is crucial to the commercialisation of cutting-edge products.

35. The response of SMEs to the call of business opportunity around the globe has been robust, but the degree of that expansion varies substantially among the European countries. Using import and/or export activity to index internationalisation, the Observatory study reveals that this variable is linked to the size of the country in which the SME is domiciled (see Figure 5). For example, more than 50 percent of the SMEs in Luxembourg, Liechtenstein, Ireland, and Switzerland do business with foreign suppliers, and of the nine most export-oriented countries (those with 20 percent or more SMEs that export), only Germany is a large state. This is consistent with national studies that have suggested that SMEs with specialised production quickly learn that the domestic market provides limited opportunity for expansion, which then forces these companies to look to international markets to support their business ambitions (Elk & Overweel, 1991; Braunerhjelm, 2000; O'Malley & O'Gorman, 2001).

Figure 5. Percentage of SMEs with Foreign Supplier or Exports



Note: The categories are not mutually exclusive, since one SME may have both export and a foreign supplier.
 Source: ENSR Enterprise Survey, 2004.

36. In the past, SMEs typically reached the world via exporting, and this continues to be an important mode of entry; however, during the past decade internationalisation has become a much more differentiated business activity. For example, Fletcher (2001) found that the majority of firms in his study were involved with both outward (e.g., exporting) and inward (e.g., importing or knowledge accessing) activities in their international dealings. Reflecting this trend, the Observatory study sorted SMEs into four groups: (1) importers only, (2) exporters only, (3) SMEs with subsidiaries, branches, or joint ventures abroad, or those engaged in multiple forms of internationalisation, and (4) non-internationalised SMEs. Obviously, companies falling into group three engaged in more complex forms of internationalisation. Although the majority of responding SMEs were classified as non-internationalised, it is interesting to note that three times more SMEs import from foreign suppliers compared to the number of exporters, which is often considered the mainstay of SME internationalisation.

37. This growing tendency for SMEs to be engaged in multiple forms of internationalisation seems to be directly related to SME international competitiveness. For example the 2004 ENSR survey found that 69% of SMEs with subsidiaries abroad or more than one form of internationalisation report that 'internationalisation has improved their competitive strength', whereas this was reported to be the case for only 56% and 53% respectively of SMEs involved solely in exporting or solely in importing. The suggestion here is that SMEs involved in more complex forms of internationalisation are exposed to, and develop 'competencies that eventually lead to better overall performance' (European Commission, 2004: 43). This conclusion is further supported by a number of other recent studies (Majocchi and Zucchella, 2003; Werner, 2003).

2.3. Managing the 'International SME': An example of analytical approach

38. Faced with this changing competitive environment, SMEs are in many instances struggling to professionalize their business activities, adopting more formal strategic planning procedures, changing decision making systems, organisational structures, information technology, accounting systems, clarifying job descriptions and so on. The literature, however, has clearly identified the paradox facing SMEs when attempting to internationalise their activities. Lindell and Karagozoglu (1997) argue that SMEs are characterised by qualities of entrepreneurship, flexibility and product development motivated by the need to generate growth and to challenge both existing markets and existing players. However, we also find informal structures, insufficiently developed administrative and accounting procedures and unsystematic, sometimes erratic, decision making processes, compounded by the inability or unwillingness to delegate responsibility to more experienced managers. It is often the case that an entrepreneur with a good idea, experiencing fast growth in the initial stages may not possess the business experience to sustain the company in the longer term.

39. Therein lies the dilemma for management practices within SMEs during the internationalisation process. Although their small size may provide some of the competitive advantages described above, the internationalisation process calls for efficient management at the corporate, business and functional levels (Lefebvre et al, 1993). It also requires high levels of experience and expertise. Of course a major problem for SMEs at the international level, consequent upon their size, is a low resource base. The internationalisation process often requires the development of new information systems, new technology and new products, involving substantial resource inputs and close co-ordination over a lengthy time period. To attain a truly international position, given its resource constraints, Lindell and Karagozoglu (1997) argue that the SME needs to cooperate and to put considerable effort into networking.

40. Evidence from a 1200 company survey of SMEs in the East of England, titled 'Competing Effectively in International Markets' (CEIM) undertaken by Lloyd-Reason and Mughan, reveals that the feasibility of a strategy of internationalisation will depend on the skills and knowledge base of the firm in

question. A typology of international SMEs was developed to establish the skills and knowledge needs of international SMEs at different stages in their experience of international trading activity as follows:

- i. **The Curious** have considered international activity in the past. They have very low levels of self-analysis with little appreciation of the key problem areas. Many firms in this category were largely resigned to the fact that they are unlikely to be able to resolve any of the major challenges facing them in terms of international activity. In terms of their product, they either feel that they probably don't have the right product, or suspect that there might be a market for them but are uncertain how to proceed.
Ex: We think there might be a market out there, but we are not sure really. (Manufacturing company)
- ii. **The Frustrated** have experience of international activity, but are currently inactive within the international business environment. They identify strategic planning, marketing skills, and product issues as their key challenges. For this group of firms, the whole planning process looks so complex and daunting that they do not know where to start. There is general awareness that international activity requires a different set of management skills and that their inability to successfully pursue international activity is probably due to their poorly developed skills in this area.
Ex: In the past we have never been able to get our costs right. Everyone wants to take a slice of the profit and there is never any left for us. (Chemicals manufacturer)
- iii. **The Tentative** have limited experience of international activity and have developed some skills but have major problems with no real solutions. They see market intelligence as the critical issue facing them. They generally feel that internally things are under control and the only real problem is in finding customers. Within this group a general inability to self-analyse with a tendency to look to service providers to solve their problems for them.
Ex: The most useful thing the support agencies could do for us would be to give us a list of potential overseas customers. (Software design company)
- iv. **The Enthusiastic** have considerable experience of international activity and are keen to grow this side of their business but are experiencing barriers to that growth. They identify management skills, finances and market intelligence as their key challenges. As their international activity grows, the increasing need for higher level management skills becomes apparent if they are to manage an increasingly complex environment effectively. Finance now becomes more of an issue both in terms of capital funding and cost management. Market intelligence remains a key issue, but less so than for the tentative SMEs representing an increased awareness that the key issues here are more internal to the firm than external.
Ex: We have had some real successes in the past, but we don't seem to be able to capitalise on them. We really should be more strategic and proactive, but we just don't seem to be able to find the time to sit down and talk things through. (Toiletries manufacturer)
- v. **The Successful** have extensive experience of international activity with some major successes. They have very high skills and knowledge development, very aware of available support with a high degree of usage. They are often aware of their skills and knowledge gaps and very keen to improve effectiveness in international activity. They identify management skills as their key challenge, because many of these firms operate in a highly complex environment. Whilst they still may face problems related to finance or market intelligence, their knowledge and learning ability have enabled them to regard these problems as secondary considerations.

Ex: We know our markets and our customers, the real problem facing us now is developing the skills to service our markets at a distance. (IT specialist company)

41. The key challenge to international trading activity reported by successful firms can be identified as the increasing complexity of the environment within which they are required to operate. Managing relationships at distance, understanding unfamiliar business customs, cultural and language complications and the need to develop different business solutions in different parts of the world all add up to a highly problematic set of circumstances. The point is consistently made that SMEs wishing to compete effectively in their international markets must learn to operate outside of their 'comfort zone'. The challenge for managers of international SMEs then is to develop a set of skills-sets and strategies to overcome these barriers and challenges. These skills-sets which could be viewed as pre-requisites for any SME wishing to compete effectively in international markets can be broken down into the concepts of *planning*, *manning* and *scanning*.

- i. **Planning** describes the way in which a company navigates its involvement in foreign markets. This comprises financial and legal matters as well as production, resources and logistics. Some companies (a minority) will undertake careful preparations and analysis of its own readiness and suitability for a particular international venture in a foreign market including the drafting of a business plan. Other companies (the majority) simply respond to an international opportunity with a view to generating revenue without too much thought as to the implications of this action or how to undertake it in a sustainable way.
- ii. **Manning** describes the management process by which a company organises or develops its resources to service foreign markets. These resources are usually both material and human. Some adaptation of products and manufacturing process may be needed to meet the needs of overseas clients. The need to communicate with those clients will generate a demand for skills such as foreign language competence. These may be met by recruitment, training or consultancy measures.
- iii. **Scanning** describes the way in which the business informs itself about those markets. Market information is one of the more obvious elements of international activity. More and more channels of communication requiring varying levels of skills and investment are now available. Many of these can be carried out at a distance but the most valuable form of knowledge, market intelligence, is usually obtained via personal relationships and visits to the market or other events such as trade fairs.

42. Associated with each of these three key components of the process, we can identify a set of implications related to skills, knowledge and attributes required if the firm is to effectively manage their international activity. These are identified in Table 1.

43. The *planning* skill-set poses serious challenges to the typical small and medium enterprise. Most companies came into existence not as a deliberated, rational response to a set of market conditions but in response to an opportunity or a passion. To ask such an organisation to adopt a strategic planning approach to foreign markets is therefore asking them to do something alien. All of their personal and commercial history may even militate against the suggestion. They have built their persona around the value of being pragmatic, problem and sales-oriented and commercially astute. That is, at this point, strategy is driven by sales rather than the other way round. Indulging in abstract concepts and calculations about markets and competences seems to them to be the antithesis of business success. Even if they could see the case for it, it is usually not something they would see themselves as capable of.

Table 1: Skills and knowledge breakdown

	SKILLS	PURPOSES (FIND ANSWERS!)	<i>KNOWLEDGE</i>
Planning	<ul style="list-style-type: none"> ▪ Markets ▪ Financial ▪ Legal ▪ Production ▪ Competition 	<ul style="list-style-type: none"> ▪ What are the reasons for going international? ▪ Is the company ready to do it? ▪ What will be the impact of this decision on the organisation? 	<ul style="list-style-type: none"> ▪ Do the responsible managers know how to build a strategy?
Manning	<ul style="list-style-type: none"> ▪ Communication (foreign languages) ▪ Sales ▪ Logistics (inc. documentation) ▪ Leadership 	<ul style="list-style-type: none"> ▪ Do we have the resources to support exporting? ▪ Do we have the skills to meet the needs of overseas clients? ▪ Are we prepared to build and develop relationships with key partners? 	<ul style="list-style-type: none"> ▪ Do the responsible managers know how to structure and skill up the company?
Scanning	<ul style="list-style-type: none"> ▪ Market research ▪ Identifying opportunities ▪ Building the best channels to market ▪ Building networks ▪ Monitoring the competition 	<ul style="list-style-type: none"> ▪ Is there a market for our products and, if so, what do we need to know about it? ▪ How do we find these things out? ▪ How do we exploit these opportunities? 	<ul style="list-style-type: none"> ▪ Do the responsible managers know how business practice differs in other markets and how this might impact on the company?

Source: Lloyd-Reason, L & T. Mughan (2003).

44. With regard to *manning*, most of the companies interviewed have limited resources with which they can develop their international trade ambitions. Some, however, often as a result of sound strategic planning, develop a clear idea of how they need to develop their material and human resources to make their international activities more profitable. This often involves investing in skills which are not critical to domestic business success, such as foreign language skills.

45. It is important to note the key role played by the owner-manager in this context. This person has to provide the leadership and informed decision-making in this challenging environment. There is a strong body of literature that suggests that owner-managers with a strong international orientation tend to be more successful in the long term as they appreciate the need for new skills more quickly. The skills this person possesses are therefore the critical ones and they need to be in place before any of the others can be developed or effectively deployed. In this respect, manning follows on from planning, which, as a process, needs to identify skills shortages and devise a plan to redress them.

46. A great deal of support for the “international SME” has traditionally leapt straight to the process of scanning, bypassing the first two stages. Information about opportunities in a foreign market can be sufficient to create an exporting opportunity which a company will seek to exploit. In a more competitive and strategic environment where the company first needs to assess its readiness and ability to export effectively and in a sustained manner, information about foreign markets needs to be aligned in a more structured way with the company’s plans. Information is not just about one-off opportunities; it is about market conditions, national regulations and competition. The forms of information available in the global economy are multiple and accessible through multiple channels. Competing effectively at a distance is only possible if a company can maximise its understanding of the local environment and conditions. Market information (and its partner, intelligence) are therefore an on-going and crucial tool to a company that wishes to grow in international markets.

47. Here once again, the process of scanning needs to be seen, not just as an activity in itself, but as a part of a strategic approach towards international trade. The issue is not the obtaining of information, but the decision as to what information to look for and where to look for it. Answers to these questions should emerge from a strategic business plan. This does not preclude the possibility of a fortuitous order coming through the letterbox and proving to be the start of a successful exporting venture. The strategic plan will ask of the company and the owner-manager questions that will help him/her devise the tools and skills to take advantage of such an opportunity, to develop it and to apply it to other markets. In this way, the firm continues to behave opportunistically or entrepreneurially, but within a more strategic framework so that international activity becomes targeted rather than ad hoc.

48. In this section the report has considered the managerial challenges for the “international SME” and has reviewed some of the key issues surrounding skills and knowledge development through an examination of the key role these play in building the ability to compete effectively in international markets. In order to summarise these complex issues, the Box 1, Box 2 and Box 3 identify the skills and knowledge needs of “international SMEs” across the five categories.

Box 1. Skills and knowledge needs: The Curious and the Frustrated

Inactivity in international markets is largely due to the lack of perceived international market opportunities (no pull factor) and generally benign domestic conditions (no push factor).

Key questions facing these two groups:

Planning: Do we really want to grow the business through international activity?

Manning: If so, do we have the skills and resources to achieve this objective? If not how do we fill the skills and resource gaps?

Scanning: How do we find out if there is a potential international market for our products?

Skills and Knowledge Needs

Planning

- How to build a business plan
- How to map course of actions and learn basic process
- How to anticipate the consequences of the decision to go international
- How to identify the actual costs associated with new market development
- How to evaluate company response to export opportunities

Manning

- How to assess strengths and weaknesses of internal resources
- How to obtain extra resources, where necessary
- How to approach support agencies
- How to manage doing business in a foreign language
- How to modify products to meet market needs better
- How to process orders
- How to plan market visits and trade fair strategy

Scanning

- How to find out about potential market opportunities
- How to assess competitive position in selected markets
- How to identify where and when problems with foreign languages occur
- How to identify potential partners
- How to triangulate market intelligence sources
- How to find out about market regulations that affect market development
- How to find the type of information and/or contacts to comply effectively
- How to identify and approach support agencies

Source: Lloyd-Reason, L & T. Mughan (2003).

Box 2. Skills and knowledge needs: The Tentative and the Enthusiastic

The Tentative: Little ability to self analyse. Have discovered that international trading is complex and challenging and have lost their initial enthusiasm. Perceive problems to be largely external to the firm and expect support agencies to solve them on their behalf.

The Enthusiastic: Understand complexity of international trading environment and perceive the critical challenge to be (in) ability to compete effectively. That is, they understand the key problems are internal rather than external. Much more receptive to support agencies than the Tentative.

Key questions facing these groups:

Planning: Are we committed to international activity? Do we need to revisit our business objectives? Are we being strategic enough in the way we deal with our international markets and customers? How can we develop more established guidelines and procedures?

Manning: How do we identify our skills gaps? How do we acquire/develop dedicated resources? How do we find and assess appropriate support?

Scanning: How can we learn to understand the differences between markets and how to manage those differences? How do we evaluate market opportunities?

Skills and Knowledge needs

Planning

- How to develop more established guidelines and procedures
- How to identify processes by which to evaluate current international activity

Manning

- How to affirm market operations and negotiate changes, if necessary
- How to identify the appropriate type of market presence
- How to undertake an audit of skills and resources
- How to move towards a geo-centric HR strategy
- How to understand the differences between markets and how to manage them

Scanning

- How to service the needs of current international customers
- How to identify new market opportunities
- How to develop a framework for new market development
- How to find and assess the most appropriate type of support

Source: Lloyd-Reason, L & T. Mughan (2003).

49. In Box 4, the potential for government intervention is identified. It is argued that whilst all firms will benefit from government intervention, the category which would benefit most, and would deliver the best return from that intervention is the Enthusiastic. All firms require assistance with planning and it is argued that this should represent the key starting point for government assistance to firms seeking access to international markets.

Box 3. Skills and knowledge needs: The Successful

Have a number of strengths: Internal – high level skills development; External - strong products and well established markets. Understand the key to success is their ability to manage an increasingly complex and challenging international business environment.

Key questions facing this group:

Planning: How do we control the new market development process? How do we influence key stakeholders? How do we manage/influence support?

Manning: How do we acquire dedicated resources for key markets? How do we develop specific higher level skills?

Scanning: How do we service customer needs at distance? How do we ensure appropriate local presence?

Skills and Knowledge needs

Planning

- How to control the new market development process
- How to influence key stakeholders
- How to develop a strategic approach to effectively establishing a local presence
- How to manage/influence support

Manning

- How to identify and develop specific skills
- How to build a tighter international team
- How to acquire dedicated resources for key markets
- How to assess support in the new market development process

Scanning

- How to develop client relationship management systems, particularly the management of client relationships at distance
- How to use cultural differences to benefit the business

Source: Lloyd-Reason, L & T. Mughan (2003).

Box 4. Lessons for government intervention

- The *Curious, Frustrated and Tentative* need assistance with clarifying and understanding their problems. This could be achieved through, for example, the provision of 'how-to' guides, written/on-line case studies and support from the *Successful* to provide assistance and 'how to' knowledge in addressing initial problems and challenges.
- The *Enthusiastic* and *Successful* need more direct intervention as their problems tend to be more specific to the business. This could be achieved through the delivery of specific services or brokerage to specialised sources of support.
- The key group who would benefit most from government support – and who would provide the greatest return from that support - are the *Enthusiastic*. That is, well established, high growth, mid-scale enterprises with some degree of experience and success in their international trading activities. These firms are seeking to grow their business through international activity, are experiencing obstacles to that growth and are looking for anyone who might be able to help remove these obstacles so that they can achieve their international growth aspirations.
- *Planning* should be the starting point for government intervention as all categories of firms require assistance with planning. That is, a critical assessment of why are we doing this and *why are we doing it in this way?* This assistance could be provided for example by specialist International Trade Advisers through relevant government support agencies.

Internal audits to identify skills and knowledge needs and gaps (*manning*) together with training in the strategic *scanning* of markets can be used to support the key issues emerging from the strategic review undertaken through the *planning* interventions.

Source: Lloyd-Reason, L & T. Mughan (2003).

2.4. What do we know about government support for “International SMEs”?

50. This sub-section will present and discuss previous attempts in policy documents and academic literature to analyse and classify policies in support to SME internationalisation. Work in this field tends to take a single member economy focus while there are very few cross-national studies. These studies have to deal with the problem that each respondent country describes its policies within a unique framework of circumstances which infuses the responses, stretching the meaning of terms and making direct comparisons or aggregated results across governments somewhat precarious. These circumstances are both structural and perceptual. They include economic variance (stage of development, degree of state intervention); definitional variance (what is a SME and which ones are eligible for support?); contextual variance (membership of trading bloc and impact of this on national policy); governance variance (extent to which support agencies are independent of government and to which they are coordinated/uncoordinated and centralised/decentralised); and policy variance (attitude towards different forms of internationalisation, e.g. exporting, importing, inward investment, differentiation between industrial sectors).

51. This sub-section will take as a point of departure the relevant sections of the 1997 OECD report entitled ‘Globalisation and Small and Medium Enterprises (SMEs)’. It will then identify subsequent work which may inform the development of a suitable model for classifying government support programmes.

The OECD 1997 Study on ‘Globalisation and Small and Medium Enterprises (SMEs)’

52. This proposed four categories of support in terms of their function:

- i. *Finance* – e.g. programmes to overcome systemic inefficiencies in financial markets.
- ii. *Business environment* – e.g. programmes to improve the general business environment within which SMEs operate.
- iii. *Capability* – e.g. programmes to assist in human resource development and to help enhance the capability of SMEs to survive and compete.
- iv. *Access* – e.g. programmes to provide access to information and markets.

53. The most common programmes belong to the final category, access to information and markets. The report further observes that most programmes support exporting and programmes to encourage inward globalisation are rare. Examples of programmes across a selection of 18 economies are provided in Annex 5 of the report. Best practices should meet the following criteria: i) Cost effective in delivery; ii) Designed to correct market failures or non-market failures; iii) Effective in encouraging mobility of resources; iv) Effective in helping SMEs contribute to the economy; v) Designed to reflect the needs and capability of SMEs. Policy recommendations and initiatives are proposed to governments to assist SMEs overcome the challenges and reap the opportunities and benefits of globalisation.

The World Bank Study on ‘Fulfilling the Export Potential of Small and Medium Firms’

54. This study was funded by the World Bank and was carried out through surveys of SME exporters in Indonesia, Japan, Korea and Columbia. The research question was ‘How should public policy support the exporting activities of SMEs in LDCs (Less Developed Countries)?’ These support systems were broken up into marketing support systems, technology support systems and financial support systems.

55. In addressing *marketing support systems*, the authors found that, in the countries studied, ‘private networks turn out to be the dominant means whereby SMEs enter into international markets.’ Where government support appeared to be useful, it was normally provided on a decentralised level, such as

industry associations, local government or chambers of commerce. If national organisations have a part to play it is in nurturing private networks and marketing the country.

56. *Technology support systems*, and export marketing, found that private mechanisms play the leading role in firms' acquisition of technological capability. Governments can assist this process by facilitating the access to expatriate workers and consultants from abroad, by investing in human capital and nurturing the emergence of urban industrial districts.

57. The role of the state and its financial institutions or *financial support systems* was considered to be critical for SMEs. The World Bank study recommends a proactive policy towards increasing simplification of these procedures with the introduction of lower interest rates and better repayment regimes.

58. This study, which focused on developing economies, is clear in its assessment of public support services. It favours **actions** which improve the environment for SMEs by giving them access to local, privately driven services and direct access to sources of expertise in the markets they are targeting. The role of government in helping provide access to finance, in competitive conditions, is viewed favourably but its role as a provider of centralised services meets with little approval from companies in the target locations.

59. As an alternative model for the classification of support it has much in common with the OECD study of 1997 but places **more emphasis on technological capability as a factor closely associated with exporting activity**. Given the increasing world-wide focus on innovation as a key business concept in the intervening years and the amount of policy support dedicated to it, this might prompt more thought about the relationship between support for internationalisation on the one hand and for innovation on the other.

The Boston Consulting Group May 2004 Study on 'Export Development and Promotion: Lessons from Four Benchmark Countries'

60. To assist in ongoing policy development, particularly in the area of export development and promotion, New Zealand's Ministry of Economic Development (MED) and the Ministry of Foreign Affairs and Trade (MFAT) jointly commissioned The Boston Consulting Group (BCG) to study the export development and promotion strategies and programmes employed in four selected countries. The key finding to emerge from the study was that governments were increasingly focusing on export market development rather than trade promotion. This stems from the need to respond to global demand rather than supply push, and to build the capacity of domestic firms to meet this demand.

61. The overall aims of the project were to:

- i. Identify a small number of countries whose experiences with the design, delivery and evaluation of export promotion programmes potentially offer useful policy insights for New Zealand.
- ii. Provide details of these countries' export promotion programmes and supporting policies, with particular attention to 'innovative' or cutting edge initiatives.
- iii. Provide details of any publicly available evaluation of the programmes.
- iv. Draw out any policy lessons that could be relevant for New Zealand.

62. This report, produced for the government of New Zealand, focused on the design and management of public promotion programmes and tried to identify best-practice on all levels. It took a

very pragmatic, market-based approach to the issue, concentrating on the design and management of services provided directly to companies.

63. The following key categories of services offered to companies thinking of exporting were identified: exporting know-how (for novice companies); desk information; customised market insight; warm contacts and sales leads; and in-market activities. Based on the study of four countries it proposes a series of considerations for the design of support infrastructure and best-practice solutions (Table 2).

Table 2: Critical decisions and observed best practice

Critical Decisions	Observed Best Practice
Relationship to Government	An external Government agency with an independent Board drawn largely from the private sector. It should preferably have extensive international (at least export) experience
Coordination of export promotion activities across government	A single agency with clear lead responsibility that also heads a whole-of-government committee
Interaction of offshore and onshore activities	Integration of offshore and onshore activities through a single agency
Provision of services at the central or local level	Delivery of services close to the user - but segmented according to the user needs
Interaction between trade promotion organisations (TPOs) and the private sector	Formal mechanisms to allow frequent and close interaction between the private and public sectors

Source: Boston Consulting Group, 2004.

64. A common theme raised in the research was that governments should reduce spending in many traditional areas of activity and focus their efforts on clearly higher value programmes. The two areas typically singled out as needing attention were: customised support for entry and establishment in offshore markets, and the development of firms' internal capacities and competence. The report endorsed the need for export promotion agencies to identify and focus on higher value export promotion activities.

United Nations Conference on Trade and Development (UNCTAD) 2004 Report on 'Improving the Competitiveness of SMEs through Enhancing Productive Capacity'

65. UNCTAD has undertaken a report to assist developing countries in improving the competitiveness of their domestic productive sector. In particular, stimulating the development of SMEs and identifying ways and means for domestic SMEs to meet international standards is vital to enable them to become competitive on global markets.' To this end, UNCTAD organised four Expert Meetings to discuss specific topics that are considered critical for SME development. The Expert Meeting on 'Promoting the Export Competitiveness of SMEs', held from 8 to 10 December 2004 in Geneva, examined different patterns of internationalisation of SMEs through exports, and discussed policies and measures that could help strengthen the export competitiveness of SMEs in developing countries. Special attention was devoted to business linkages between SMEs and Multi National Enterprises (MNEs), which are increasingly perceived as a way for SMEs to gainfully integrate into the global economy.

66. The meeting was organised based on the fact that even though SMEs represent the bulk of production, the share of SME exports in many countries still remains marginal. It was agreed that there is a

need to further facilitate SMEs' access to international markets. The vulnerability of SMEs depends largely on their position in global production networks. The businesses suffering the most from new market conditions are generally those involved in activities at the bottom of the value chain, while enterprises involved in the finalisation of products have much higher chances of succeeding.

67. The Expert Meetings confirmed the consensus that emerged during the 1990s on the need for a flexible combination of State intervention and functioning of markets, a finely tuned mix of macro- and micro-policies and public-private partnerships in order to create a dynamic SME sector. The experts highlighted clusters and value chains and the importance for SMEs to upgrade from low to higher value added activities. It was noted that SMEs in clusters are in a better position than isolated firms because of benefits such as collective efficiency. They also cite the internal capabilities of the firm as a key issue. A competitive firm is one that clearly defines what and for whom to produce, one that is able to effectively and efficiently manage the acquisitions and allocation of resources to fulfil its production and marketing objectives, and therefore achieves bargaining power. A competitive firm is characterised by a sound management of resources, information and know-how, human, financial and physical assets, and network and relationships.

68. The role of governments should be to act in three directions: a) Sectoral funds (raised, for example, by taxing MNEs and other big firms) can be used to bring together universities, big firms and SMEs to work on technology, b) demand-side policy can be used to create domestic demand through adequate macroeconomic policy, without relying only on exports to boost production, and by encouraging big firms to link with SMEs by including this element in public bidding conditions, c) competition policy can be used to protect not only consumers but also producers.

69. European Union funded Research Project: 'National Corporate Cultures and International Competitiveness Strategies – The Challenge of Globalisation for European SMEs', 2005.

70. This study of 153 European SMEs aimed to develop a handbook directed to practising business people of European SMEs who intend to internationalise or are already in the process of doing so. The project found that for the firms studied, services explicitly orientated towards internationalisation were of relatively slight importance. In spite of the wide range of support available, just eleven of the firms declared that such aid formed a real part of their internationalisation trajectory.

71. Above and beyond the question of efficiency, the project found a gap between what is requested by internationalising SMEs and what public bodies and associations offer – or could ever offer. Firms report that the information they receive is far too general and what they want is highly specific information plus close accompaniment. This issue of course raises the tension between what firms say they want and what they actually need.

72. Although most firms reported that they had constructed their international paths alone, behind this level of individual action lay a background of informal networks and local context essential in explaining the amount of information and contacts needed for any successful strategy of internationalisation. In part these networks are the result of personal contacts made at a previous stage of life which are mobilised for the firm's internationalisation plans. They also emerge from the network of relationships which form part of the firms trading environment together with contacts met through Trade Associations, Chambers of Commerce and other representational and development bodies.

Department of Trade and Industry (DTI), DTI Economics Paper No. 18, 'International Trade and Investment – The Economic Rationale for Government Support', United Kingdom, July 2006.

73. Building on previous DTI and HM Treasury analytical papers, this paper reviews the economic case for government support for international trade and investment by looking at the evidence relating to three central pillars:

- i. Evidence of potential benefits to UK prosperity from increased international trade and investment.
- ii. Evidence of market failure which creates barriers to trade and investment, and which would otherwise prevent the business community from fully realising these potential benefits; evidence that there are cost-effective actions which governments can take to address these failures, enabling business to generate sufficient additional benefit to justify the cost of the intervention and increase national prosperity.
- iii. Although the paper does not have the “international SME” as its primary focus, innovative, knowledge-intensive, overseas firms with the potential for high growth are very much at the centre of the key discussions.

74. In an early discussion on the barriers to internationalisation, the paper argues that: young innovative and high-growth potential companies will not be able to fulfil their potential without the capabilities and access to networks, which are necessary for successful internationalisation. Therefore, since there is clear evidence that it is the most innovative, growing and high-productivity businesses which engage in international trade, market-entry barriers will affect this group disproportionately, with adverse consequences for UK competitive dynamism and economic performance.

75. Accordingly, the barriers facing the “international SME” and the potential impact of these barriers form a significant element of the paper. The key barriers facing the “international SME” were reported by the paper as follows: weaknesses in internationalisation skills are a significant barrier to exploiting overseas markets for many SMEs, including innovative firms whose structural characteristics, including R & D activity, are not distinguishable from those who do export successfully. Such skills deficiencies weaken the ability of young innovative firms to realise their potential. There is both quantitative and qualitative evidence suggesting that management attitudes can present a significant barrier to internationalisation in SMEs whose pre-export structural characteristics cannot be distinguished from those who go on to become successful exporters. Evidence suggest that those who may have achieved successful innovations, and would be thus most likely to benefit from exploiting overseas markets, will not necessarily have the requisite complimentary management capabilities to do so effectively.

76. Other barriers facing firms of all sizes were identified as follows: informal barriers are real and significant for individual firms. The incidence of these barriers across firms is not explained by firm size, but does fall when firms have been doing business overseas for many years. Social-network barriers, associated with historical ties and common language, play a significant role and present barriers for individual firms of all sizes and at a collective level. Fixed-cost barriers to selling overseas are highly important from the perspective of individual firms, but their incidence is not linked to firm size.

Considerations

77. Among the studies stated above, the classification developed by the 1997 OECD report on ‘Globalisation and SMEs’ remains the most appropriate available analytical model and it is therefore adopted for the analysis undertaken for this report. All the reviewed studies do however prompt reflections on the content and design of best-practice programmes that may help us evaluate the returns and move towards the development of an instrument for the monitoring of government and institutional actions in the

field. The strong features of these studies are that they take the business environment and the realities of the firm as the starting point for their recommendations.

78. Important issues for discussion emerging from work done since the 1997 OECD publication are:

- i. The support across the cited studies for targeting companies with high potential for international growth. This can be justified on the level of cost-effectiveness but is questioned by some as it implies processes of selectivity in the use of public funds.
- ii. The proposal to build linkages with MNEs. Larger corporations and the attraction of inward investment are becoming increasingly influential in government policy. Leveraging such investment for the benefit of SMEs may provide accelerated routes to internationalisation and growth but requires direct intervention by government.
- iii. The relationship between policies and instruments for internationalisation and those for innovation. In many respects, these are closely intertwined yet there appear to be few systematic linkages to ensure that support is coherent and that companies are supported continuously and effectively across different government funding units and programmes.

3. PERCEPTION OF BARRIERS TO SME INTERNATIONALISATION: TWO SURVEYS

3.1. Methodology

79. This project⁷ used two survey instruments: *i*) the Member Economy Policymaker Survey (see Annex 14), which was completed by member economies of both the OECD and APEC to obtain insights into the barriers facing “international SMEs” as perceived by member economies and to gain a better understanding of the range of support programmes currently available, their focus and effectiveness; and *ii*) the Survey of SMEs’ Perceptions of Barriers to Access to International Markets (see Annex 15), which was completed online⁸ and could then be used to identify any potential mismatch between the barriers as perceived by member economies and those identified by the SMEs themselves in order to make policy recommendations as to how these gaps in provision could be appropriately dealt with.

80. As mentioned in the previous section, the classification developed by the 1997 OECD report on ‘Globalisation and SMEs’ (covering the headings of finance, business environment, capability and access) is adopted for the analysis undertaken for this report. This classification was originally applied to government support programmes. In order to map the perceptions of barriers by governments and SMEs against support programmes devised to address those barriers, for the present project the barriers itemised in the survey instruments were allocated to one of these headings. This allows for a second level of analysis including clustering of barriers which provides for a more comprehensible and actionable reading of the data than that which is possible when the barriers are treated individually. A full list of this categorisation of barriers can be found in Annex 2.

81. The following sub-section focuses on the evaluation of the barriers to SME access to international markets as perceived by member economies. The subsequent sub-section will then analyse the perception of “international SMEs”, before presenting a comparison of the two responses.

3.2. Member Economy Policymaker Survey

82. This survey was issued (see Annex 13) to be completed by delegates to the OECD Working Party on SMEs & Entrepreneurship and to the APEC SME Working Group. The survey sought to ‘obtain details of government funded programmes designed to enable SMEs to overcome barriers to internationalising’. The tool designed to obtain this data was administered to 44 member economies who then distributed it to the appropriate government agencies.

⁷ The project draws largely on work by Leonidou (2004), which reviewed some 40 international studies and ranked the barriers to SME internationalisation.

⁸ The existence of the survey, and encouragement to complete it, was communicated through appropriate channels (e.g. Chambers of Commerce, business associations, government networks) in each economy by the OECD and APEC Working Party delegates. It is acknowledged that the responses are not from a representative sample of SMEs across OECD and APEC economies and consequently the results need to be interpreted with care.

83. This survey was designed to:

- i. Gather a list of central government-funded programmes designed to enable firms (and/or SMEs in particular) to overcome (either specifically or explicitly amongst other objectives) barriers to selling/trading goods or services to markets outside of their own economy (*note:* where an economy considers that a regional, state or local programme – either public or private sector funded – significantly contributes to reducing barriers to SMEs internationalising, then information on that programme was provided).
- ii. Obtain from each member economy a description of the wider context in which its programmes geared to SMEs wishing to internationalise, should be understood.
- iii. Gather details of the parameters of the schemes, funds available, delivery mechanisms, types of assistance, direct or external delivery, charging, targeting and, where possible, data on the uptake of the programme by SMEs (as defined by that economy).
- iv. Obtain a description of the barriers facing firms (and especially SMEs) that the programme is designed to enable them to overcome and how it is expected to do that.
- v. Gather from each member economy, outcomes of programme evaluations in terms of demonstrated benefits, and, if possible, evidence of how SMEs in particular have been helped by the programme.

84. A total of 38 responses were received to the Member Economy Policymaker survey representing a response rate of 82.6%. The distribution of responses is shown in Table 3, whilst a complete list of responding member economies can be found in Annex 3.

Table 3: Member Economy Policymaker Survey responses by region

Region	Responses
Western Europe	14
Asia-Pacific	14
Eastern Europe	5
South America	2
North America	3
Total	38

Source: Member Economy Policymaker Survey, (OECD 2006)

85. Confirming previous studies, the member economies report that SMEs make up between 97% and 99.9% of all business within their respective economies, while the percentage of SMEs actively engaged in export activities varies significantly from as low as 1% (Korea) to as high as 51% (USA).

86. For the purpose of this section, the question of perceived barriers has been evaluated in two ways. First, the barriers were ranked according to the number of responses in which that respective barrier was cited. Second, the first measure was weighted according to the respondents' own rankings (the respondents were asked to list and rank their top 10 barriers; the barrier ranked 1st received a weighting of 10, while the barrier ranked 10th received weighting of 1). Table 4 shows the top 10 barriers to SME access to international markets as reported through the member economy policymaker survey, with a column indicating the classification to which it has been allocated in using the OECD 1997 Classification. (Annex 4 provides a ranking of all barriers mentioned by member economies.)

Table 4: Top 10 barriers to SME access to international markets as reported by member economies

Rank – Weighted Factor	OECD 1997 Classification	Description of barrier
1	Capabilities	Inadequate quantity of and/or untrained personnel for internationalisation
2	Finance	Shortage of working capital to finance exports
3	Access	Limited information to locate/analyse markets
4	Access	Identifying foreign business opportunities
5	Capabilities	Lack of managerial time to deal with internationalisation
6	Capabilities	Inability to contact potential overseas customers
7	Capabilities	Developing new products for foreign markets
8	Business Environment	Unfamiliar foreign business practices
9	Capabilities	Meeting export product quality/standards/specifications
10	Access	Unfamiliar exporting procedures/paperwork

Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

87. Table 4 demonstrates that member economies consider problems which are internal to SMEs to be the main barriers to access to international markets rather than barriers within the external environment, with 5 out of the top 10 cited barriers falling within the *capabilities* category, with just one falling within the *business environment* category. This trend is further reinforced if the analysis is extended to the top 20 barriers reported, with 7 *capability* and 4 *business environment* barriers respectively being identified by member economies.

88. A lack of knowledge and scarce internal resources, both financial resources and human resources feature within the top 10 barriers as perceived by member economies. External barriers, especially those imposed by governments, score relatively low. ‘Unfavourable foreign rules and regulations’ is ranked number 22 and ‘Unfavourable home rules and regulations’ is ranked number 44. One needs to consider, however, that the above responses were provided by officials within the appropriate government departments which could lead to a bias towards a more favourable evaluation of government imposed rules and policies.

89. It can be seen that these findings are consistent with the conclusions drawn from previous studies, as discussed in the sections above. Knowledge barriers and problems with the development of key capabilities as well as further internal barriers, such as a lack of financial resources and management time and commitment, seem to constitute more serious problems to SMEs trying to internationalise than government-imposed or more general regulatory barriers.

Government Support Programmes

90. Member economies report a very wide range of support programmes, some of which are targeted specifically at SMEs, while others are open to all firms subject to specific conditions, such as those operating within special sectors or those offering high growth potential. Furthermore, individual regions within individual member economies offer additional support programmes, which only firms from this specific region can apply for. A complete list of all government support programmes reported by policymakers can be found in Annex 5.

91. The survey instrument provided a wealth of information on individual government support programmes that, in line with the questions this study aims to address, can be used to develop a comprehensive classification of support programmes. As a starting point, the classification of the 1997 OECD Report on 'Globalisation and SMEs' was used, and this can now be modified and extended. These modifications to some extent reflect ongoing developments in international markets which have impacted on economies and government policy.

92. The new framework proposed here for the classification of government support programmes employs a four dimension typology. Government support programmes can be characterised or profiled around four key dimensions. The first dimension is their service focus, for example, financial support versus market information. The second, the mode of international activity, that is the extent to which they aim to support just exporting, or whether the focus is broader to embrace other modes of international trading activity such as importing, outsourcing and so on. The third dimension, their target group, including regional differences, such as, whether the programmes are available to all firms within the member economy, or exclusively to SMEs within specific regions. The fourth, the mechanism through which support is provided, for example, through government agencies or third-parties.

93. The survey has uncovered very different patterns of behaviour across the member economies when it comes to deciding what specific service or support to offer to SMEs. The service focus of government support programmes can be assembled from a number of specific actions which fall under one or more of four main options: finance, business environment, capabilities or access to markets. Programmes with a **financial** focus provide support to firms in one of three categories: export insurance and loan guarantees, development finance and venture finance, and direct financial support to cover costs of international activities otherwise not possible such as export promotion, visits to trade fairs and so on.

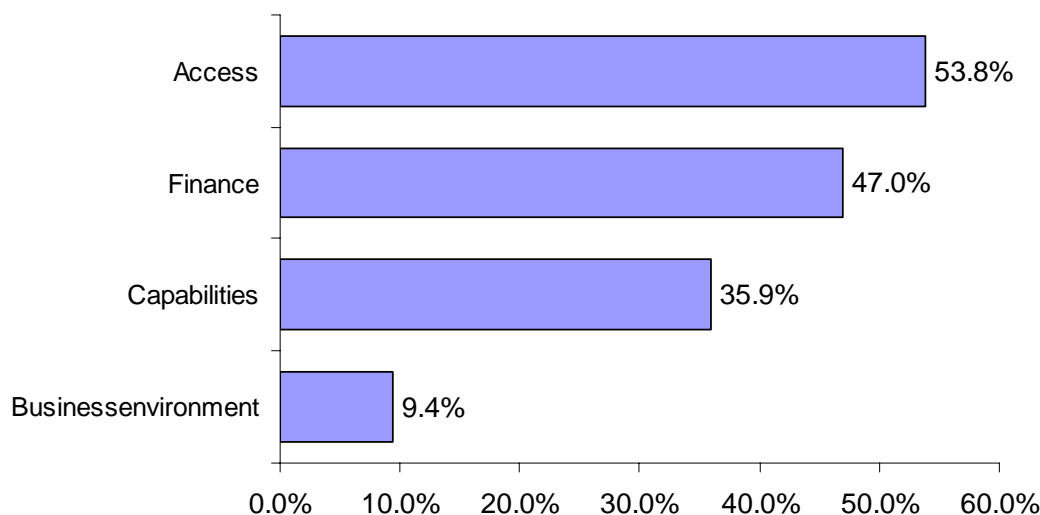
94. Programmes with a focus on improving the general **business environment** tend to concentrate on seeking to remove international trade barriers and on improving the business environment in the home market to give firms a competitive edge, for example, through improvements in the domestic taxation system or through providing a positive environment for R & D activities. Here, sub-classifications cannot be developed easily due to the complexity of this area but include: improvements in international trade, for example, between-member economies, general improvements in the domestic business environment, for example, the legal framework, and specific improvements mainly targeted at providing exporting firms with a competitive edge, such as support of R & D collaboration between local firms, industrial clusters and so on.

95. **Capabilities** programmes focus on helping firms to develop internal capabilities which form a critical element of the internationalisation process. This type of programme generally aims at providing firms with the critical resources required for success within their international markets and can be understood theoretically as part of the resource-based view of the firm. Typically, the programmes reported seek to develop the capabilities of the firm and its employees in the following areas: business planning, marketing, training in the area of cultural differences in international markets, language capabilities and knowledge of export procedures. These programmes also support research into specific technologies, such as production processes, logistics and machinery, aimed at providing a competitive edge to the SME receiving the support.

96. With regard to **access to markets**, the focus of reported support programmes is on gaining initial market access to individual markets, either for exporting, sourcing (importing) or local operations. This classification includes the provision of general market information, specific market analysis, the organisation of trade fairs, off-shore assistance through the foreign consulates of the member economies, and business opportunities.

97. Figure 6 illustrates that 47.0% of government support programmes reported focus on financial support, 9.4 % of programmes seek to address barriers within the external business environment, 35.9% of programmes seek to develop internal capabilities within “international SMEs” and 53.8% focus on barriers connected with problems of access to markets.

Figure 6: Focus of Government Support Programmes⁹

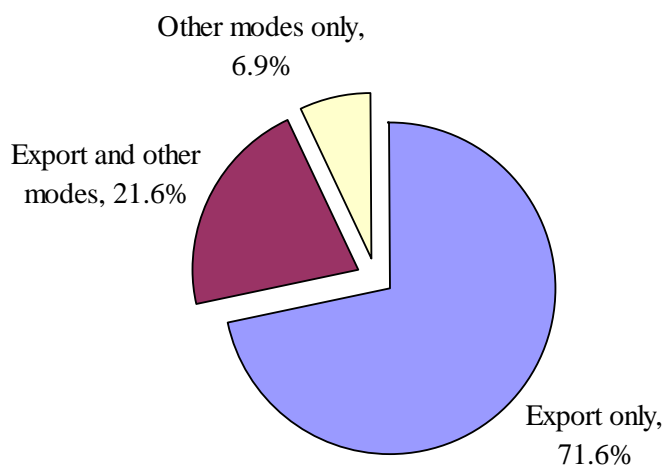


Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

98. As already discussed, the trading experiences of the “international SME” now tend to be far more diverse than just exporting, and often comprise a complex mix of exporting, importing and/or supporting the establishment and maintenance of foreign operations and other collaborations with non-domestic partners. Despite this increasingly common situation, one often finds that the predominant government perception of internationalisation is that it consists mainly of exporting activities, perhaps motivated by a belief that this is where most economic benefit from international trading activity can be derived. This perception is **reinforced** by the reported information on support programmes captured by the Member Economy Policymaker Survey. Although the Survey was not designed to provide a comprehensive review of support programmes currently available, it does nevertheless provide some insights into the priorities of these programmes. Only a small number of programmes appear to take a more holistic approach by providing support for internationalisation in the form of foreign investment or importing. The majority of support programmes reported by member economies continue to place a strong emphasis on supporting those SMEs involved in exporting. Figure 7 illustrates that out of all support programmes reported, 71.6% focus exclusively on supporting export activities. A further 21.6% include exporting as their focus along with importing and/or other international engagements. With regard to support for SMEs involved in importing, 20.7% of support programmes cite importing as a supported activity. Alternatively, just 6.9% of the government support programmes do not have export support as their main focus.

⁹ Percentage adds up to >100% because some support programmes focus on more than one area of support.

Figure 7: Mode of International Activity Supported by Government Support Programmes



Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

99. There are a number of models of government support systems, each targeting particular firms and delivering services in different ways. One such division was in regional versus nation-wide programmes. This may reflect differing political structures, such as federal, centralised or devolved authority. Often there is a unique relationship between central and regional authorities whereby responsibility for government support for business may be clearly owned by one or shared between them. A second alternative was programmes focussing on SMEs or similar segments versus programmes open to all firms irrespective of size. Whilst SMEs tend to be the focus of much support, larger companies also receive help from government in areas such as training and inward and foreign investment. A third alternative to government service delivery was programmes supporting specific sectors versus programmes open to all firms irrespective of sector. Contemporary competitive pressures have led to considerable investment in innovative hi-tech and R&D companies in many member economies. Conversely, sectors such as agriculture remain equally critical to political and economic well-being and also attract special support in some member economies. In areas such as these, there may be overlap between general internationalisation needs and support and sector-specific actions by government.

100. There are three distinct ways in which member economies deliver support: government agencies provide direct support through their staff including off-shore representations; support is delivered through third-parties which include partners with the specific aim of proving government support services such as government-owned banks or public service providers and private institutions; and in some cases, firms are also allowed to choose independent service providers with part of the cost paid by the government agencies.

101. The four dimensions discussed above may be configured in a number of ways to arrive at a particular government support structure. The proposed framework reproduced in Figure 8 provides a basis for conceptualising both the current and future investigation.

Figure 8: Model of government support programmes

<p>Service Focus</p> <ul style="list-style-type: none"> • Access <ul style="list-style-type: none"> • General market information • Specific market analysis • Trade fairs and trade missions • Direct support through foreign representation • Inwards market access • Financial <ul style="list-style-type: none"> • Export insurance & loan guarantees • Development finance & venture finance • Direct financial support • Capabilities <ul style="list-style-type: none"> • Capabilities linked to human capital • Capabilities linked to process and product technologies • Capabilities linked to logistics and IT • Business Environment <ul style="list-style-type: none"> • International trade conditions • Home market conditions • Regulatory developments 	<p>Mode of International Activity</p> <ul style="list-style-type: none"> • Exporting • Importing • Foreign Operations and Collaborations
	<p>Target Group</p> <ul style="list-style-type: none"> • Regional v Nation-wide • All SMEs v specific segments • Specific Sectors v All Sectors
	<p>Provision of Support</p> <ul style="list-style-type: none"> • Government Agencies • Affiliated Service Providers <ul style="list-style-type: none"> ▪ Public Institutions ▪ Private Firms • Independent Service Providers

Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

Summary of findings from the Member Economy Policymaker Survey

102. The analysis of the Member Economy Policymaker Survey found that member economies consider problems which are internal to the “international SMEs” to be the main barriers to access to international markets rather than barriers within the external environment, with particular emphasis on lack of knowledge and scarce internal financial and human resources.

103. The focus of reported support programmes for each category of barrier is as follows: access 53.8%, finance 47.0%, capabilities 35.9% and business environment 9.4 %. Support programmes place a strong emphasis on exporting SMEs, with 71.6% focussing exclusively on supporting export activities and a further 21.6% including exporting as their focus alongside other activities. 20.7% of support programmes support importing. Just 6.9% of government support programmes do not have export support as their main focus.

3.3. Survey of SMEs’ Perception of Barriers to Access to International Markets

104. This second survey was issued (see Annex 15) to obtain from SMEs in each economy their perceptions of the most significant barriers to exporting/internationalising. The survey lists a number of known barriers and invites SMEs either to rank the barriers according to the SMEs perception of which are the most or least significant factors they face in internationalisation, or seek their views using a Likert scale

(i.e. ‘*extremely significant, very significant, significant, somewhat significant, not significant*’) to obtain their response.

105. SME participants in this survey were also being asked whether or not the central government programmes their economy currently has in place to enable SMEs to overcome barriers to internationalisation *are working effectively and which ones have proven to be the most useful* to the SMEs.

106. In the following analysis, the total number of responses¹⁰ is variable, reflecting the number of SMEs providing useable responses to the specific questions. A total of 978 usable SME responses resulted from the Survey, although there was a high degree of concentration within just 7 member economies: Canada (217), Greece (128), Switzerland (118), Turkey (77), Japan (74), Spain (60) and New Zealand (52). The remaining responses were spread out over 40 member economies, with no individual response rate above 4% of the overall total. (A full list of responses by OECD Member Countries and APEC Member Economies can be found in Annex 6)

Profile of SME respondents

107. From the survey, as can be seen from Table 5, the typical responding SME has been in operation for 23 years, and has been exporting for 14 years, 63 are employed within the firm, with 54.5% involved in products, 22.3% in services and 23.2% involved in both.

Table 5: Characteristics of SME respondents

Characteristic	Average	Standard deviation¹¹
Year of foundation	1983	26
Started exporting	1992	17
Number of employees	63	350
Produces products	54.5%	N/A
Delivers services	22.3%	N/A
Does both	23.2%	N/A

Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

108. When looking at responses by sector, “advanced engineering”, “agriculture and food”, and “finance and business” were the top three sectors present in this sample. Table 6 lists the distribution of responses across the eleven sectors used for this classification (only 682 of the respondents provided sector information).

¹⁰ The actual number of responses used for different types of analyses may vary, because not all of the valid responses were complete. For example, of the 978 usable responses, only 682 indicated their sector (table 6), 950 indicated their export status (table 8) whilst only 718 indicated the status of both their exporting and importing activity (table 9).

¹¹ Standard deviation: Statistical measure indicating the extent to which the responses centre around the mean value.

Table 6: SME responses by sector

Sector	Frequency	Percent
Advanced Engineering (incl. automotive)	163	23.9%
Agriculture and Food	142	20.8%
Finance and Business	102	15.0%
ICT	57	8.4%
Healthcare and Biotechnology	48	7.0%
Tourism, Leisure and Heritage	45	6.6%
Aerospace, Airports and Transport	32	4.7%
Education and Training	32	4.7%
Environment	23	3.4%
Energy	21	3.1%
Creative Industries	17	2.5%
Total	682	100.0%

Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

109. With regard to exporting behaviour, Table 7 illustrates that just over one third of all active exporters generate less than 20% of their total revenue from exports. This perhaps reinforces the findings from the USA reported in Section 2 that although the actual percentage of exports generated by SMEs within a specific member economy may be high (97% in the USA), the proportion of total exports of that economy generated by those SMEs is likely to be significantly lower (<30% in the USA). This would be consistent with the global spread of large firm exports. At the other end of the scale however, an impressive 12% (115 respondents) generate in excess of 80% of their revenues from exporting activity. It is important to note here that cross analysis applied to these 115 SMEs by sector, size, geographical location, target market and so on reveals no discernable pattern as to the characteristics of these firms. That is, these firms vary in a random manner with regard to sector, size, location, target markets and so on.

Table 7: Percentage of total revenue generated through SME exporting

Percentage of revenue from exporting	Responses	Percentage
None	230	24.0%
>0-20%	324	33.9%
21-40%	134	14.0%
41-60%	80	8.4%
61-80%	72	7.5%
81-100%	115	12.0%
Total	955	100.0%

Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

110. The majority of respondents to the survey were active exporters. The entire sample has been broken down into three categories: inactive, aspiring and active exporters.

Table 8: Overview of SME export status

Export experience	Freq.	Percent
Inactive	57	6.00%
Aspiring	261	27.47%
Active	632	66.53%
Total	950	100.00%

Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

111. The lack of support programmes within member economies for SMEs engaged in importing was noted in the previous section. Table 9 illustrates that importing is in fact used as a mode of internationalisation by a significant number of “international SMEs”. Of all SME respondents who reported the status of both their exporting and importing activities, 68.1% (489 out of 718) are involved in exporting whilst 54.6% (392 out of 718) have some involvement in importing. Although the survey reveals that importing is actually less important for service firms, of which only 25.0% import products or services directly, of those “international SMEs” offering either products, or services and products in combination, 62.2% and 62.6% import products or services respectively. These findings have clear implications for government support programmes as clearly exporting is not the only economically beneficial mode for building internationally competitive firms as other modes of international activity such as joint ventures, licensing, establishment of subsidiaries or branches, franchising and importing also provide insights and opportunities for SMEs seeking to access international markets.

Table 9: Mode of activity for international SMEs

	Importing			Totals for exporting SMEs
	Not active	Aspiring	Active	
Exporting - Not active	23	1	7	31 (4.3%)
Exporting - Aspiring	54	88	56	198 (27.6%)
Exporting - Active	119	41	329	489 (68.1%)
Totals for importing SMEs	196 (27.3%)	130 (18.1%)	392 (54.6%)	718

Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

112. To conclude the analysis of the characteristics of respondents to the SME survey, Table 10 provides an indication of the primary five target markets for “international SMEs” from the six member economies with the highest number of responses. In the table, these member economies appear along the top row in the order of the total number of responses received. Reinforcing the global trend to seek international opportunities within the high-growth emerging markets, China and India are cited as key target markets for many of the respondents. Not surprisingly, given the scale of the domestic market together with the attractive growth opportunities within the ICT sector, the USA also appears as a desirable target market. With the exception of these three member economies, the respondents’ priorities in general tend to reflect their geographical location and cultural commonalities such as language.

Table 10: Primary target markets by SME respondents' home market

Rank	Canada	Greece	Switzerland	Turkey	Japan	New Zealand
1	USA	Germany	Germany	Germany	China	Australia
2	China	Bulgaria	USA	Russia	USA	USA
3	France	China	China	USA	Korea	UK
4	India	Russia	India	China	Vietnam	China
5	Mexico	USA	France	Bulgaria	India	Japan

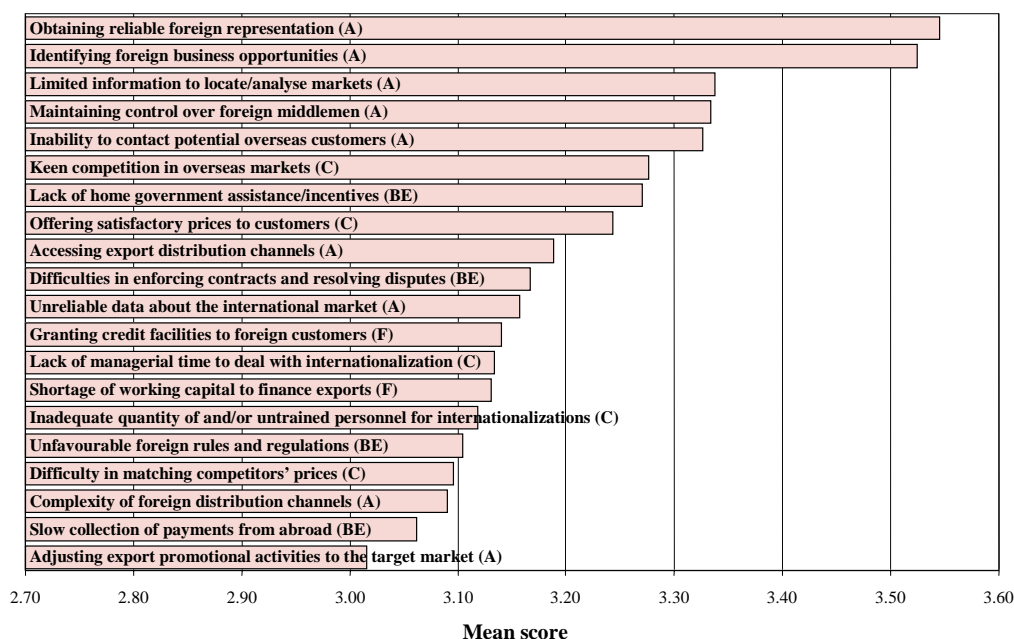
Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

Barriers to Access to International Markets as Perceived by SMEs responding to the Survey

113. The survey instrument used two different methods in order to identify the barriers as perceived by the SMEs responding to the survey. First, the respondents were asked to assess the importance of each of the 49 barriers already discussed above (see Annex 3 for the full list and classification of barriers) using a 5 point Likert-Scale, ranging from 'Extremely Significant' (5) to 'Not Significant' (1). Second, the respondents were then asked to rank their top 10 most detrimental barriers to access to international markets. This second method is the same as that used in the Member Economy Policymaker Survey. The findings emerging from each of these methods will now be discussed in turn. This will be followed by a discussion of the differences between the findings of the two approaches.

114. Figure 9 presents the top 20 barriers as perceived by "international SMEs" when they were asked to rate the full list of barriers according to the degree to which they acted as an impediment to their ability to access international markets. For the purposes of this analysis, the barriers were ranked using the average response rate. The full list of results from the Likert-scale ranking found in Annex 7 also includes the standard deviation, which can be interpreted as the measure of agreement amongst SMEs on a particular barrier. The relatively small and rather constant standard deviation (in the range of 1.22 to 1.45 amongst the top 20) indicates that there is wide and consistent agreement amongst SMEs as to the ranking of respective barriers. From Figure 9 we can see that using the Likert-Scale ranking method, SMEs responding to the survey perceive barriers concerned with issue of *access* to markets as the most significant, with internal *capabilities* and the *business environment* also featuring as important barriers.

Figure 9: Barriers Ranked by SMEs from 5 (very significant) to 1 (not significant)

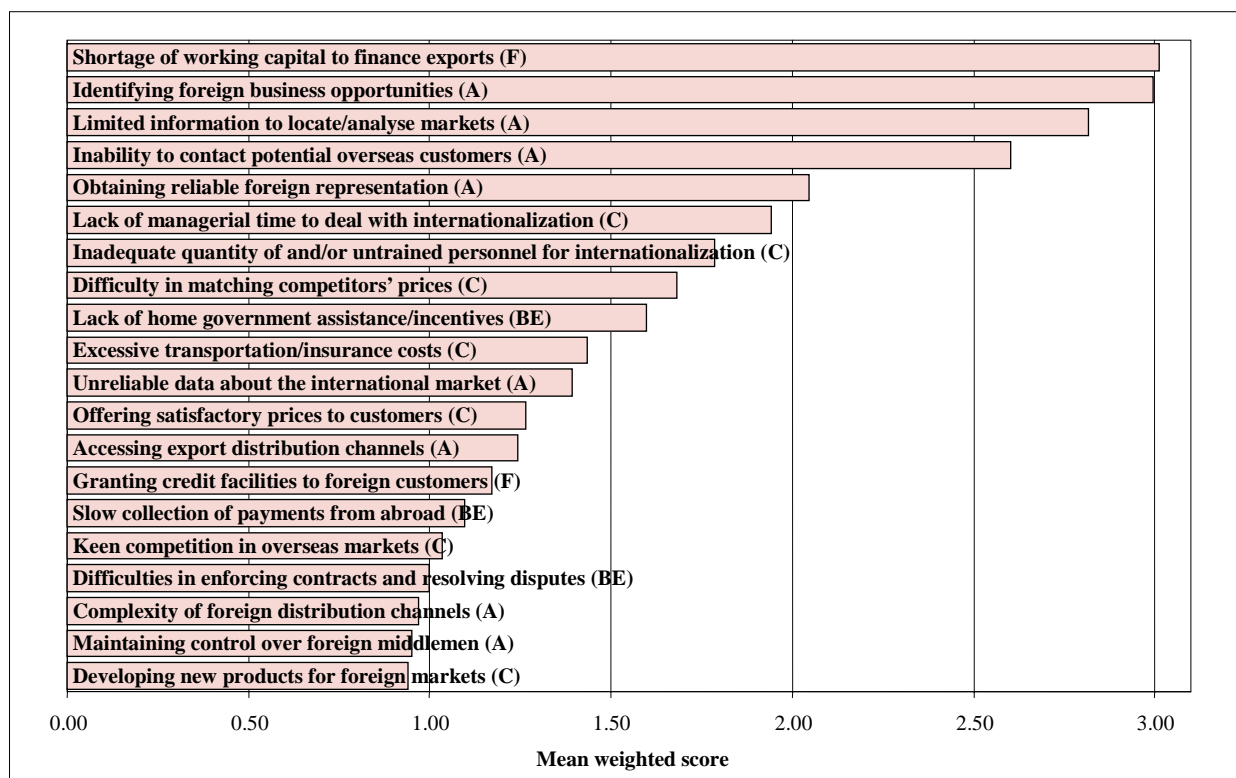


Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

115. Figure 10 presents the top 20 barriers as perceived by “international SMEs” when they were asked to rank the 10 most serious barriers¹² to access to international markets out of the list of 49 (a complete ranking of all barriers using this method can be found in Annex 8). This method of ranking barriers according to the 10 most serious was also used in the Member Economy Policymaker Survey. For the purpose of evaluating the responses using this method, each time a barrier was mentioned; it received a score depending on its importance to the respondent. The score ranged from 10 (for being the most important barrier) to 1 (for being the tenth most important barrier). Whenever a barrier was not mentioned at all, it did not receive a score. Finally, the averages were computed for all barriers. Figure 10 shows that SMEs responding to the survey perceive barriers concerned with internal *capabilities* and *access* to be the most important with barriers in the *business environment* of less importance. However (see Table 12) that these barriers tend to ‘shift’ according to the international experiences of the SME. That is, when firms move from ‘aspiring’ to ‘active’ in exporting activity, financial and access barriers decrease in importance and barriers concerned with the business environment and capabilities emerging as stronger obstacles.

¹² Top 10 ranking method: A method, by which respondents are forced to rank the top 10 of a list of variables in order.

Figure 10. Barriers Ranked by SMEs using the Top 10 Ranking Method



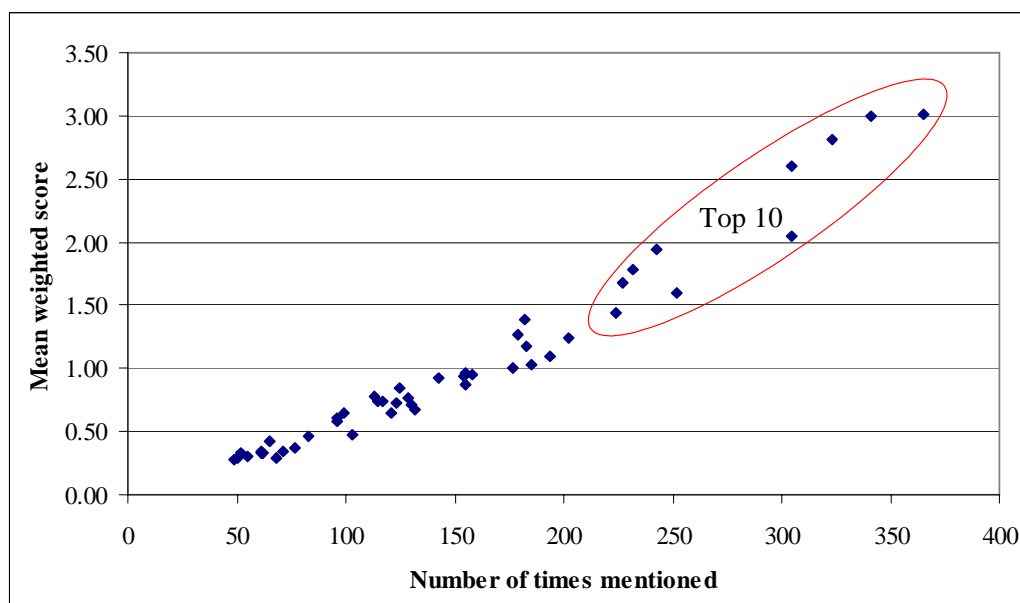
Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

116. There is a considerable degree of consistency in the ranking of barriers when this method is used. That is, there is clear agreement amongst SMEs across member economies responding to the survey as to the top ten most important barriers to access to international markets. This can be illustrated in Figure 11, which shows a high correlation between the average score and the number of times a barrier was mentioned. In particular, we can see that the top 10 barriers can clearly be separated from the other barriers, indicating particularly strong agreement amongst the respondents across all the respective member economies.

117. Although Figure 10 has *shortage of working capital to finance exports* in first position, we can see from Figure 11 that there is little statistical significance between this barrier and *identifying foreign business opportunities*. In fact both Figure 11 and Figure 12 clearly demonstrate that the top four barriers are very close in terms of the rating given to them by the SMEs responding to the survey and that furthermore, these top four barriers are rated as by far the most serious by the SMEs both in terms of their average weighting and the number of times they are mentioned.

118. Care must be taken when interpreting the barrier *shortage of working capital to finance exports*. Rather than a reference to the general issue of 'access to finance', this would appear to be more concerned with cash flow considerations. When we cluster the barriers (see Table 11), we find that SMEs who consider this to be a serious barrier, also have difficulties with *granting credit facilities to foreign customers*, *slow collection of payments from abroad* and *difficulties in enforcing contracts and resolving disputes*. In reality therefore, this barrier would appear to be a mix of the internal (high-level financial management skills) and the external (business environment considerations and political risk) rather than an issue for the financial sector.

Figure 11 Average Score for Each Barrier by Number of Times Mentioned Using the Top 10 Ranking Method



Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

119. Figures 9 and 10 show that there are certain differences in the importance of the reported barriers when the SMEs are asked to rate their significance to when they are simply asked to identify their top 10 barriers. These differences are not surprising, but rather are to be expected. They are explained by two main factors. First, a 5 point Likert-Scale evaluation of 49 barriers offers by definition less granularity compared with a forced top 10 ranking method. Using the 5 point Likert-Scale method, a respondent can only group barriers into five distinct categories (following the five points of the Likert-Scale) but not rank them within each category. Second, a forced prioritisation of the top 10 barriers degrades barriers of general importance rather than specific importance. For example, a barrier such as *keen competition in overseas markets* scores highly on the Likert-Scale, because such a barrier is of universal applicability and thus many SMEs are likely to rate it highly. However, when forced to select only the top 10, such barriers are likely to be left out in favour of more specific barriers, especially when a number of possible responses are similar, such as with the barrier *difficulty in matching competitors' prices*.

120. The Member Economy Policymaker Survey used the top 10 ranking method, so for the purposes of mapping the responses made by the member economies against those made by the SMEs, the top 10 ranking method will be used for the SME results in all further analysis.

121. ANOVA¹³ analysis was used to assess whether there were any significant differences between sample sub-groupings with regards to the perceived barriers. Four sub-groups were identified for analysis as follows: differences in the perception of barriers by activity (products versus services); differences in the perception of barriers by sector; differences in the perception of barriers by home member economy (possible only for the 7 member economies providing the highest response rate); and differences in the perception of barriers by primary target market.

¹³ ANOVA: Analysis of variances; a statistical analysis techniques designed to detect statistically significant differences in the means of a number of subgroups.

122. The analysis of barriers by sub-groups did not identify any significant differences with regard to the perception of barriers.

123. SMEs involved in the delivery of services indicate greater difficulties with issues such as identifying foreign business opportunities and information to analyse markets, while those involved with products cite competitor prices and competitive pressures as their main barriers to international markets. In addition, SMEs in the area of services reported a much stronger lack of government support.

124. Very few differences were reported amongst the different sectors, with just one or two showing significant differences between sectors. Perhaps some of these differences could be useful as a guide to support programmes. For example, the ICT sector reported shortage of working capital as a very significant barrier (probably due to high R & D costs and long lead-in times) and accessing distribution channels appears to most difficult for the tourism, leisure and heritage sector.

125. The analysis by home member economies was limited to the 7 member economies identified above. Perhaps the respective differences identified could be used as a proxy to help governments decide on which areas to focus support on. For example, SMEs within Canada report considerable difficulties obtaining working capital to finance exports, while SMEs in Japan appear to have no difficulty in identifying foreign business opportunities. Not surprisingly, SMEs in far away New Zealand complain of excessive transportation and insurance costs.

126. Only a few barriers are significantly different by primary target market. While some of these differences cannot be explained easily, others confirm the prevailing perceptions about certain markets. For example China, although being the second most important target market, still presents significantly higher obstacles regarding aspects such as intellectual property rights, differences in culture, business practices and language and concerns about political instability. (See Annex 9 for a full analysis of each sub group).

Analysis of Barrier Clusters

127. Through an analysis of the Likert-scale ranking of barriers, a Wards cluster analysis was undertaken to detect any natural grouping of barriers. (The Likert-scale ranking was used here as the top ten ranking method is unsuitable for cluster analysis because respondents do not rank all barriers but tend to select only a few of the barriers from each potential cluster to represent that particular cluster in its entirety). The cluster analysis indicated a natural grouping of the reported barriers into 11 clusters. These are presented in Table 11.

Table 11 Barriers cluster

Cluster	Barriers related to	Barriers included	1997 Classification
#1	Financing and payment collection	Shortage of working capital to finance exports (B8) Granting credit facilities to foreign customers (B16) Slow collection of payments from abroad (B27) Difficulties in enforcing contracts and resolving disputes (B28)	Finance, Business Environment
#2	Tariffs and regulations	Unfavourable foreign rules and regulations (B31) High tariff barriers (B41) Strict foreign rules and regulations (B42) Inadequate property rights protection (e.g. intellectual property) (B43) Restrictive health, safety and technical standards (e.g. sanitary and phytosanitary requirements) (B44) Arbitrary tariff classification and reclassification (B45) Unfavourable quotas and/or embargoes (B46) High costs of Customs administration (B47)	Business Environment
#3	Risk and infrastructure	Poor/deteriorating economic conditions abroad (B34) Foreign currency exchange risks (B35) Inadequacy of infrastructure for e-commerce (B39) Political instability in foreign markets (B40)	Business Environment
#4	Home government support and home environment	Lack of home government assistance/incentives (B29) Unfavourable home rules and regulations (B30)	Business Environment
#5	Resources	Lack of managerial time to deal with internationalisation (B5) Inadequate quantity of and/or untrained personnel for internationalisation (B6)	Capabilities
#6	Product development and support	Developing new products for foreign markets (B9) Adapting export product design/style (B10) Meeting export product quality/standards/specifications (B11) Meeting export packaging/labelling requirements (B12) Offering technical/after-sales service (B13)	Capabilities
#7	Capabilities in production and logistics	Lack of excess production capacity for exports (B7) Difficulty in supplying inventory abroad (B21) Unavailability of warehousing facilities abroad (B22) Excessive transportation/insurance costs (B23)	Capabilities
#8	Competition in target market	Offering satisfactory prices to customers (B14) Difficulty in matching competitors' prices (B15) Keen competition in overseas markets (B33)	Capabilities
#9	Communication	Difficulties in communicating with overseas customers (B26) Different foreign customer habits/attitudes (B32) Unfamiliar foreign business practices (B36) Different socio-cultural traits (B37) Verbal/nonverbal language differences (B38)	Capabilities
#10	Information	Limited information to locate/analyse markets (B1) Unreliable data about the international market (B2) Identifying foreign business opportunities (B3) Inability to contact potential overseas customers (B4)	Access
#11	Distribution of products in target market	Complexity of foreign distribution channels (B17) Accessing export distribution channels (B18) Obtaining reliable foreign representation (B19) Maintaining control over foreign middlemen (B20) Adjusting export promotional activities to the target market (B24) Unfamiliar exporting procedures/paperwork (B25)	Access

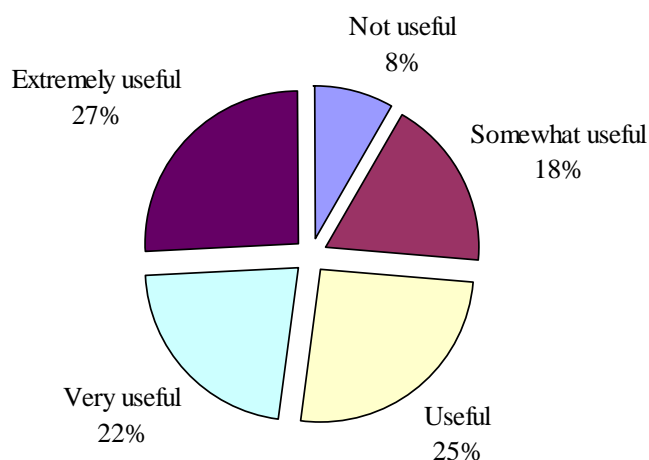
Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

128. The results from the cluster analysis as illustrated in Table 10 maps well onto the 1997 OECD classification of barriers to access to international markets. The value in undertaking a cluster analysis is that it suggests ways to bundle government support. That is, the 11 clusters identified represent groupings of barriers that firms will tend to face simultaneously. For example, within cluster 3, we can see that “international SMEs” experiencing difficulties with regard to poor/deteriorating economic conditions abroad (B34) are also likely to face difficulties in respect of foreign currency risks (B35), inadequacy of infrastructure for e-commerce (B39) and political instability (B40). Alternatively, cluster 10 tells us that firms facing limited information to localise/analyse markets (B1) as a barrier are also likely to be experiencing problems with unreliable data about markets (B2), identifying foreign business opportunities (B3) and an inability to contact potential overseas customers (B4). This helps to inform support programmes as any government action aimed at addressing one of these barriers is also likely to help address the other three barriers. Additionally, governments may seek to develop support programmes aimed at addressing all four barriers simultaneously, with the likelihood of achieving significant impact on the performance of SMEs facing those barriers as they seek to access international markets.

How do SMEs Perceive the Usefulness of Government Programmes?

129. Of the 978 SMEs responding to the survey, a total of 33.8% have used government support programmes. Using a Likert-scale to rank the usefulness of these programmes, where 1 represents not useful and 5 represents extremely useful, the overall rating of the assistance received by the respondents was ranked at 3.39 (standard deviation 1.27). That is, between ‘useful’ and ‘very useful’. Figure 12 illustrates the range of responses received.

Figure 12: Usefulness of Government Support Programmes as Perceived by SMEs



Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

130. Annex 10 provides a comprehensive list of all comments received on the usefulness of support programmes offered by each member economy. The open ended nature of the question asked in the survey makes analysis rather difficult, but it would appear however that the perception of the usefulness of the support on the part of the SME is largely contingent upon the firm’s specific circumstances. The list of comments provided in Annex 10 could be used by member economies to explore the appropriateness of their support programmes within their specific context. Based on the current study, future research could investigate the effectiveness of support programmes using the updated classification developed in this report.

Government Support and Barrier Shift

131. In order to develop policy recommendations which influence government support programmes, a higher-level analysis by cross-barrier comparison is presented in Table 12. The left-hand column contains the four broad classifications of barriers. The middle column shows data about companies which have received government support. The right-hand column presents the corresponding data for companies which have not received government support. Both groups of companies are further divided up according to their export status. For both sets of companies the business environment presents more obstacles, as they become more active exporters. Along the same experience trajectory, access to information and markets becomes less of a barrier. The ANOVA analysis at specific barriers in Annex 15 reinforces this message. Inactive exporters see barriers in identifying foreign customers, markets and opportunities. Active exporters see barriers on tariffs, currency, regulation and competition. Companies which have received government support tend to be more aware of their own (lack of) capabilities and finance as barriers.

Table 12 High level comparison of average top 10 scores by SME sub-groups using all three export statuses

Average score of top 10 ranking	Government support received			No government support received		
	Inactive exporters	Aspiring exporters	Active exporters	Inactive exporters	Aspiring exporters	Active exporters
Base	14	80	217	39	173	400
Finance Business Environment Capabilities Access	2.423	2.603	2.075	1.652	2.660	1.708
	0.317	0.418	0.753	0.542	0.575	0.776
	1.279	0.826	0.926	0.858	0.799	0.845
	1.800	1.888	1.472	2.094	1.926	1.438

Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

132. There appears to be a strong enough correlation between this data and findings of previous studies to justify further discussion here. What appears to be emerging is a picture of barriers to SME access to international markets which is dynamic and contingent. That is, the barriers reported by SMEs appear to ‘shift’ according to their experience of exporting. When firms move from ‘aspiring’ to ‘active’ in exporting activity, financial and access barriers decrease in importance and barriers concerned with the business environment and capabilities emerging as stronger obstacles. When returning to the analysis presented earlier in this report as a way of making sense of these observations, the findings suggests a number of important implications for policy development.

133. SMEs appear to go through a learning process when they engage in international activities. Firms that are not yet active exporters seem to underestimate both the barriers present in the external business environment and their own shortcomings in terms of their internal capabilities whilst overstating the barriers associated with financial matters and with regard to access to markets. This is consistent with the findings of the large CEIM study discussed earlier. That is, firms inexperienced in international markets typically report such thoughts as ‘we think there might be a market for us but we don’t really know how to find out’. Similarly, inexperienced firms are often found to be poor at self-analysis, regarding their own capabilities as beyond question and believing that the major barriers lay outside the firm in the external environment. They often berate government support programmes and other agencies for failing to find them overseas customers (helping them to deal with the huge barriers associated with access to markets), but feel that should they locate those foreign customers their internal capabilities will mean that they will easily overcome any barriers in the external environment. They also criticise support agencies for failing to provide them with sufficient funding to develop their exporting activities (financial barriers). Thus SMEs without experience of exporting tend to overstate barriers associated with finance and access to markets

whilst underestimating the need for highly developed internal capabilities to be able to overcome the barriers in the external environment.

134. As the SME becomes more experienced in international activity, two things then tend to happen. Firstly they build up their customer base and develop better ways of selling and supporting those customers, that is, they resolve some of the barriers associated with access which becomes less of a problem, but they now experience stronger barriers with regard to the business environment as they encounter more complex forms of international activity in more demanding markets, such as emerging markets with their less developed infrastructure. Secondly the SME learns that the key barriers are not external to the firm, but rather internal as they appreciate the higher skills levels required to compete effectively in an unfamiliar, highly complex international trading environment. As successful international SMEs report that ‘we must learn to operate outside of our comfort zone’ That is, for the experienced exporting SME, barriers associated with access recede and those associated with the business environment and capabilities become more problematic.

135. There are likely to be two explanations why for SMEs who have received government support, barriers relating to the business environment are relatively less important and barriers associated with financial matters and internal capabilities are relatively more important compared to those SMEs that have not received government support. SMEs responding to the survey will have been aware that the aim of the project is to develop policy recommendations to governments. Those SMEs who have engaged with government support programmes and who chose to respond to the survey are probably more likely to mention areas where they see their national governments as being in a position to do something to assist them directly. This would probably be true in respect of both internal capabilities and financial barriers. (In fact the difference between both sets of active exporters (B1 and B2) is marginal, reflecting the issues raised in the point regarding the increased awareness of business environment barriers for such firms.) The second reason is that internal barriers often hide external barriers from the awareness of businesses. Many of the firms in receipt of government support are likely to be concerned with internal barriers and once these internal issues are addressed and removed, the next layer, that is, external barriers will move to the front of their concerns.

136. Overall the message emerging from the study is that barriers are not uniform and constant to all SMEs. To remove them, therefore, governments and agencies need first to ascertain what kind of SME they are dealing with, what stage of international operations it is at, whether it has perceived any barriers and if so what kinds of barriers they regard as important. Whilst the data and recommendations this report presents allow for barriers to be clustered and prioritised, on a macro-level, it is simultaneously critical for the enterprise to be located within a sequence of learning and experience that conditions these perceptions. This barrier shift, or rolling sequence of barrier identification, appears to be more or less uniform across SMEs and will strongly influence the level of participation in and success of programmes designed to help them.

Summary of Findings from the Survey of SMEs’ Perception of Barriers to Access to International Markets

137. The main findings are the following:

- i. Of the 718 “international SMEs” responding to the survey, 54.6% report importing as part of their international activities, compared to 68.1% involved in exporting. This is a significant number, particularly given the emphasis placed on export support by government support programmes.

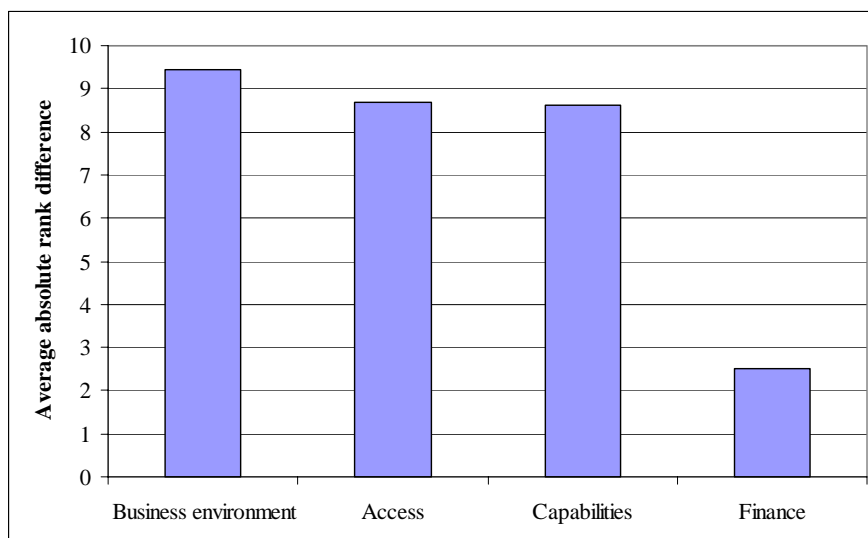
- ii. When asked to rank the 10 most significant barriers to access to international markets out of the complete list of 49, SMEs responding to the survey perceive barriers concerned with internal *capabilities* and *access* to be the most important with barriers in the *business environment* of less importance.
- iii. “International SMEs” in the service sector report a much stronger lack of government support.
- iv. A cluster analysis of barriers revealed 11 clusters which map well onto the 1997 OECD classification of barriers (finance, business environment, capabilities, access). These clusters may be valuable in suggesting ways in which to bundle government support programmes, as the clusters clearly represent groupings of barriers that SMEs will face simultaneously.
- v. Of the 978 SME respondents to the survey, 33.8% have been in receipt of government support, of which 74 % reported that it had ranged from useful to extremely useful. The analysis on the impact of government support revealed that there seems to be a shift in barriers when SMEs start to engage in export activities. For the SME yet to engage in exporting, the strongest barriers are perceived to be finance and access to markets, but as the SME becomes involved in exporting activity, these barriers recede in importance and the business environment and internal capabilities emerge as stronger barriers. Second, SMEs that have received government support appear to think that barriers relating to the business environment are less important and barriers associated with financial matters and internal capabilities are more important than those SMEs that have not been in receipt of government support.

3.4. Matches and mismatches in perception of barriers

138. In general, there seems to be a close match between those barriers perceived as important by the member economy policymaker survey and those that are perceived as important by the SMEs, even though governments tend to perceive barriers from a systemic level while firms tend to look at them from a localised, domestic level. Importantly, there is close agreement between policymakers and SMEs as to the key barriers holding back SMEs from entering international markets. For example, **both** policymakers and SMEs identified the following four barriers amongst the six most serious impediments to SME access to international markets: *shortage of working capital to finance exports*, *identifying foreign business opportunities*, *limited information to locate/analyse markets* and *inability to contact potential overseas customers*.

139. There do however appear to be some mismatches in the perception of barriers to accessing international markets which fall into two categories, notably *business environment* and *access to markets*. Figure 13 categorises these mismatches using the 1997 OECD classification used elsewhere in this report. The figure thereby shows the average rank difference (SME rank minus government rank) of the barriers included in each cluster.

Figure 13: Average absolute rank difference¹⁴ between SMEs and governments by barrier group



Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

140. The most noticeable difference in perception as reported by the member economy policymakers and the SMEs responding to the survey concerns barriers falling within the *business environment* category. Here, member economies appear to underestimate the barriers that SMEs face in the internationalisation process due to the political, legal and fiscal environment in which they must operate. The second largest difference in perception is to be found within the *access to markets* category. These two groups of barriers represent factors external to the SME: concepts of regulations and market knowledge, communication and representation result to be more critical to companies than governments' perceptions.

141. With regard to the remaining two groups of barriers, SMEs report that they are more able to understand and manage the barriers falling under the category of finance and government appears to make adequate provision in this area. *Capabilities* is a rather more complicated group and deserves fuller consideration. Whilst it appears in this cross-survey analysis as almost as problematic as *business*

¹⁴

Average Absolute Rank Difference: A measure for measuring the average match of barrier perception within certain groups of barriers. Calculation of the "average absolute rank difference": the absolute rank differences of all barriers within a group are added and divided by the number of barriers in each group. The absolute rank difference of each barrier is calculated by taking the absolute difference between the rank given to the respective barrier by SMEs and the rank of the same barrier given by governments. For example below:

Group	Barrier	Rank SME	Rank GOV	Rank difference (SME - GOV)	Absolute rank difference
X	B1	10	15	-5	5
X	B2	9	7	2	2
Y	B3	12	1	11	11
Y	B4	2	4	-2	2
Y	B5	8	5	3	3

Average absolute rank difference group X: $(5 + 2) / 2 = 3.50$. Average absolute rank difference group Y: $(11 + 2 + 3) / 3 = 5.33$. Meaning: The average difference between SME and government perception within barrier group X is 3.50 ranks. The average difference between SME and government perception within barrier group Y is 5.33 ranks.

environment and access to markets, it is cited in the members economy and SME surveys as being less so. Also, there is much evidence that provision of support is adequate. One possible answer to explain the high ranking might come from the earlier discussion of barrier shift, whereby companies identify new barriers and internal shortcomings as they progress through the stages of international growth. They in turn generate learning needs which sometimes go unnoticed by government and SMEs once initial forms of support have been exhausted and the firm consciously or unconsciously enters new phases of international operations.

Policy Options: Reconsider, sustain, increase

142. Figure 14 presents a map of the ranking of barriers by respondents to the member economy policymaker survey against the ranking by SMEs (A full list of this ranking can be found in Annex 11.) This highlights both the matches and the mismatches using a 3x3 grid, in which each barrier is assigned to a category based on its perception by governments and SMEs. Three categories of policy response, *reconsider*, *sustain* and *increase* have been developed to form the basis for recommendations as to where the governments should concentrate their resources. In order to devise policy recommendations, the governments’ perceptions of individual barriers were used as a proxy for their focus regarding government support. In Figure 14, those barriers falling within the top 25% are those regarded as most serious impediments to SMEs as they seek to access international markets, and so the table maps those barriers identified as important through to unimportant by the respondents to the member economy policymaker survey against those identified as the most important impediments by the SMEs themselves.

Figure 14: Mapping of barriers as perceived by the Member Economy Policymaker Survey and the SME Survey

Government Ranking	<i>Top 25%</i>	B44	B9, B11, B18, B25, B36	B1, B3, B4, B5, B6, B8
	<i>Mid 50%</i>	B12, B32, B37, B38, B39	B7, B10, B13, B16, B17, B26, B27, B31, B33, B35, B41, B42, B43	B2, B14, B15, B19, B23, B29
	<i>Bottom 25%</i>	B21, B22, B34, B40, B45, B46	B20, B24, B28, B30, B47	
Reconsider		<i>Bottom 25%</i>	<i>Mid 50%</i>	<i>Top 25%</i>
Sustain	SME Ranking			
Increase				

Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

143. **Reconsider:** These barriers have been reported as being of higher significance by the member economies than by the SMEs. That is, although the respondents to the member economy policymaker survey attach a high level of significance to programmes aimed at addressing this group of barriers, the SMEs themselves do not rate these as highly as impediments to their ability to access international markets. Those governments allocating substantial resources to support programmes aimed at addressing these barriers are therefore encouraged to review the rationale for such programmes. It is important to note however, that many of the barriers identified in Table 13 are not addressed by traditional SME government

support programmes. More specifically, even when SMEs have the internal capacity to internationalise, they will not be able to access international markets if other barriers (such as, access to distribution channels, technical standards, regulations and so on) are not simultaneously.

Table 13 Barriers of higher importance to governments compared to SMEs

Importance to SMEs	Category	Barrier	Description
Low	BE	B44	Restrictive health, safety and technical standards (e.g. sanitary and phytosanitary requirements)
Low	C	B12	Meeting export packaging/labelling requirements
Low	C	B32	Different foreign customer habits/attitudes
Low	C	B37	Different socio-cultural traits
Low	C	B38	Verbal/nonverbal language differences
Low	B	B39	Inadequacy of infrastructure for e-commerce
Medium	C	B9	Developing new products for foreign markets
Medium	C	B11	Meeting export product quality/standards/specifications
Medium	A	B18	Accessing export distribution channels
Medium	A	B25	Unfamiliar exporting procedures/paperwork
Medium	BE	B36	Unfamiliar foreign business practices

Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

144. **Sustain:** Barriers falling within this category are regarded as equally important or unimportant by both governments and SMEs. That is, they both agree on the relative seriousness of that particular barrier. The appropriate policy response to this category of barriers is therefore to sustain the current level and range of support programmes aimed at addressing the group of barriers identified in Table 14. For example, governments perceive *limited information to locate/analyse markets* (B1) as an important barrier. This assessment is shared by the SMEs and thus governments should at least sustain their programmes of support to address this barrier. On the other hand the *unavailability of warehousing facilities abroad* (B22) is neither considered important by governments nor by SMEs. Accordingly there does not appear to be any evidence to support the view that governments should allocate further resources to programmes addressing this issue.

145. **Increase:** These barriers are ranked as more serious impediments by the SMEs than by the respondents to the member economy policymaker survey. Support programmes aimed at these barriers are likely to have more impact on SMEs seeking to access international markets and so those governments not currently offering support programmes aimed at addressing this group of barriers may wish to investigate SME needs within their respective economy. Those who are already offering such programmes may wish to investigate the need for even further investment and support in these areas. That is, support for the barriers identified in Table 15 should be increased, unless there is clear evidence that these barriers are of little importance within the local economy.

Table 14 Barriers of equal importance to governments and SMEs

Shared Importance	Category	Barrier	Description
High	A	B1	Limited information to locate/analyse markets
High	A	B3	Identifying foreign business opportunities
High	A	B4	Inability to contact potential overseas customers
High	C	B5	Lack of managerial time to deal with internationalisation
High	C	B6	Inadequate quantity of and/or untrained personnel for internationalisation
High	F	B8	Shortage of working capital to finance exports
Medium	C	B7	Lack of excess production capacity for exports
Medium	C	B10	Adapting export product design/style
Medium	C	B13	Offering technical/after-sales service
Medium	F	B16	Granting credit facilities to foreign customers
Medium	A	B17	Complexity of foreign distribution channels
Medium	C	B26	Difficulties in communicating with overseas customers
Medium	BE	B27	Slow collection of payments from abroad
Medium	BE	B31	Unfavourable foreign rules and regulations
Medium	C	B33	Keen competition in overseas markets
Medium	BE	B35	Foreign currency exchange risks
Medium	BE	B41	High tariff barriers
Medium	BE	B42	Strict foreign rules and regulations
Medium	BE	B43	Inadequate property rights protection (e.g. intellectual property)
Low	C	B21	Difficulty in supplying inventory abroad
Low	C	B22	Unavailability of warehousing facilities abroad
Low	BE	B34	Poor/deteriorating economic conditions abroad
Low	BE	B40	Political instability in foreign markets
Low	BE	B45	Arbitrary tariff classification and reclassification
Low	BE	B46	Unfavourable quotas and/or embargoes

Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

Table 15 Barriers of higher importance to SMEs compared to governments

Importance to SMEs	Category	Barrier	Description
High	A	B2	Unreliable data about the international market
High	C	B14	Offering satisfactory prices to customers
High	C	B15	Difficulty in matching competitors' prices
High	A	B19	Obtaining reliable foreign representation
High	C	B23	Excessive transportation/insurance costs
High	BE	B29	Lack of home government assistance/incentives
Medium	A	B20	Maintaining control over foreign middlemen
Medium	A	B24	Adjusting export promotional activities to the target market
Medium	BE	B28	Difficulties in enforcing contracts and resolving disputes
Medium	BE	B30	Unfavourable home rules and regulations
Medium	BE	B47	High costs of Customs administration

Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

146. The analysis of differences in perceptions of barriers by SMEs and Governments provides useful insights for policy makers when considering refocusing of policies aimed at internationalisation. However, policy makers will still wish to consider market failures, and how they manifest in their own context, when deciding to reconsider, sustain, or increase levels of support provided by their programmes. Given that many governments develop their policies on the basis of market failures, especially information failures, it is not surprising that the barriers by which these failures manifest themselves are often given greater significance by policy officials than other barriers that are more immediate to the SMEs, but are not necessarily suggestive of market failures such as competition.

4. GENERAL CONCLUSIONS AND POLICY RECOMMENDATIONS

4.1. General conclusions

Barriers

147. In general there is close agreement between policymakers and SMEs as to the key barriers holding back SMEs from entering international markets. For example, **both** policymakers and SMEs identified the following four barriers amongst the six most serious impediments to SME access to international markets: *shortage of working capital to finance exports*, *identifying foreign business opportunities*, *limited information to locate/analyse markets* and *inability to contact potential overseas customers*. However there are some mismatches in perception between member economies and SMEs with regard to barriers. Member economies appear to underestimate the barriers that SMEs face in the internationalisation process due to the political, legal and fiscal environment in which they must operate. There is also a difference in perception to be found within the access to markets category of barriers.

148. SMEs responding to the survey perceive the barriers to have the most detrimental impact on their ability to access international markets as those concerned with internal *capabilities* and *access to markets* with barriers in the *business environment* of less importance.

149. Although SMEs report *shortage of working capital to finance exports* to be one of the most serious barriers care must be taken when interpreting this. Rather than a reference to the general issue of 'access to finance', this would appear to be more concerned with cash flow considerations. When the barriers are clustered (see Table 11), we find that SMEs who consider *shortage of working capital to finance* to be a serious barrier, also have difficulties with *granting credit facilities to foreign customers*, *slow collection of payments from abroad* and *difficulties in enforcing contracts and resolving disputes*. In reality therefore, this barrier would appear to be a mix of the internal (high-level financial management skills) and the external (business environment considerations and political risk) rather than an issue for the financial sector.

150. Results from a cluster analysis map well onto the 1997 OECD classification of barriers to access to international markets to identify 11 coherent clusters of barriers. That is, the 11 clusters identified represent groupings of barriers that firms will tend to face simultaneously. For example, within a particular cluster we find that firms facing limited information to localise/analyse markets as a significant detrimental barrier are also likely to be experiencing problems with unreliable data about markets, identifying foreign business opportunities and an inability to contact potential overseas customers. This helps to inform support programmes as any government action aimed at addressing one of these barriers is also likely to help address the other three barriers. Additionally, governments may seek to develop support programmes aimed at addressing all four barriers simultaneously, with the likelihood of achieving significant impact on the performance of SMEs facing those barriers as they seek to access international markets.

151. The focus of reported support programmes for each category of barrier is as follows: access 53.8%, finance 47.0%, capabilities 35.9% and business environment 9.4 %.

SMEs

152. SMEs appear to go through a learning process when they engage in international activities. Firms that are not yet active exporters seem to underestimate both the barriers present in the external business environment and their own shortcomings in terms of their internal capabilities whilst overstating the barriers associated with financial matters and with regard to access to markets.

153. As the SME becomes more experienced in international activity, they appear to resolve some of the barriers associated with access which becomes less of a problem, but they now experience stronger barriers with regard to the business environment as they encounter more complex forms of international activity in more demanding markets, such as emerging markets with their less developed infrastructure. Secondly the SME learns that the key barriers are not external to the firm, but rather internal as they appreciate the higher skills levels required to compete effectively in an unfamiliar, highly complex international trading environment. Accordingly access to finance becomes less of an issue and internal financial management skills and financial risk in the external business environment increase in importance.

154. Those firms new to international activity need assistance with clarifying and understanding their problems. More experienced “international SMEs” need more direct intervention as their problems tend to be more specific to the business.

155. Of the 978 SME respondents to the survey, just 33.8% have been in receipt of government support. The survey instruments did not allow for a detailed investigation of the reasons for the relatively low take up rates of support programmes and this is an area which could be fruitfully explored in future work in the area. Where the SME does engage with government support however, levels of satisfaction are high, with 74% reporting that the support offered had ranged from useful to extremely useful.

Governments and Policy

156. Support programmes place a strong emphasis on exporting SMEs, with 71.6% focussing exclusively on supporting export activities and a further 21.6% including exporting as their focus alongside other activities. 20.7% of support programmes support importing. Just 6.9% of government support programmes do not have export support as their main focus.

157. Of the 718 “international SMEs” responding to the survey, 54.6% report importing as part of their international activities, compared to 68.1% involved in exporting. This is a significant number, particularly given the emphasis placed on export support by government support programmes.

158. Mapping perceptions of the importance of the respective barriers by respondents to the member economy policymaker survey against the ranking by SMEs highlights overlap and mismatch in these perceptions. Using the findings three categories of policy response, *reconsider*, *sustain* and *increase* have been developed to form the basis for recommendations as to where the governments should concentrate their resources.

159. The relationship between policies and instruments for internationalisation and those for innovation. In many respects, these are closely intertwined yet there appear to be few systematic linkages to ensure that support is coherent and that companies are supported continuously and effectively across different government funding units and programmes.

160. When assessing the policy recommendations below, it should be noted that the objective of the study is to provide a general understanding of the key themes related to barriers to access to international markets for SMEs across a wide range of economies rather than a detailed understanding of the underlying issues within specific economies. Accordingly the policy recommendations that follow are at a high level

and it is recommended that governments should gather more specific data for themselves before embarking on policy mechanisms designed to achieve the outcomes described in this report.

4.2. Policy recommendations

161. Member economies can play an important role in helping internationalise the SME sector. In doing so they may wish to review the provision of assistance they provide for SMEs about to or already engaged in internationalisation, taking into consideration:

- i. *That a multifaceted approach to a generic problem* faced by SMEs entering international markets (e.g. business capability) may more quickly produce benefits for the SME. There is a need to review existing provisions for SMEs using three potential responses to the mismatch in barriers which have been identified by SMEs and Policymakers: *sustain* current programmes addressing those barriers identified as important by both governments and SMEs; *reconsider* those programmes aimed at addressing barriers which are reported as important by governments but of little importance by SMEs; and, consider *increasing* levels of support to address barriers reported as important by SMEs but of little importance by governments, where market failure arguments suggest that there may be an appropriate role for government. Policy makers may wish to take into consideration how barriers cluster together to develop support programmes that enable SMEs to overcome barriers that seem to occur simultaneously.
- ii. *The dynamic, contingent nature of those barriers* as they manifest themselves in the experience of the SME. Governments can do more than they do presently to prepare companies for the challenges posed by the national and global business environment.
- iii. *Exporting is not the only economically beneficial mode* for building internationally competitive firms. Joint ventures, licensing, establishment of subsidiaries or branches, franchising and importing also provide insights and opportunities for SMEs seeking to access international markets.

162. Governments need to ‘segment’ support they offer on the basis of the experience of the SME seeking support for internationalisation:

163. Overall the message emerging from the study is that barriers are not uniform and constant to all SMEs. To remove them, therefore, governments and agencies need first to ascertain what kind of SME they are dealing with, what stage of international operations it is at, whether it has perceived any barriers and if so what kinds of barriers they regard as important. Whilst the data and recommendations this report presents allow for barriers to be clustered and prioritised, on a macro-level, it is simultaneously critical for the enterprise to be located within a sequence of learning and experience that conditions these perceptions. This barrier shift, or rolling sequence of barrier identification, appears to be more or less uniform across SMEs and will strongly influence the level of participation in and success of programmes designed to help them.

- i. *Firms new to international activity require ‘how-to’ guides*, written/on-line case studies and support from experienced international SMEs to provide assistance and ‘how to’ knowledge in addressing initial problems and challenges (e.g. How to anticipate the consequences of going international, how to plan market visits and trade-fair strategies or how to identify potential international partners).

- ii. *More experienced international SMEs* are more likely to be assisted effectively through the delivery of specific services (e.g. introductions to potential clients) or grants to allow them to engage specialised sources of support.
- iii. *Medium-sized international SMEs seeking to grow their businesses* may benefit most from specialised training and support to help develop their higher level skills in the areas of gathering and elaborating information on international markets.

164. Governments need to increase the awareness of existing programmes for assisting with SME internationalisation:

- i. *Governments should do more to publicise* the wide range of support programmes available to SMEs seeking to access international markets as, on the whole those programmes are regarded as useful by enterprises that use them.
- ii. *Programmes to support internationalisation* need to be integrated better with others that promote growth, competitiveness and innovation.
- iii. *Government support programmes* ought also to partner with those being offered by NGOs and private sector providers. Wherever possible the interface between support programmes of member economies and between those programmes and NGO and private sector programmes could be developed to secure maximum accessibility and benefit.

4.3. Recommendations for further work

165. The OECD and APEC should continue to cooperate closely, and also partner with other international institutions, to assist governments in removing the barriers to SME access to international markets and promoting SME internationalisation. Further work could be developed in the following directions:

- i. Collate and assess best practice in member economies for government support programmes to assist SMEs to internationalise. The identification of key performance indicators and other methodologies could be used to evaluate and monitor the effectiveness of support programmes for SMEs (this work would be carried out in co-ordination with the OECD Entrepreneurship Policy Indicators Project).
- ii. Improve the availability of data and statistical information relating to SME internationalisation.
- iii. Improve knowledge of SMEs activities in the field of international investment and implications for policy (this work would be carried out by the OECD Investment Committee in cooperation with the OECD Working Party on SMEs & Entrepreneurship).
- iv. Extend the current OECD Working Party on SMEs & Entrepreneurship work investigating the benefits accruing to SMEs involved in global supply chain networks to analyse also the beneficial linkages between SMEs and Multinational Enterprises² who operate in the same external markets.

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ANNEX 1
DEFINITION OF SMES

Box 5. Defining SMEs

There is no single agreed definition of an SME. A variety of definitions are applied among OECD countries, and employee numbers are not the sole defining criterion. SMEs are generally considered to be non-subsidary, independent firms which employ fewer than a given number of employees. This number varies across countries. The most frequent upper limit designating an SME is 250 employees, as in the European Union. However, some member economies set the limit at 200, while the United States considers SMEs to include firms with fewer than 500 employees. Small firms are mostly considered to be firms with fewer than 50 employees while micro-enterprises have at most ten, or in some cases, five employees.

The approach taken by the OECD, and in particular by the Working Party on SMEs and Entrepreneurship – is to work with both the national, regional and European Community definitions and to attempt to achieve some degree of international comparability. Table A1.1 presents definitions of SMEs provided by each respondent to the member economy policymaker survey.

Table A1.1 Defining SMEs

Member Economies	Definition	Criteria used			
		Employment	Turnover	Other financial	By sector
Aboriginal Peoples of Canada	<ul style="list-style-type: none"> SMEs include businesses with fewer than 500 full-time-equivalent employees and less than \$50 million in annual revenue. 	X	X		
Australia	<ul style="list-style-type: none"> An 'SME' as a business employing up to 200 employees A 'medium' business as a business employing 20 or more employees but employing less than 200 employees A 'small' business as a business that employs up to 20 employees 	X			
Austria	<ul style="list-style-type: none"> As per EC Recommendation 2003/361/EC 	X	X	X	
Brunei Darussalam	<ul style="list-style-type: none"> Definition of SMEs in Brunei Darussalam is based on number of employees, i.e. those business establishments with 100 or less employees. Subdivisions of SMEs are: <ul style="list-style-type: none"> Micro – up to 5 employees Small – 6 – 50 employees Medium – 51 – 100 employees 	X			
Canada	<ul style="list-style-type: none"> Generally, the definition of an SME is based on employment size with a few exceptions. Small (goods producing) - 1-99 employees Small (services) – 1-49 employees Medium – 100-499 employees A micro-enterprise is defined as having 1-4 employees 	X			
Chile	<ul style="list-style-type: none"> The standard definition is based on annual sales of enterprises: <ul style="list-style-type: none"> Micro enterprises: annual sales \leq US\$ 81,000 Small enterprises: US\$ 81,000 < annual sales \leq US\$ 844,000 	X	X		

Member Economies	Definition			Criteria used			
				Employment	Turnover	Other financial	By sector
	<ul style="list-style-type: none"> o Medium enterprises: US\$ 844.000 < annual sales □ US\$ 3.380.000 o Large enterprises: annual sales > US\$ 3.380.000 • Few programmes use a definition based on numbers of employees: <ul style="list-style-type: none"> o Micro enterprises: 01 -09 employees o Small enterprises: 10 - 49 employees o Medium enterprises: 50 - 199 employees o Large enterprises: 200 and more employees 						
Chinese Taipei	<ul style="list-style-type: none"> • All sectors except for Commerce, transportation services and other services: Paid-in capital not exceeds NT\$ 80m; or regular employees not exceed 200 persons. • Commerce, transportation services and other services: Total operating revenue in the preceding year not exceeds NT\$ 100m; or its regular employees not exceed 50 persons (extending industry terms to agriculture). 			X		X	X
Czech Republic	<ul style="list-style-type: none"> • As per EC Recommendation 2003/361/EC 			X	X	X	
Denmark	<ul style="list-style-type: none"> • A company with less than 50 people employed and annual revenues of less than DKK 50 million (6.70 million euros). 			X	X		
Finland	<ul style="list-style-type: none"> • As per EC Recommendation 2003/361/EC 			X	X	X	
France	<ul style="list-style-type: none"> • According to Recommendation 2003/361/EC 			X	X	X	
Germany	<ul style="list-style-type: none"> • SME are companies with less than €50m turnover and less than 500 employees: • Small sized companies: Less than €1m turnover and less than 10 employees • Medium sized companies: €1 to 50m turnover and 10 to 499 Employees 			X	X		
Greece	<ul style="list-style-type: none"> • According to Recommendation 2003/361/EC 			X	X	X	
Hong Kong	<ul style="list-style-type: none"> • Manufacturing enterprises employing less than 100 persons • Non-manufacturing enterprises employing less than 50 persons. 			X			X
Hungary	<ul style="list-style-type: none"> • According to Recommendation 2003/361/EC 			X	X	X	
Indonesia	<ul style="list-style-type: none"> • SME definition by law number 9/1995 is based on the amount of annual sales and assets other than land and buildings. • Small enterprises are defined as firms with asset of less than Rp. 200 millions or sales of less than Rp 1 billions. • Medium enterprises are defined as firms with assets of between Rp 200 millions and Rp 1 billions. 				X	X	
Ireland	<ul style="list-style-type: none"> • As per EC Recommendation 2003/361/EC 			X	X	X	
Italy	<ul style="list-style-type: none"> • According to Recommendation 2003/361/EC 			X	X	X	
Japan	Industries	Capital size (million JPY)	Employees				
	Manufacturing and others	300 or less	300 or less				
	Wholesale	100 or less	100 or less	X		X	X
	Retail	50 or less	50 or less				
	Services	100 or less	100 or less				

Member Economies	Definition				Criteria used					
					Employment	Turnover	Other financial	By sector		
Korea	Industry	SMEs		Micro enterprises		X	X	X	X	
		No. of regular employees	Paid-in-capital or sales	No. of regular employees						
	Manufacturing	Less than 300	8 bn won or less	Less than 50						
	Mining Construction Transportation	Less than 300	3 bn won or less	Less than 50						
	Large-scale wholesaler, hotels, information processing	Less than 300	30 bn won or less	Less than 10						
	Seeding, broadcasting fishery-related fuels or relevant products	Less than 200	Sales of 20 bn won or less	Less than 10						
	Wholesales, call sales, maintenance leasing, specialized science/ technology services, business assistance services, entertainment services, news provider	Less than 100	Sales of 10 bn won or less	Less than 10						
	Others		Sales of 5 bn won or less	Less than 10						
Malaysia	Category		Micro-enterprise	Small enterprise	Medium enterprise	X	X	X	X	
	1	Manufacturing, Manufacturing-Related Services and Agro-based industries	Sales turnover of less than RM250,000 OR full time employees less than	Sales turnover between RM250,000 and less than RM10 million OR full time employees between 5 and 50	Sales turnover between RM10 million and RM25 million OR full time employees between 51 and 150					
	2	Services, Primary Agriculture and Information & Communication Technology (ICT)	Sales turnover of less than RM200,000 OR full time employees less than 5	Sales turnover between RM200,000 and less than RM1 million OR full time employees between 5 and 19	Sales turnover between RM1 million and RM5 million OR full time employees between 20 and 50					
Mexico	Number of employees by sector:				X				X	
	Category		Industry	Trade						Services
	Micro		0-10	0-10						0-10
	Small		11-50	11-30						11-50

Member Economies	Definition				Criteria used			
					Employment	Turnover	Other financial	By sector
	Medium	51-250	31-100	51-100				
The Netherlands	<ul style="list-style-type: none"> According to Recommendation 2003/361/EC 				X	X	X	
New Zealand	<ul style="list-style-type: none"> New Zealand defines SMEs as businesses employing fewer than 20 employees. 				X			
Norway	<ul style="list-style-type: none"> According to Recommendation 2003/361/EC 				X	X	X	
Papua New Guinea	<ul style="list-style-type: none"> SMEs are those businesses employing 2 – 20 employees. 				X			
Peru	<ul style="list-style-type: none"> Based on the current Law for Promotion of Micro and Small Enterprises, the definition of small enterprise regards the number of employees or the annual turnover. Currently, there is no definition of medium enterprises. <ul style="list-style-type: none"> Micro enterprises: <ul style="list-style-type: none"> Number of employees: 1 up to 10. Annual turnover: up to 150 UIT Small enterprises: <ul style="list-style-type: none"> Number of employees: 1 up to 50 Annual turnover: between 150 UIT and 850 UIT (* An UIT is the tributary tax unit that is equivalent to 3,400 soles for the year 2006. 				X	X		
Philippines	<ul style="list-style-type: none"> A small and medium enterprise (SME) is defined as any business activity of enterprise engaged in industry, agribusiness and/or services, whether single proprietorship, cooperative, partnership or corporation whose total assets, inclusive of those arising from loans but exclusive of the land on which the particular business entity's office, plant and equipment are situated, must have value falling under the following categories: <ul style="list-style-type: none"> By Asset Size <ul style="list-style-type: none"> Micro: Up to P3,000,000 Small: P3,000,001 – P15,000,000 Medium: P15,000,001 – P100,000,000 Alternatively, SMEs may be classified according to employment size, thus: <ul style="list-style-type: none"> Micro: 1–9 employees Small: 10-99 employees Medium: 100-199 employees 				X		X	
Poland	<ul style="list-style-type: none"> According to the definition in the Business Activity Law of 19/11/1999 a small entrepreneur is an entrepreneur who , during the previous fiscal year: 1) employed the average annual number of employees not exceeding 50 persons and 2) achieved a net financial income on the sale of his goods, products and services and on financial operations, not higher than the Polish zloty equivalent of 7 million Euro; or whose total value of assets contained in the balance sheet at the end of the previous fiscal year did not exceed the Polish zloty equivalent of 5 million Euro. However, a small enterprise is not an enterprise where entrepreneurs other than small ones hold: 1) more than 25% of the contributions, shares or stocks, 2) the 				X	X	X	

Member Economies	Definition				Criteria used			
					Employment	Turnover	Other financial	By sector
	<p>right to more than 25% of the profit share, 3) more than 25% of votes at the assembly of partners (shareholders).</p> <ul style="list-style-type: none"> A medium-sized entrepreneur is an entrepreneur who is not a small entrepreneur and who during the previous fiscal year: 1) employed the average annual number of employees not smaller than 250 persons and, 2) achieved a net financial income on the sale of his goods, products and services and on financial operations, not higher than the Polish zloty equivalent of 40 million Euro, or whose total value of assets contained in the balance sheet at the end of the previous fiscal year did not exceed the Polish zloty equivalent of 27 million Euro. However, a medium-sized enterprise is not an enterprise where entrepreneurs other than medium-sized ones hold: 1) more than 25% of the contributions, shares or stocks, 2) the right to more than 25% of the profit share; 3) more than 25% of votes at the assembly of partners (shareholders). 							
Romania	<ul style="list-style-type: none"> According to Recommendation 2003/361/EC 				X	X	X	
Singapore	<ul style="list-style-type: none"> Local SMEs in the Manufacturing Sector: Enterprises with at least 30% local equity and net fixed assets investment value of less than \$15m. Local SMEs in the Services and Commerce Sector: Enterprises with at least 30% local equity and less than 200 workers. 				X	X	X	X
Slovak Republic	<ul style="list-style-type: none"> According to Recommendation 2003/361/EC 				X	X	X	
Spain	<ul style="list-style-type: none"> According to Recommendation 2003/361/EC 				X	X	X	
Sweden	<ul style="list-style-type: none"> Enterprises with less than 250 employees are categorised as SMEs. Those with less than 50 employees are small enterprises and those with less than 10 employees are categorised as micro enterprises. 				X			
Switzerland	<ul style="list-style-type: none"> Micro enterprise: 1 – 9 employees Small enterprise: 10 – 39 employees Medium-sized enterprise: 50 – 249 employees Large enterprises: > 250 employees 				X			
Turkey	<ul style="list-style-type: none"> Enterprises with less than 250 employees and less than 25,000,000 TL in revenues. 				X	X		
UK	<ul style="list-style-type: none"> According to Recommendation 2003/361/EC 				X	X	X	
USA	<ul style="list-style-type: none"> 1-100 employees (small) 101-499 employees (medium) 				X			
Vietnam	<ul style="list-style-type: none"> SMEs are those business and production establishments that have registered under the current legislation, have registered capital of less than VND 10 billion at business registration agencies and/or an average number of annual permanent employees of less than 300 				X	X		
EC Recommendation 2003/361/EC	Category	Headcount	Turnover or Balance sheet total		X	X	X	
	Medium	< 250	≤ € 50m	≤ € 43 m				
	Small	< 50	≤ € 10 m	≤ € 10 m				
	Micro	< 10	≤ € 2 m	≤ € 2 m				

ANNEX 2

CLASSIFICATION OF BARRIERS

Barrier	Explanation
Finance Barriers	
B8	Shortage of working capital to finance exports
B16	Granting credit facilities to foreign customers
Business Environment Barriers	
B27	Slow collection of payments from abroad
B28	Difficulties in enforcing contracts and resolving disputes
B29	Lack of home government assistance/incentives
B30	Unfavourable home rules and regulations
B31	Unfavourable foreign rules and regulations
B32	Different foreign customer habits/attitudes
B33	Keen competition in overseas markets
B34	Poor/deteriorating economic conditions abroad
B35	Foreign currency exchange risks
B36	Unfamiliar foreign business practices
B37	Different socio-cultural traits
B38	Verbal/nonverbal language differences
B39	Inadequacy of infrastructure for e-commerce
B40	Political instability in foreign markets
B41	High tariff barriers
B42	Strict foreign rules and regulations
B43	Inadequate property rights protection (e.g. intellectual property)
B44	Restrictive health, safety and technical standards (e.g. sanitary and phytosanitary requirements)
B45	Arbitrary tariff classification and reclassification
B46	Unfavourable quotas and/or embargoes
B47	High costs of Customs administration
Capability Barriers	
B5	Lack of managerial time to deal with internationalisation
B6	Inadequate quantity of and/or untrained personnel for internationalisation
B7	Lack of excess production capacity for exports
B9	Developing new products for foreign markets
B10	Adapting export product design/style
B11	Meeting export product quality/standards/specifications
B12	Meeting export packaging/labelling requirements
B13	Offering technical/after-sales service
B14	Offering satisfactory prices to customers
B15	Difficulty in matching competitors' prices
B21	Difficulty in supplying inventory abroad
B22	Unavailability of warehousing facilities abroad
B23	Excessive transportation/insurance costs
B26	Difficulties in communicating with overseas customers
Access Barriers	
B1	Limited information to locate/analyse markets
B2	Unreliable data about the international market
B3	Identifying foreign business opportunities
B4	Inability to contact potential overseas customers
B17	Complexity of foreign distribution channels
B18	Accessing export distribution channels
B19	Obtaining reliable foreign representation
B20	Maintaining control over foreign middlemen
B24	Adjusting export promotional activities to the target market
B25	Unfamiliar exporting procedures/paperwork

ANNEX 3
RESPONSES TO MEMBER ECONOMY POLICYMAKER SURVEY

Economy
Australia
Austria
Brunei Darussalam
Canada
Chile
Chinese Taipei
Czech Republic
Denmark
Finland
France
Germany
Greece
Hong Kong
Hungary
Indonesia
Ireland
Italy
Japan
Korea
Malaysia
Mexico
The Netherlands
New Zealand
Norway
Papua New Guinea
Peru
Philippines
Poland
Romania
Singapore
Slovak Republic
Spain
Sweden
Switzerland
Turkey
UK
USA
Vietnam

ANNEX 4
BARRIERS AS PERCEIVED BY MEMBER ECONOMIES

Barrier	Category	Rank – Weighted factor	Weighted factor	Rank - Number of times mentioned	Number of times mentioned	Description of barrier
B6	C	1	148.5	2	22	Inadequate quantity of and/or untrained personnel for internationalisation
B8	F	2	145	1	24	Shortage of working capital to finance exports
B1	A	3	124.5	3	15	Limited information to locate/analyse markets
B3	A	4	119	3	15	Identifying foreign business opportunities
B5	C	5	82	9	11	Lack of managerial time to deal with internationalisation
B4	A	6	75.5	6	13	Inability to contact potential overseas customers
B9	C	7	75	7	12	Developing new products for foreign markets
B36	BE	8	65.5	3	15	Unfamiliar foreign business practices
B11	C	9	61	13	9	Meeting export product quality/standards/specifications
B25	A	10	59	9	11	Unfamiliar exporting procedures/paperwork
B48		11	52	11	10	Other (please specify)
B44	BE	11	52	13	9	Restrictive health, safety and technical standards (e.g. sanitary and phytosanitary requirements)
B18	A	13	48.5	7	12	Accessing export distribution channels
B42	BE	14	39.5	17	7	Strict foreign rules and regulations
B2	A	15	39	25	5	Unreliable data about the international market
B15	C	16	37	15	8	Difficulty in matching competitors' prices
B33	BE	16	37	17	7	Keen competition in overseas markets
B19	A	18	36.5	11	10	Obtaining reliable foreign representation
B16	F	19	35.5	15	8	Granting credit facilities to foreign customers
B23	C	20	35	17	7	Excessive transportation/insurance costs
B7	C	20	35	25	5	Lack of excess production capacity for exports
B31	BE	22	32.5	17	7	Unfavourable foreign rules and regulations
B43	BE	23	32	17	7	Inadequate property rights protection (e.g. intellectual property)
B29	BE	24	29	23	6	Lack of home government assistance/incentives
B27	BE	24	29	25	5	Slow collection of payments from abroad
B35	BE	26	28	25	5	Foreign currency exchange risks
B10	C	26	28	32	4	Adapting export product design/style
B41	BE	28	27	25	5	High tariff barriers
B17	A	29	26	23	6	Complexity of foreign distribution channels
B39	BE	30	25	17	7	Inadequacy of infrastructure for e-commerce
B14	C	31	21	32	4	Offering satisfactory prices to customers
B26	C	32	20	25	5	Difficulties in communicating with overseas customers
B12	C	32	20	37	3	Meeting export packaging/labelling requirements
B13	C	34	19	32	4	Offering technical/after-sales service
B37	BE	35	17	32	4	Different socio-cultural traits
B38	BE	36	15	25	5	Verbal/nonverbal language differences
B32	BE	36	15	32	4	Different foreign customer habits/attitudes
B28	BE	38	11	37	3	Difficulties in enforcing contracts and resolving disputes
B47	BE	39	10	39	2	High costs of Customs administration
B49		40	8	39	2	Other (please specify)
B45	BE	41	7	41	1	Arbitrary tariff classification and reclassification
B21	C	42	6	41	1	Difficulty in supplying inventory abroad
B24	A	42	6	41	1	Adjusting export promotional activities to the target market
B30	BE	44	5	41	1	Unfavourable home rules and regulations
B46	BE	45	1	41	1	Unfavourable quotas and/or embargoes

ANNEX 5
LIST OF GOVERNMENT SUPPORT PROGRAMMES

Country	Programme	Objectives	Focus (I/E/F) ¹⁵	Finance	Business environment	Capability	Access	
Australia	NEDP	Assist small and medium sized Australian companies to develop their business overseas and make their first export sale.	E				X	
Australia	EMDG	Grants program designed to encourage small and medium sized Australian businesses (SMEs) to enter into export and become sustainable exporters.	E	X				
Austria	ERP internationalisation programme	Promotion of FDIs of Austrian Companies in CEEC especially in Albania, Bosnia, Croatia, Macedonia, Serbia, Romania, Ukraine, Russia and Turkey	F	X				
Austria	Export Guarantee Scheme	The Federal Minister of Finance is authorised to issue guarantees for the due performance of contracts by the foreign contracting parties and for the integrity of the rights of export enterprises that serve directly or indirectly to improve the balance of current account or for projects being of Austrian interest to be executed abroad by domestic or foreign enterprises.	E	X				
Brunei Darussalam	Existing Entrepreneurs Advisory and Training Program	Programme targeted at improving general business skills of participants through training courses in various relevant disciplines (e.g. marketing, IT skills). Not necessarily targeted only at supporting internationalisation.	E,I,F			X		
Brunei Darussalam	Enterprise Facilitation Scheme	Loans are given to existing SMEs owned by Malay Citizens at below market rates to support capital intensive investments in various areas. Not necessarily targeted only at supporting internationalisation.	E,I,F	X				
Brunei Darussalam	Technology and Technical Support Services	Programme that provides information on technological advances in a number of areas. In addition, this programme offers direct free or subsidised technology-related services, such as product certifications and various legally required product tests. Not necessarily targeted only at supporting internationalisation.	E,I,F		X	X		
Brunei Darussalam	Site Development for Production and Industrial Development	Programme supporting the site development for general economic activities. Not related to internationalisation	N/A					
Brunei Darussalam	Production and Trade Promotion Programme	Arranges visits to trade fairs for local SMEs	E				X	

¹⁵ (I)mport, (E)xport, (F)oreign based operations and other cooperation

Brunei Darussalam	Investment Incentives Programme	Offer tax incentives for FDI.	I, F	X			
Canada	EXPORT Help!	Companies will have access to a pool of export experts to provide assistance tailored to their specific export related needs. Up to a maximum of 40 hours, depending on the scope of work to be completed is provided.	E			X	X
Canada	Trade Routes	Specifically designed for the arts and cultural sector; provides international business development services in four program areas to support Canadian SMEs to become export-ready. Officers from eight locations across Canada provide market entry support and officers from five key Canadian missions abroad offer in-market assistance. Trade Routes also provides financial support (through a contributions program) and market intelligence (through a research program).	E				X
Canada	Exporter Development Initiative	<u>Only for Manitoba companies</u> ; through outreach consultation, the Exporter Development Initiative (EDI) is designed to assist new and emerging exporters to become export-ready and to support experienced exporters in entering new markets.	E			X	X
Canada	Trade Assistance Programme	<u>Only for Manitoba companies</u> ; The Trade Assistance Program (TAP) assists small and medium-sized Manitoba firms to launch products in new markets outside the province by cost-sharing participation in a recognized trade show or by assisting with the costs of designing export-effective marketing and sales promotion materials.	E	X			
Canada	Nextrade finance	<u>Only for Saskatchewan based companies</u> ; custom export finance program, to address working capital and accounts receivable financing. Program is designed to assist SMEs that are in possession of export sales valued less than \$150 000 USD.	E	X			
Canada	Small and Medium Business Financial Programme	The Small and Medium Business Financial Programme can finance or guarantee loans for capital investment projects of small or medium-sized businesses. The programme has a number of different segments, including: Interim Financing of Tax Credit, Improving Productivity, Market Development Outside Quebec, Export Credit, Working Capital for Growth Purposes, Technological and Design Innovation, Strategic Alliance, International Conventions, and Succession. (Québec only)	E	X			
Canada	Assistance Programme for Businesses Project: Market Development	This programme is a jointly elaborated business development project, some activities of which may be eligible for financial assistance. The programme also supports projects submitted by a group of businesses. - Business development projects; - Market development; - Innovation and adaptation to change. (Québec only)	E	X		X	X

Canada	Québec Export 2006: Agri-Food Export Development Programme	Québec 2006 Export Programme helps fund export market development activities undertaken by groups of businesses or experienced individual firms. Eligible activities must be international in scope and part of a structured plan of action. The programme has two segments: - Preparation for exporting; - Activities for the positioning and promotion of Quebecois products and businesses. (Québec only)	E	X			
Canada (Aboriginal Peoples of Canada)	Aboriginal Business Development Program	Programme targeted at new and existing SMEs designed to help them become and remain competitive in the Canadian and in international Markets. A range of activities are eligible for funding.	E	X		X	X
Canada	Canadian Agriculture and Food International	To assist Canada's agriculture and food industry in improving access to global markets, and strengthen its ability to increase international sales by building brands of international reputation.	E				X
Canada	Agri-Food Trade Service	While not specifically targeted at SMEs, the Agri-Food Trade Service (ATS) provides agriculture, food and fisheries exporters and potential exporters with a variety of services: - enhanced market information on priority markets and countries, - current on-line info and services via the ATS Web Site - trade show advice and support for exhibits and promotions, - AgFITT export training program to raise knowledge and skill levels.	E				X
Canada	Sovereign Contract Service	The Canadian government backs export contracts of national firms with non-Canadian government bodies to increase the transaction reliability.	E			X	X
Canada	Language Industry Program	This is a contribution program where small and medium enterprises working in language training, translation and language technologies can access funding to undertake marketing and branding activities in Canada and abroad.	E				X
Canada	Small Business and Market Development Program	The Program provides new entrepreneurs and expanding small businesses with funding to help them acquire the necessary expertise to pursue new business ideas and new markets for their products or services. The program is intended to support new growth opportunities in the economy, such as value-added manufacturing activities and export-oriented opportunities.	E	X		X	
Canada	Small and Medium Enterprise Fund	Provides term loans and equity investments to businesses, including those with export potential.	E	X			
Canada	Atlantic Canada Opportunities Agency – Business Development Program	Support firm by building awareness of export markets and by assisting in the development and implementation of international marketing strategies.	E			X	X

Canada	International Business Development Agreement	Increase awareness, provide trade training, gather market information and intelligence and do market entry support.	E	X		X	X
Canada	Atlantic Canada Opportunities Agency – Atlantic Trade and Investment Partnership	Increase commercialization particularly of new economy firms and attract FDI by developing strategic action plans and their implementation.	E, F			X	X
Canada	Export Development Canada	Provides various financial and insurance products for SMEs.	E	X			
Chile	Exporters Bank Loans Cover	This is a Chilean Economic Development Agency (CORFO) cover for default in payment risk. It covers up to 50% of the equity balance in case of default in payment on eligible exporters loans (EL), with a maximum limit of US\$ 2,000,000 in the system for each exporter.	E	X			
Chile	Export Promotion Fund	The aim of the Export Promotion Fund (EPF) is to promote the increase of non traditional exports, the increase of the number of exporting companies and the diversification of the markets of destiny. Trade promotion activities are co-financed between the private sector and the program.	E	X			
Chile	CORFO Export Credit	CORFO grants up to USD3 000 000, in dollars or in unidades de fomento, with fixed or variable interest rates. CORFO aims to enable Chilean companies to finance the resources they require in order to export, and also to grant funds to foreign buyers through medium and long term loans granted through commercial banks using CORFO funds.	E	X			
Chinese Taipei	Not given						
Czech Republic	MARKETING (OPIE)	Provide financial support for specific projects within individual SMEs to detect and exploit new export opportunities in foreign markets.	E	X			X
Czech Republic	ALIANCE	Provide financial support for a group of SMEs to detect and exploit new export opportunities in foreign markets collaboratively (as an alliance).	E	X			X
Denmark	Export Preparation Program	SMEs are offered 25 hours of counselling on internationalisation (export, sourcing and networking) free of charge in order to prepare them for the process of internationalisation.	E, I, F			X	
Denmark	Export Start Program	This program is to assist SMEs in the process of internationalisation through counselling on e.g. partner search, export, sourcing, establishment, fairs, network building etc to supply them with competences lacking mainly market information, access to networks to actually get the SME to start exporting.	E, I, F			X	X
Denmark	Trade Fairs Program	This program is to provide SMEs (with less than 100 people employed and annual revenues of less than DKK 100 million) the opportunity to present themselves at fairs on specific markets.	E				X

Denmark	Born Creative Program	This program is to assist creative business within the economy of culture and experience e.g. furniture, industrial design, applied art, textiles/fashion etc.	E	X		X	X
Denmark	Born Global Program	This program assists SMEs within the high technology sector e.g. IT, life sciences, health and medico sector both inside and outside the innovative environments.	E	X		X	X
European Union	Euro Info Centres	The centres provide accurate market information on opportunities both within the EU and in further flung markets. They can help SMEs in areas such as public procurement, finance and European legislation. Naturally, advice on opportunities provided by Commission funding programmes, and on other EU-related matters is also available. In 2004, the EICs replied to more than 310,000 requests for information, advice and assistance.	E, I, F				X
European Union	Innovation Relay Centres	SMEs operating with advanced technology can turn to the EU's Innovation Relay Centre network to get assistance in finding partners all over Europe. 71 IRCs have been set up in 33 countries and they offer a broad range of services to companies, including establishing contacts between businesses and assisting them in contract negotiations.	E, I, F				X
European Union	Market access database	The market access database provides information on conditions for exporting to and investing outside the EU and on duties and taxes applicable on the import procedures and documents required for the import of a particular product.	E, I, F		X		X
European Union	EU Gateway to Japan	Advice, training, seminars, workshops, briefings for individuals and groups; individualised services (translation, market research); contact with sector experts in Japan; a "participants only" section on EU Gateway to Japan web site.	E, I, F				X
European Union	AL Invest	A network of operators from Europe and Latin America co-operate on organising meetings (also known as 'sectorial meetings') between companies active in the same sector on both sides of the Atlantic. The meetings last two days. They are usually held during specialist trade fairs, at a stand or hall under the EU flag. Participants receive a programme of face-to-face meetings specially arranged for them according to their profiles and products.	E, I, F				X
European Union	Asia Invest II	Asia-Invest aims to promote the internationalisation of European and Asian small and medium-sized enterprises (SMEs). For the period 2006-2007 it will continue to support the exchange of experience, networking and matchmaking among European and Asian business organisations to promote the greater integration of European and Asian companies and the transfer of know-how and technology between the two regions.	E, I, F				X
Finland	Fintra	Fintra is Finland's leading trainer in international business management. Fintra specializes in training services, creating tailor-made concepts to meet the development needs of companies and individuals in an increasingly global business environment.	E			X	

Finland	Finpro	Finpro is an association founded by Finnish companies. The clients are Finnish companies at different stages of internationalization. Finpro is a consulting organization focused on accelerating the internationalization of Finnish companies while managing the risks involved. Finpro carries out this national task through a client-oriented approach in co-operation with other service organizations working towards the same goals. We operate through a unique global network: 50 Finland Trade Centres in 40 countries as well as two Trade Centres in Finland.	E, F				X	X
France	Export Exchange Insurance	Cover against currency fluctuation	E	X				
France	Export Credit Insurance (for suppliers)	Cover for large transactions against commercial and political risk	E	X				
France	Investment Insurance	Cover for large overseas investors against political risk	E	X				
France	Prospecting Insurance	Cover for companies against commercial loss when prospecting overseas markets	E	X				
France	Prospecting Tax Credit	Tax relief against the employment of a person for export development	E				X	
France	Exporting/Recruitment Contract	Scheme to allow overseas employment for export development on favourable legal basis (redundancy law)	E				x	
France	Overseas Investment Guarantee (FASEP)	Scheme to encourage French companies to invest overseas with a guarantee against economic risk	F	X				
France	Partnership France	Piggybacking scheme to help SMEs benefit from MNE resources in international markets	F					X
France	Bilateral Partnerships for Industry and Technology	Scheme to promote partnerships with foreign companies	F				X	
France	Customised Export Project Management (SIDEX)	Support to help smaller companies project their expertise to foreign partners	E				X	
France	Overseas Internship (V.I.E.)	Scheme to use young people to help companies enter and develop a foreign market	E					X
Germany	Worldwide active	A framework programme that contains specific activities, yet has various objectives covering the entire range of possible support vehicles.	E,I	X	X	X	X	X
Germany	Information events	Provide information about market opportunities to SMEs that want to engage in exporting	E					X
Germany	R&D cooperation	Provide SMEs with R&D capabilities to be successful internationally (focus on exporting)	E	X			X	
Germany	Export 1	Programme to help high-tech and highly innovative SMEs enter new markets (focus on exporting)	E	X				

Germany	Export 2	Programme to help SMEs from east Germany enter new markets (focus on exporting)	E	X			
Greece	International exhibitions	Organisation of the Greek enterprises participation in the international fairs all over the world	E				X
Greece	Commercial Missions	Organisation and implementation of commercial missions in target markets with the participation of small and medium sized business representatives.	E			X	X
Greece	International growth training	Training seminars for SMEs representatives: 1. Training to think strategically on global basis 2. To manage effectively international partnerships. 3. To staff effectively through expatriation and localization. 4. To manage the learning process on global basis. 5. Adapt the company as its needs shift.	E			X	
Greece	Insurance of Short-term Export Credits	The Programme is offered to every Greek Export Company that sells "on credit terms" its products or services abroad and applies for it. We do not have a "Special" Programme for SMEs. After all, if we take into account the Commission's definition for SMEs, at least 95% of Greek Export Companies can be considered SMEs.	E	X			
Greece	Insurance of Medium and Long-term Export Credits	See above	E	X			
Greece	Investment Insurance Abroad, Against Political Risks	This Programme offers "Investment Insurance" against political risks only (country risks) to every interested Greek entrepreneur who is willing to undertake a Direct Foreign Investment (DFI) abroad.	F	X			
Hong Kong	SME export marketing fund	Provide grants for entering and access to information on overseas markets (focus on exporting)	E	X			X
Hong Kong	Arrangement for ECIC Supported Export Finance for SME	Export credit insurance	E	X			
Hungary	Trade development fund	Trade promotion in order to increase export opportunities.	E	X			X
Hungary	International investment	Corvinus International Investment Ltd (founded in 1997), a state-owned development finance institution in Hungary set up to co-invest with Hungarian companies abroad and equipped to ensure sufficient financial resources for its partners' investment projects.	F	X			X
Hungary	Further programmes	Further programmes are mainly targeted at providing export credit insurance, financial support and information about foreign markets.	E	X			X
Indonesia	International Market Access	Program focussed at supporting exporting SMEs with a range of services required to access international markets.	E	X		X	X

Ireland	Enterprise Ireland E.I. (Market Entry)	The Market Entry Programme by E.I. tries to support firms during market entry in foreign market. The programme is however not restricted to SMEs.	E					X
Ireland	Enterprise Ireland E.I. (Trade Fairs)	The Trade Fairs / Trade Missions Programme by E.I. tries to help companies participate in trade fairs and arranges for trade missions. The programme is however not restricted to SMEs.	E					X
Ireland	Enterprise Ireland E.I. (Market Development)	The Market Development Programme by E.I. supports companies through various means after market entry decisions were made. This includes help with recruiting local staff, providing facilities in special Trade and Technology Centres and specific market analysis.	E			X		X
Italy	Multiple	Various programmes for supporting SMEs, mainly with the aim of increasing international awareness for Italian products and enabling SMEs to create contacts with international partners.	E, I, F	X				X
Japan	Seminar for International Business	JETRO and SMRJ hold seminars for international business. They provide specific foreign market information to enterprises.	E					X
Japan	Adviser program for Trade and Foreign investment	JETRO and SMRJ employs OB or experts of trade companies, manufacturing companies, banks, lawyers, accountants etc. as advisers. In order to support foreign investment and trade, advisers provide specific information and advice to their client.	E					X
Japan	Exhibition for International Business	JETRO holds exhibition for international business and then makes opportunities for introduction on products and for business matching. In addition, JETRO helps to enterprises which aim to exhibit their products at foreign exhibition.	E, I, F					X
Japan	Mission for International Business	JETRO plans and dispatches missions for international business to specific countries. In such missions program, site-visiting and business matching are included.	E, F					X
Korea	SME Globalisation Project	This program intends to help SMEs that depend heavily on domestic demands to open up new overseas markets. The administration is in full support of the entire export process of such SMEs. Under this program, the SMEs are supported with trade training, catalogue preparation, survey of overseas market, and exploring new buyers, product P.R, and needed translation and interpretation.	E					X
Malaysia	Market Development Grant	The objective of the scheme is to provide a matching grant (up to 50% of total cost) to assist Small and Medium Enterprises (SMEs) undertake activities for the development of export markets.	E	X				
Mexico	Promotion Program of Exportable Supply for SMEs	Through network national of support to SMEs (PYMEXPORTA Centres, Impellers of the Exportable Supply in Mexico and External Trade Organizations), supports to companies that has interest in beginning in the exports and/or diversifying markets, by means of an integral service of qualification, specialized consultancy, promotion of international markets and commercialization and unique channel of export, that allow to make specific the exporting cycle, through the support and management of institutional supports for the development of export project	E			X		X

Mexico	Exportable Supply Impellers Promotion Program	<p>The impellers of the Exportable Supply abroad conform organisms of foreign trade that have the objective to support to the Micro, Small and Medium companies (MIPYMES) competitive that have interest in exporting, increasing their exports and/or to diversify their markets.</p> <p>Also, it foresees the creation of infrastructure of spaces for the promotion and/or product's storage, and the service of inventories' management and includes consultancy and specific product studies, entrepreneur qualification, international marketing, determination of production's costs.</p>	E	X		X	X
The Netherlands	Programme for starters abroad	The programme facilitates SME-enterprises (less than 100 employees) that have hardly any experience with exporting. The programme is focused on providing advice and assistance for the preparation and implementation of an export plan, as well a contribution in the costs of specific activities that are part of the export plan.	E	X		X	
New Zealand	Exporter Education Programme	<p>The EEP provides existing and new exporters with the skills and advice to help them grow their exports. Workshop topics include:</p> <ul style="list-style-type: none"> • Getting Started in Exporting; • Market Entry Strategies; • Planning for Export Success; • Tax Issues for exporters; • Trade Fairs – Critical Success Factors; and • Developing Your Winning Sales Pitch 	E			X	
New Zealand	Enterprise Development Fund – Market Development Component (EDF-MD)	<p>The EDF-MD was implemented to encourage more New Zealand firms to increase their international connections through the provision of funding assistance for offshore marketing and promotion activities. Businesses can apply for assistance with the implementation of significant international market development initiatives, including expenditure related to:</p> <ul style="list-style-type: none"> • Market visits • In-market representation • Advertising and promotion • Marketing materials • Trade fairs and events • Market research 	E	X			
New Zealand	Market Development Services	Market Development Services (MkDS) are part of the Growth Services Range (GSR) of customised business and international market development assistance. They are services (rather than grant funding), delivered directly to the firm and include a range of information, advisory and support services aimed at developing and or supplementing the capability of firms to develop their international markets.	E				X
New Zealand	Brand New Zealand	Brand New Zealand is creating a national umbrella brand that will differentiate New Zealand internationally, to better support key sectors, and enhance New Zealand's established and emerging areas of competitive advantage.	E,I ,F		X		
New Zealand	Other SME support	New Zealand further runs a number of other support programmes targeted at SMEs. Their focus is however not on international activity per se.	E,I ,F	X	X	X	X

Norway	Multiple	Offices abroad do support information, networks and international assistance.	E,I ,F				X
Papua New Guinea	Start and Improve Your Business Program	General skills development programme targeted at a wide range of businesses.	E,I ,F			X	
Peru	Generating Capacities for Export Chains	The programme aims to generate capacities in micro and small enterprises that allow them to get incorporated into the export chain, accomplishing the market demands. The program provides non-financial entrepreneurial services, such as training, information and articulation, using IT.	E			X	
Peru	Supplier development	The programme aims to identify the public and private demand, matching it to the SME export potential supply at the national level, and analyzing key productive sectors	E			X	X
Philippines	Export Assistance Network	Provides information for exporters and would-be exporters. It also resolves specific concerns and problems related to export trade. It has a network of 152 agencies within and outside the Department of Trade and Industry, such as the Bureau of Customs.	E		X		X
Philippines	One-Stop Export Documentation Centre	A one-stop shop for the application, processing, and approval of export documents	E		X		
Philippines	Tradeline Philippines	An online database that contains Philippine export and import statistics, world demand, target market's import statistics, trade updates, foreign buyers and their products of interest, product profiles, market guides, and assistance packages available to exporters.	E				X
Poland	Company Development for Exporters Programme	Scheme aimed at providing SMEs with necessary capabilities and required funds for developing products and improving their operations to be able to target specific export markets.	E	X		X	
Romania	Access support for SMEs	The objective of this Programme is to facilitate the access of the Romanian SMEs to foreign markets, the capitalization of their export potential, as well as to decrease the gap of market information, consultancy and training services that exists between the Romanian SMEs and those from the European Union. The Romanian Government will implement actions directed to: facilitate the participation of SMEs in fairs and international events; support consultancy and training entrepreneurs in drafting export strategies, in marketing techniques and export management develop cross-border transactions through e-commerce	E	X		X	X
Singapore	Various	A range of various programmes is offered by multiple providers covering the entire spectrum of support activities.	E,I ,F	X	X	X	X
Slovak Republic	Support for International cooperation	Grants are provided to finance concrete proposals of SMEs that lead to international cooperation.	E,I ,F	X			

Slovak Republic	Support for growth and technological development	Grants are provided to support the growth and technological development of SMEs. This programme is not specifically targeted at international activities but it is estimated that 20% of the grants support internationalisation.	E,I ,F	X			
Spain	Programme A	It consists of a permanent action, addressed to Spanish companies in order to help them to overcome trade barriers in the foreign markets. The Secretariat-General for Foreign Trade examines and assesses the complaints presented and takes action, whether assisting the affected companies technically or, if necessary, trying to solve the problem through bilateral contacts with the host authorities in collaboration with the Spanish Commercial Office of the Spanish Embassy in the country where the problem arise. When necessary, an action and support from de EU Commission may be requested, as much as legal actions based on EU law.	E		X		
Spain	Programme B	PROJECT ON-LINE FOR THE IDENTIFICATION OF PROBLEMS OF SPANISH COMPANIES IN THE EUROPEAN SINGLEMARKET: It consists of a preliminary enquiry addressed to Spanish exporting companies in order to ask them which kind of problems they find when trying to access to the other European markets, and to compile the information received.	E		X		
Sweden	SOLVIT & National board of trade	European network for removing trade barriers. Deals with complaints filed by individuals and business mainly concerning the misapplication of Internal Market law by public authorities.	E,I ,F		X		
Sweden	The Swedish Embassies & The Swedish Trade Council	The embassies worldwide and the STC support companies with relevant information as well as formal and informal contacts.	E				X
Sweden	The Swedish Export Credits Guarantee Board (EKN)	EKN helps Swedish business reduce risks and improve chances of getting your bank to finance your transactions. EKN's directive from the government is to help improve the competitiveness of Swedish companies. Long-term credits, high-risk markets, specific transactions, small transactions – if there's no cover on the commercial insurance market, EKN's guarantees are there to help.	E	X			
Sweden	Invest in Sweden Agency (ISA)	ISA is the government agency assisting and informing foreign investors about business opportunities in Sweden. Companies planning to establish or expand business operations in Sweden can, free of charge, obtain information and assistance from ISA and its regional and international network.	I,F				X
Switzerland	Export promotion organisation	Helps Swiss SMEs to develop international business activities by delivering the following support: - Export audit - Identify strengths and weaknesses of the enterprise - Giving first basic information - Giving first advice	E			X	X
Turkey	International Trade Fairs	Financial support for SMEs to participate in international trade fairs	E	X			

UK	Passport to Export	A programme to develop the trading capability of SMEs that are new to exporting.	E			X	
USA	SBA (Small business export assistance)	Provide loan guarantees, information about specific markets and information on general export matters	E	X			X
USA	US Foreign and Commercial Service	The Commercial Service places primary emphasis on the promotion of exports of goods and services from the United States, particularly by small businesses and medium-sized businesses, and on the protection of United States business interests abroad.	E			X	X
Vietnam	National Trade Promotion Programme	National Trade Promotion Programme is developed based on the orientation on market, exporting industries stipulated in the Export Strategy 2006-2010 and is funded by State Budget. The aim is to enhance trade promotion activities, to develop exporting market; to strengthen competitiveness for business community; to encourage linkages among trading, investment and tourism promotion	E	X		X	X

ANNEX 6
RESPONSES TO SME SURVEY BY OECD/APEC ECONOMIES

Home member economy	Responses	Percent
Canada	217	22.19
Greece	128	13.09
Switzerland	118	12.07
Turkey	77	7.87
Japan	74	7.57
Spain	60	6.13
New Zealand	52	5.32
Poland	33	3.37
Mexico	25	2.56
Korea	23	2.35
Chile	21	2.15
Czech Republic	19	1.94
Italy	12	1.23
France	11	1.12
Philippines	11	1.12
Hungary	10	1.02
Australia	9	0.92
Austria	9	0.92
United Kingdom	8	0.82
Germany	6	0.61
Brunei Darussalam	5	0.51
Malaysia	4	0.41
Peru	4	0.41
China	3	0.31
Finland	3	0.31
Romania	3	0.31
Argentina	2	0.20
Nepal	2	0.20
Portugal	2	0.20
Slovak Republic	2	0.20
Sweden	2	0.20
United States	2	0.20
Albania	1	0.10
Belgium	1	0.10
Brazil	1	0.10
Chinese Taipei	1	0.10
Colombia	1	0.10
Costa Rica	1	0.10
Democratic Republic of Congo	1	0.10
Guatemala	1	0.10
Hong Kong (China)	1	0.10
Ireland	1	0.10
Lebanon	1	0.10
Liechtenstein	1	0.10
Nigeria	1	0.10
Qatar	1	0.10
Russia	1	0.10
Singapore	1	0.10

Home member economy	Responses	Percent
Swaziland	1	0.10
Tajikistan	1	0.10
Thailand	1	0.10
Uganda	1	0.10
Ukraine	1	0.10
Total	978	100.00

ANNEX 7

COMPLETE RESULTS FROM LIKERT-SCALE RANKING

Rank	Average	StdDev	Barrier	Description
1	3.55	1.25	B19	Obtaining reliable foreign representation
2	3.52	1.23	B3	Identifying foreign business opportunities
3	3.34	1.27	B1	Limited information to locate/analyse markets
4	3.33	1.26	B20	Maintaining control over foreign middlemen
5	3.33	1.36	B4	Inability to contact potential overseas customers
6	3.28	1.24	B33	Keen competition in overseas markets
7	3.27	1.39	B29	Lack of home government assistance/incentives
8	3.24	1.30	B14	Offering satisfactory prices to customers
9	3.19	1.29	B18	Accessing export distribution channels
10	3.17	1.31	B28	Difficulties in enforcing contracts and resolving disputes
11	3.16	1.23	B2	Unreliable data about the international market
12	3.14	1.37	B16	Granting credit facilities to foreign customers
13	3.13	1.22	B5	Lack of managerial time to deal with internationalisation
14	3.13	1.45	B8	Shortage of working capital to finance exports
15	3.12	1.28	B6	Inadequate quantity of and/or untrained personnel for internationalisation
16	3.10	1.32	B31	Unfavourable foreign rules and regulations
17	3.10	1.36	B15	Difficulty in matching competitors' prices
18	3.09	1.24	B17	Complexity of foreign distribution channels
19	3.06	1.31	B27	Slow collection of payments from abroad
20	3.02	1.22	B24	Adjusting export promotional activities to the target market
21	2.97	1.19	B32	Different foreign customer habits/attitudes
22	2.94	1.33	B25	Unfamiliar exporting procedures/paperwork
23	2.92	1.32	B42	Strict foreign rules and regulations
24	2.89	1.36	B13	Offering technical/after-sales service
25	2.89	1.30	B35	Foreign currency exchange risks
26	2.88	1.43	B23	Excessive transportation/insurance costs
27	2.88	1.40	B30	Unfavourable home rules and regulations
28	2.85	1.35	B9	Developing new products for foreign markets
29	2.84	1.21	B36	Unfamiliar foreign business practices
30	2.84	1.45	B11	Meeting export product quality/standards/specifications
31	2.80	1.32	B26	Difficulties in communicating with overseas customers
32	2.78	1.44	B43	Inadequate property rights protection (e.g. intellectual property)
33	2.73	1.37	B10	Adapting export product design/style
34	2.72	1.26	B34	Poor/deteriorating economic conditions abroad
35	2.71	1.40	B47	High costs of Customs administration
36	2.69	1.43	B41	High tariff barriers
37	2.68	1.25	B38	Verbal/nonverbal language differences
38	2.65	1.19	B37	Different socio-cultural traits
39	2.59	1.39	B12	Meeting export packaging/labelling requirements
40	2.57	1.31	B21	Difficulty in supplying inventory abroad
41	2.48	1.33	B39	Inadequacy of infrastructure for e-commerce
42	2.47	1.34	B40	Political instability in foreign markets
43	2.47	1.36	B44	Restrictive health, safety and technical standards (e.g. sanitary and phytosanitary requirements)
44	2.44	1.32	B45	Arbitrary tariff classification and reclassification
45	2.30	1.36	B22	Unavailability of warehousing facilities abroad
46	2.28	1.39	B46	Unfavourable quotas and/or embargoes
47	2.25	1.33	B7	Lack of excess production capacity for exports

ANNEX 8

COMPLETE RESULTS FROM TOP 10 RANKING

Rank	Average (weighted factor)	StdDev	No. of times mentioned	Barrier	Description
1	3.01	3.89	365	B8	Shortage of working capital to finance exports
2	3.00	4.09	341	B3	Identifying foreign business opportunities
3	2.82	4.10	323	B1	Limited information to locate/analyse markets
4	2.60	3.82	305	B4	Inability to contact potential overseas customers
5	2.05	3.17	305	B19	Obtaining reliable foreign representation
6	1.94	3.42	252	B5	Lack of managerial time to deal with internationalisation
7	1.79	3.26	243	B6	Inadequate quantity of and/or untrained personnel for internationalisation
8	1.68	3.10	232	B15	Difficulty in matching competitors' prices
9	1.60	2.96	227	B29	Lack of home government assistance/incentives
10	1.43	2.79	224	B23	Excessive transportation/insurance costs
11	1.39	3.01	202	B2	Unreliable data about the international market
12	1.26	2.75	194	B14	Offering satisfactory prices to customers
13	1.24	2.59	185	B18	Accessing export distribution channels
14	1.17	2.55	183	B16	Granting credit facilities to foreign customers
15	1.09	2.36	182	B27	Slow collection of payments from abroad
16	1.03	2.35	179	B33	Keen competition in overseas markets
17	1.00	2.29	177	B28	Difficulties in enforcing contracts and resolving disputes
18	0.97	2.33	158	B17	Complexity of foreign distribution channels
19	0.95	2.28	155	B20	Maintaining control over foreign middlemen
20	0.94	2.32	155	B9	Developing new products for foreign markets
21	0.93	2.37	154	B13	Offering technical/after-sales service
22	0.87	2.20	143	B35	Foreign currency exchange risks
23	0.85	2.31	132	B31	Unfavourable foreign rules and regulations
24	0.77	2.33	130	B41	High tariff barriers
25	0.76	2.09	129	B26	Difficulties in communicating with overseas customers
26	0.74	2.18	125	B43	Inadequate property rights protection (e.g. intellectual property)
27	0.74	2.11	123	B11	Meeting export product quality/standards/specifications
28	0.73	2.05	121	B10	Adapting export product design/style
29	0.71	2.08	117	B47	High costs of Customs administration
30	0.68	1.85	115	B24	Adjusting export promotional activities to the target market
31	0.65	1.93	113	B25	Unfamiliar exporting procedures/paperwork
32	0.65	2.04	103	B30	Unfavourable home rules and regulations
33	0.60	1.98	99	B42	Strict foreign rules and regulations
34	0.58	1.89	96	B7	Lack of excess production capacity for exports
35	0.47	1.57	96	B36	Unfamiliar foreign business practices
36	0.47	1.63	83	B38	Verbal/nonverbal language differences
37	0.42	1.74	77	B44	Restrictive health, safety and technical standards (e.g. sanitary and phytosanitary requirements)
38	0.37	1.40	71	B32	Different foreign customer habits/attitudes
39	0.35	1.36	68	B34	Poor/deteriorating economic conditions abroad
40	0.34	1.48	65	B40	Political instability in foreign markets
41	0.33	1.41	62	B37	Different socio-cultural traits
42	0.33	1.46	61	B12	Meeting export packaging/labelling requirements
43	0.32	1.41	61	B45	Arbitrary tariff classification and reclassification
44	0.30	1.34	55	B22	Unavailability of warehousing facilities abroad
45	0.29	1.38	52	B46	Unfavourable quotas and/or embargoes
46	0.29	1.25	50	B39	Inadequacy of infrastructure for e-commerce
47	0.28	1.33	49	B21	Difficulty in supplying inventory abroad

ANNEX 9

DIFFERENCES IN PERCEIVED BARRIERS BY SUB-GROUPS

166. Only less than half of the barriers differed significantly by activity ($p=0.05$; it needs to be mentioned though that a type 1 error is likely for a few of these barriers due to the number of total barriers tested and the significance level¹⁶ chosen). Those barriers with their respective mean scores (top 10 ranking method) are shown in Table A9.1. While this analysis brings to light some rather obvious conclusions, such as that barrier B23 (Excessive transportation/insurance costs) is more of a concern for firms that deal with products, it also underpins a broader pattern of differences in business activities. The most noteworthy differences can be seen in Table A9.1.

Table A9.1. Differences in perceived barriers by activity

Barrier	Mean (All)	Mean (Product)	Mean (Service)	Mean (Both)	Description
B8	3.01	2.66	3.42	3.45	Shortage of working capital to finance exports
B3	3.00	2.72	3.72	2.93	Identifying foreign business opportunities
B1	2.82	2.54	3.49	2.81	Limited information to locate/analyse markets
B5	1.94	1.92	2.52	1.41	Lack of managerial time to deal with internationalisation
B15	1.68	2.15	0.85	1.39	Difficulty in matching competitors' prices
B29	1.60	1.36	2.23	1.54	Lack of home government assistance/incentives
B23	1.43	1.93	0.82	0.86	Excessive transportation/insurance costs
B2	1.39	1.28	1.93	1.12	Unreliable data about the international market
B14	1.26	1.56	0.84	0.97	Offering satisfactory prices to customers
B18	1.24	1.49	1.02	0.89	Accessing export distribution channels
B33	1.03	1.31	0.65	0.76	Keen competition in overseas markets
B13	0.93	0.82	0.72	1.41	Offering technical/after-sales service
B35	0.87	0.97	0.45	1.03	Foreign currency exchange risks
B41	0.77	0.98	0.37	0.69	High tariff barriers
B11	0.74	0.96	0.31	0.63	Meeting export product quality/standards/specifications
B47	0.71	0.84	0.18	0.92	High costs of Customs administration
B44	0.42	0.62	0.13	0.23	Restrictive health, safety and technical standards (e.g. sanitary and phytosanitary requirements)
B22	0.30	0.41	0.06	0.30	Unavailability of warehousing facilities abroad

167. Firms with service only offerings feel a stronger lack of government support. This is likely to be explained by the fact that services are more difficult to characterise than products and government agencies may feel less qualified to assess the international potential of service firms as opposed to firms producing physical goods. The difficulty in comparing and evaluating services is featured in a number of the other differences, such as in barriers B3 (Identifying foreign business opportunities), B1 (Limited information to locate/analyse markets), B2 (Unreliable data about the international market). For firms producing products, the problems rather centre around issues like price competition (B15, B14, B33) and issues related to the distribution and im-/export of products (e.g. B18, B41 & B22).

168. The eleven sectors mentioned above were used for the analysis in Table A9.2. Only a few of the barriers were found to show significant differences between the sectors. While not all of these differences

16 Significance level: A statistical measure indicating the level of confidence, with which statements can be made about the results.

can be explained easily, some can be used to focus support efforts. For example, accessing distribution channels is most difficult for firms from the tourism, leisure and heritage sector.

Table A9.2. Differences in perceived barriers by sector

Barrier	Mean (All)	Advanced Engineering (incl. auto)	Aerospace, Airports and Transport	Agriculture and Food	Creative Industries	Education and Training	Energy	Environment	Finance and Business	Healthcare and Biotechnology	ICT	Tourism, Leisure and Heritage	Description
B8	3.01	2.96	1.59	2.68	2.63	4.16	3.47	2.43	2.88	2.21	4.86	4.30	Shortage of working capital to finance exports
B19	2.05	2.14	2.00	1.58	1.69	3.16	2.37	3.38	2.02	2.56	3.44	2.24	Obtaining reliable foreign representation
B15	1.68	1.69	2.07	2.07	0.63	0.32	1.89	1.38	0.97	1.95	0.82	2.05	Difficulty in matching competitors' prices
B23	1.43	1.55	2.38	2.14	2.94	0.58	0.42	0.90	1.12	1.93	0.42	1.32	Excessive transportation/insurance costs
B14	1.26	1.34	1.03	1.80	0.00	0.68	1.79	0.48	0.71	1.33	0.50	1.49	Offering satisfactory prices to customers
B18	1.24	1.06	0.48	1.64	1.88	0.81	1.42	1.62	0.83	1.56	1.14	2.41	Accessing export distribution channels
B13	0.93	1.29	0.69	0.79	0.00	0.55	1.37	1.33	0.65	0.74	2.08	0.92	Offering technical/after-sales service
B43	0.74	0.78	1.03	0.55	2.44	0.42	0.95	1.24	0.56	0.77	1.54	0.46	Inadequate property rights protection (e.g. intellectual property)
B11	0.74	0.89	1.10	1.06	0.00	0.19	0.95	0.71	0.23	0.37	0.18	0.76	Meeting export product quality/standards/specifications
B47	0.71	0.56	1.38	0.86	1.81	0.84	0.68	0.76	0.39	1.21	0.24	1.84	High costs of Customs administration
B30	0.65	0.27	0.69	0.67	0.38	1.77	0.79	0.14	0.84	0.60	0.74	0.14	Unfavourable home rules and regulations
B44	0.42	0.42	0.00	1.20	0.00	0.00	0.00	0.48	0.10	0.51	0.06	0.27	Restrictive health, safety and technical standards (e.g. sanitary and phytosanitary requirements)
B40	0.34	0.44	0.17	0.22	0.50	0.06	1.32	1.00	0.15	0.49	0.04	0.11	Political instability in foreign markets
B46	0.29	0.20	0.90	0.67	0.44	0.03	0.00	0.00	0.00	0.21	0.00	0.14	Unfavourable quotas and/or embargoes

169. Slightly more than half of the total barriers vary significantly according to the respondent's home member economies. Table A9.3 lists the respective mean values for these barriers (the economies appear in the order of the total number of responses received). For each barrier, the lowest and highest score are highlighted (bold font). The respective differences can be used as a proxy to help governments decide on which areas to focus support on. For example, SMEs within Canada report considerable difficulties obtaining working capital to finance exports, while SMEs in Japan appear to have no difficulty in identifying foreign business opportunities. Not surprisingly, SMEs in far away New Zealand complain of excessive transportation and insurance costs.

Table A9.3. Differences in perceived barriers by SMEs and member economies

Barrier	Mean (All)	Canada	Greece	Switzerland	Turkey	Japan	Spain	New Zealand	Description
B8	3.01	3.97	2.57	1.23	3.01	1.46	3.71	3.32	Shortage of working capital to finance exports
B3	3.00	3.28	4.41	3.26	2.50	0.77	2.13	3.68	Identifying foreign business opportunities
B1	2.82	3.19	2.16	2.08	3.96	0.91	3.20	3.00	Limited information to locate/analyse markets
B4	2.60	2.43	3.98	1.55	2.67	0.64	3.64	2.14	Inability to contact potential overseas customers
B19	2.05	2.34	0.99	2.33	2.19	1.82	2.63	2.52	Obtaining reliable foreign representation
B5	1.94	2.18	2.46	1.75	1.27	0.93	2.86	2.23	Lack of managerial time to deal with internationalisation
B15	1.68	1.37	1.66	1.73	3.13	2.14	1.48	0.55	Difficulty in matching competitors' prices
B29	1.60	2.57	2.40	0.34	0.90	0.41	1.52	2.61	Lack of home government assistance/incentives
B23	1.43	1.46	1.77	0.62	1.60	0.80	1.89	2.52	Excessive transportation/insurance costs
B14	1.26	0.84	1.05	1.99	1.39	2.59	1.27	1.02	Offering satisfactory prices to customers
B16	1.17	1.88	1.23	0.63	1.07	1.21	0.88	0.70	Granting credit facilities to foreign customers

B27	1.09	0.94	0.68	1.32	1.60	1.84	1.13	0.98	Slow collection of payments from abroad
B28	1.00	0.90	0.87	1.01	0.84	1.98	1.32	0.64	Difficulties in enforcing contracts and resolving disputes
B35	0.87	0.85	0.19	0.87	0.63	1.82	0.61	1.75	Foreign currency exchange risks
B41	0.77	0.60	0.53	1.18	0.81	1.64	0.41	0.25	High tariff barriers
B43	0.74	0.69	0.25	1.15	0.16	2.68	0.20	1.02	Inadequate property rights protection (e.g. intellectual property)
B30	0.65	0.64	0.75	0.45	0.57	0.36	0.57	1.91	Unfavourable home rules and regulations
B42	0.60	0.76	0.26	1.08	0.46	1.29	0.34	0.43	Strict foreign rules and regulations
B36	0.47	0.30	0.36	0.57	0.46	1.13	0.43	0.25	Unfamiliar foreign business practices
B38	0.47	0.40	0.35	0.41	0.31	1.64	0.57	0.32	Verbal/nonverbal language differences
B44	0.42	0.16	0.14	0.52	0.16	0.96	0.34	1.16	Restrictive health, safety and technical standards (e.g. sanitary and phytosanitary requirements)
B34	0.35	0.25	0.46	0.16	0.24	1.02	0.46	0.20	Poor/deteriorating economic conditions abroad
B40	0.34	0.33	0.42	0.23	0.27	1.36	0.36	0.09	Political instability in foreign markets
B37	0.33	0.15	0.22	0.48	0.26	0.91	0.29	0.07	Different socio-cultural traits
B45	0.32	0.29	0.31	0.69	0.11	0.63	0.09	0.05	Arbitrary tariff classification and reclassification
B22	0.30	0.15	0.27	0.05	0.84	0.29	0.50	0.18	Unavailability of warehousing facilities abroad
B39	0.29	0.29	0.76	0.09	0.10	0.48	0.14	0.73	Inadequacy of infrastructure for e-commerce

170. For the test by primary target market, the top six target markets (i.e. all that featured more than 20 responses) were considered (the economies appear in the order of the total number of responses received). Only a few barriers are significantly different by primary target market. While some of these differences cannot be explained easily, others confirm the prevailing perceptions about certain markets. For example China, although being the second most important target market, still presents significantly higher obstacles regarding aspects, such as intellectual property rights (barrier B43), differences in culture, business practices and language (barriers B38, B36 and B37) and concerns about political instability (barrier B40).

Table A9.4. Differences in perceived barriers by primary target market

Barrier	Mean (All)	US	China	Germany	Russia	France	UK	Description
B8	3.01	3.48	2.70	2.70	3.62	1.81	4.92	Shortage of working capital to finance exports
B3	3.00	3.23	2.17	3.53	3.16	1.81	4.33	Identifying foreign business opportunities
B33	1.03	1.07	1.42	1.61	0.38	0.26	1.17	Keen competition in overseas markets
B26	0.76	0.52	1.11	0.44	0.27	1.10	0.96	Difficulties in communicating with overseas customers
B43	0.74	0.51	1.65	0.25	0.70	1.00	0.42	Inadequate property rights protection (e.g. intellectual property)
B11	0.74	0.84	0.56	0.90	1.11	0.23	2.08	Meeting export product quality/standards/specifications
B36	0.47	0.34	0.95	0.53	0.92	0.13	0.08	Unfamiliar foreign business practices
B38	0.47	0.16	1.27	0.66	0.35	0.39	0.29	Verbal/nonverbal language differences
B40	0.34	0.12	0.68	0.17	0.43	0.32	0.17	Political instability in foreign markets
B37	0.33	0.03	0.83	0.38	0.51	0.26	0.13	Different socio-cultural traits

ANNEX 10

COMMENTS OF SMES ON USEFULNESS OF GOVERNMENT SUPPORT

Usefulness ¹⁷	Country	Programme Used / Support Received	Most Value Obtained From	Comments
5	Canada	Local Ag Canada office helped with research and introductions	The introduction to the buyer and the research to identify that buyer	Local hired staff at the consulate was invaluable
5	Canada	EDC of Canada has been helpful in providing ready access to facilities necessary to streamline our overseas operations, especially with the provision of credit insurance and other export related facilities.	Access to capital from participating financial institutions	EDC should assume more risk exposures on behalf of exporters
5	Canada	Overseas Trade Office Personnel assistance	Having been able to identify legitimate partners/customers	Foreign countries should establish Governmental Offices which can provide screening of illegitimate & dishonest business individuals
5	Canada	PEMD	Help with financing	Program was cancelled
5	Canada	I spoke to a Canada Customs agent to get help with Canadian Customs classifications (commercial section?) I also used the ExportSource website and various other Gov't of Canada websites, as well as the Business centre (name?) exporting seminar at Waterfront station in Vancouver, BC to educate myself on the steps involved in exporting.	1. Speaking in person to a Canada Customs officer (for help with forms and classification of products) & 2. Attending an exporting seminar at the business centre @ waterfront station in Vancouver (to get step-by-step help with other SME owners on the exporting process)	I found it was too hard to contact the local Vancouver trade commissioner for arts and culture. The receptionist at her office was quite helpful, as she knew to send me to the Canada Customs office down the block.
5	Canada	List of market segment participants - Trade Commissions	Target market - assistance	Trade Commission offices abroad in most cases do an excellent job supporting our efforts.
5	Canada	Payment of fees and transport costs	Detailed information on personal security	In our participation to these markets organised by the states
5	Greece	Opening of new markets, low budget exhibition programs	Personal contact with abroad customers	To be continued more intensely
5	Greece	Subsidy N.1262/92 (MOIT)	Factory establishment 45 %	Stronger support
5	Mexico	Pymexporta	Obtain the reimbursement of consultantship	Exist additional supports for fairs and international events, web sites, material and capacitation
5	Peru	Send samples for diplomatic valise	Cost reduction	Enterprises informs
5	Poland	Phare 2000	Phare 2000	Buying new machines from the grant was the base to start production for export
5	Switzerland	We found a distributor in Poland and Spain	to contact partners	The overview of the market helps them a lot
4	Canada	Assistance planning for business development in Australia	International market conditions	But not extraordinary considering this was already a very developed Western market

¹⁷ 1: 'Not useful'; 2: 'Somewhat useful'; 3: 'Useful'; 4: 'Very useful'; 5: 'Extremely useful'

Usefulness ¹⁷	Country	Programme Used / Support Received	Most Value Obtained From	Comments
4	Canada	CIDA Inc - Foreign Industrial Co-operation	Sharing early stage business risk	But there is room for improvement
4	Canada	Key Contact Lists and some market information	Essentially, I need to get in direct contact potential clients. The Key Contact Lists were good, but not as effective as hoped. More Face-to-Face introductions are needed.	My interactions with government services for business development have been good.
4	Canada	The best help is when govt gets out of the way	Minimal red tape at the border with the USA	The CAN govt has the most favourable border crossing arrangements with the USA, which is good, but the restrictions should be even less while maintaining security, and privacy rights.
4	Canada	PEMD; program for export market development	Trade show participation	PEMD was discontinued
4	Canada	IRAP, PEMD	IRAP	But as IRAP was being killed, they beat us out of some money, just to make things a little tougher
4	Canada	Consultations	Don't know yet, going through the process	So far so good
4	Greece	To overcome some difficulties with some public servants	To mine useful information from some public bodies	No
4	Greece	METPO 4.3	Financial support	The measure was extremely austere regarding the changes. We need much more flexibility. We are not able 3 years before to accomplish the program so that it will be 100 % good 3 years later. we must be able to make changes with no concern, meeting the market
4	Greece	O.I.E.	Exhibitions with OIIE	Higher financing for the national stalls in international fairs.
4	New Zealand	Free training course for small business	Assistance of financial management	It's easy to set up a small business but very hard to maintain and grow up
4	New Zealand	Market Assistance programs and NZTE initiatives such as Innovation Exchange, TIF's, Post Grad funding from FRST, ANZBTPF; VIP visits to NZ	NZTE supported Missions (e.g. Bio 2004, 2005, and 2006)	Good staff well connected. Govt should assist with Mission to Airbus, France in June
4	Spain	Subsidies for tests of fish with ice liquid, in collaboration with Cesic	The one commented	We need to continue making official proofs with CESIC
3	Canada	Some project financing for training in Russia following a request for service from Russian client	The financial assistance to overcome project start up costs and ensure presence in the market. Following establishment of a physical presence other business opportunities followed that would otherwise not have been realized	In dealing with government assistance programs and government as a whole there is a definite lack of knowledge or experience in government officials in the market and requirements of the small business or entrepreneur. In dealing with these officials it is extremely frustrating to present information to people that have no knowledge of country or business. Applications are restrictive and difficult to complete when the proper questions and requirements cannot be displayed.

Usefulness ¹⁷	Country	Programme Used / Support Received	Most Value Obtained From	Comments
3	Canada	Agri-food Canada Marketing Info, Tobacco Diversification grants for product advertising, Information from Commercial Offices at Embassies, Team Canada/NEBs Information and missions, International Trade Canada, Virtual Trade Commissioner Service	Virtual Trade Commissioner is good for my small business, Agri-food Canada Export Rediness Package was helpful as well	Much of this information could me more useful in the future should export sales increase
3	Canada	Free local seminar on exporting to the USA	Meeting other like-minded businesses with similar issues, networking	Gained a new client
3	Czech Republic	A potential partner introduction; a presentation arrangement, social support	Social support from the Czech republic representation when dealing with local authorities and country representatives	As the case may be
3	Greece	Promotion in exhibitions abroad	Financial	The target-countries have low standard of living
3	Mexico	PYMEXPORTA Puebla in the program requirements of origin	All	We need to have more contact and communication
3	Mexico	Support for fairs, market research, advertising material, Pymexporta program	Market research	More economic support and specialized consultancy in foreign markets
3	New Zealand	Biz info training workshops - e-commerce; Comet project	Comet project online store set up	Sponsorship to Comet Project should have included a Bank which could have offered assistance to set up credit card facilities to enable overseas customers to use the store
3	New Zealand	Free advise of a lawyer for 1 hour to discuss licensing proposal	Never took any further as would involve too much managerial time.	Too busy domestically to really take advantage of the new opportunity we had in front of us. Would have been good if short of work.
3	New Zealand	Some research into potential foreign business reps	Having someone in the marketplace with some knowledge of that marketplace	At the end of the day it is your own desire and knowledge that is required for market research. Government assistance is great for opening some doors of opportunity, assisting with market understanding and formation of strategies, and of course funding assistance
3	Spain	Information	Information	Es necesaria una ayuda inicial financiera (Is necessary a financial support at the beginning)
3	Switzerland	Find Representative	Find distribution channels	We are just in the process right now, it might show very useful by the end
3	Turkey	We are selected for Kosgeb programme	We haven't received a significant assistance yet	We are still hoping that it will be useful
2	Canada	Partial travel subsidy (Canada Council) in home country to conference on international markets	Opportunity to discuss international markets with other cultural workers (writers and editors)	Government helps big multinationals more than cultural groups, as it's more familiar with their structure.
2	Canada	Trade Ontario - trying to locate a representative in Chile	Language.	Lack of specialized knowledge towards our product produced lukewarm results
2	Canada	Financial support for	The reverse actually, the	Tied aid and export finance is a big

Usefulness ¹⁷	Country	Programme Used / Support Received	Most Value Obtained From	Comments
		environmental assessment of projects	government was not prepared to work as a team to support project development	issue - everyone is prepared to work in a strong market but not in the developing countries where opportunities are ripe
2	Canada	Advisory Session	None	Capitol Requirements problematic
2	Canada	None, other than money from SR&ED.	Haven't gotten in yet, because the barrier is higher than the assistance given	I'd like to see the IRAP people allow the spending of money by the applicant as soon as the initial paperwork is in, with the government money to come after. This way we can get ahead while waiting for the wheels to grind. There ought to also be an incentive for making the wheels move more quickly, while still rewarding good governance.
2	Canada	Workshop - Introduction to Exporting	General Introduction to Exporting	Government needs to help the start-up SME with costs. Provide patient capital.
2	Malaysia	Invitation to visit foreign country for business opportunity	Government support in financial	Unfavourable capital has limit our exposure into export market
2	Mexico	Participation in the national fair of the field	Access to foreign clients	The price of the freights in Mexico is very expensive
1	Canada	VTC- Help was cursory and sloppy, not taking into account our extensive experience of Norwegian trade barriers. No solution was offered.	Assistance was unsuccessful, when embassy staff with less experience were not willing to fully record our years of experience. The embassy was not willing to pursue the issue in the long term.	These situations would have required EXCHANGE of knowledge and a coordinated action to pursue the issue with Norwegian government and businesses
1	Canada	Service companies are in a grey area as far as their mandate to assist them	They only went through the motion and this when they answered	Their focus is mainly on export of goods not services
1	Canada	None (formally)	Encouragement	The largest problems are due to a lack of investment capital.
1	Canada	DFAIT trade mission and matchmaking services	We never "overcame the barriers". Government assistance was not helpful.	It was useless - the matchmaker made mistakes and paired us with inappropriate contacts. Networking sessions were geared as social events, not business opportunities. And it was super expensive.
1	Canada	Verbal confirmation of some export guidelines. Not very knowledgeable responses.	The assistance was not helpful.	It appears that the assistance is not detailed enough to understand the export/.import nuances of each individual country. Nor is the information up to date. The information is general in nature and not specific enough to be of particular use to individual SMEs in their area if interest.
1	Canada	None -- other than we were allowed to register	One of the government bodies actually takes the contracts for international organizations for itself, i.e. competes with those it is supposed to help	Ending competition from subsidized government providers would be MOST helpful
1	New Zealand	None received	Doing exactly the opposite of what they suggest	A waste of NZ tax payers money
1	Switzerland	Bilateral agreements with EU	No value at all	Lack of enforcement possibilities of bilaterals
1	Switzerland	Finding rep. abroad	Nothing	Too unspecific

ANNEX 11

ANOVA ANALYSIS OF BARRIER ASSESSMENT BY EXPORT STATUS

Barrier	Mean (All)	Mean (Inactive)	Mean (Aspiring)	Mean (Active)	Description
B8	3.01	3.02	4.07	2.52	Shortage of working capital to finance exports
B3	3.00	3.78	3.73	2.57	Identifying foreign business opportunities
B1	2.82	4.27	3.61	2.30	Limited information to locate/analyse markets
B4	2.60	4.29	3.50	2.07	Inability to contact potential overseas customers
B23	1.43	1.49	0.99	1.62	Excessive transportation/insurance costs
B2	1.39	1.92	1.76	1.19	Unreliable data about the international market
B14	1.26	1.33	0.81	1.47	Offering satisfactory prices to customers
B27	1.09	0.49	0.72	1.30	Slow collection of payments from abroad
B33	1.03	0.82	0.68	1.19	Keen competition in overseas markets
B35	0.87	0.39	0.55	1.06	Foreign currency exchange risks
B31	0.85	0.47	0.56	1.03	Unfavourable foreign rules and regulations
B41	0.77	0.57	0.44	0.91	High tariff barriers
B42	0.60	0.33	0.31	0.75	Strict foreign rules and regulations
B7	0.58	1.02	0.86	0.43	Lack of excess production capacity for exports
B32	0.37	0.02	0.24	0.47	Different foreign customer habits/attitudes
B34	0.35	0.47	0.14	0.42	Poor/deteriorating economic conditions abroad
B39	0.29	0.10	0.46	0.24	Inadequacy of infrastructure for e-commerce

ANNEX 12

MATCH OF PERCEIVED BARRIERS

Barrier	Category	Rank - SMEs	Rank - Government	Description of barrier
B8	F	1	2	Shortage of working capital to finance exports
B3	A	2	4	Identifying foreign business opportunities
B1	A	3	3	Limited information to locate/analyse markets
B4	A	4	6	Inability to contact potential overseas customers
B19	A	5	17	Obtaining reliable foreign representation
B5	C	6	5	Lack of managerial time to deal with internationalisation
B6	C	7	1	Inadequate quantity of and/or untrained personnel for internationalisation
B15	C	8	15	Difficulty in matching competitors' prices
B29	BE	9	23	Lack of home government assistance/incentives
B23	C	10	19	Excessive transportation/insurance costs
B2	A	11	14	Unreliable data about the international market
B14	C	12	30	Offering satisfactory prices to customers
B18	A	13	12	Accessing export distribution channels
B16	F	14	18	Granting credit facilities to foreign customers
B27	BE	15	23	Slow collection of payments from abroad
B33	C	16	15	Keen competition in overseas markets
B28	BE	17	37	Difficulties in enforcing contracts and resolving disputes
B17	A	18	28	Complexity of foreign distribution channels
B20	A	19	44	Maintaining control over foreign middlemen
B9	C	20	7	Developing new products for foreign markets
B13	C	21	33	Offering technical/after-sales service
B35	BE	22	25	Foreign currency exchange risks
B31	BE	23	21	Unfavourable foreign rules and regulations
B41	BE	24	27	High tariff barriers
B26	C	25	31	Difficulties in communicating with overseas customers
B43	BE	26	22	Inadequate property rights protection (e.g. intellectual property)
B11	C	27	9	Meeting export product quality/standards/specifications
B10	C	28	25	Adapting export product design/style
B47	BE	29	38	High costs of Customs administration
B24	A	30	40	Adjusting export promotional activities to the target market
B25	A	31	10	Unfamiliar exporting procedures/paperwork
B30	BE	32	42	Unfavourable home rules and regulations
B42	BE	33	13	Strict foreign rules and regulations
B7	C	34	19	Lack of excess production capacity for exports
B36	C	35	8	Unfamiliar foreign business practices
B38	C	36	35	Verbal/nonverbal language differences
B44	BE	37	11	Restrictive health, safety and technical standards (e.g. sanitary and phytosanitary requirements)
B32	C	38	35	Different foreign customer habits/attitudes
B34	BE	39	44	Poor/deteriorating economic conditions abroad
B40	BE	40	44	Political instability in foreign markets
B37	C	41	34	Different socio-cultural traits
B12	C	42	31	Meeting export packaging/labelling requirements
B45	BE	43	39	Arbitrary tariff classification and reclassification
B22	C	44	44	Unavailability of warehousing facilities abroad
B46	BE	45	43	Unfavourable quotas and/or embargoes
B39	BE	46	29	Inadequacy of infrastructure for e-commerce
B21	C	47	40	Difficulty in supplying inventory abroad

ANNEX 13

METHODOLOGICAL CONSIDERATIONS

Qualifications of Data and Survey Instrument (Member Economy Policymaker Survey)

171. It was decided to use the classifications proposed in the 1997 OECD study to analyse the data yielded by the two current studies. Whilst this provides a degree of continuity and integrity to the study, it is already becoming clear that the nature of SME activity and the global economy has undergone significant change in the meantime. This, added to the high degree of variability in the national contexts already commented on in this report, means that it is not always safe to make like-for-like comparisons across the responses. Some caution should be exercised when assessing the reliability of the data and its role in informing future policy decisions.

172. Furthermore, it is important to note that the open nature of some question led to responses which are difficult to aggregate:

- i. Most member economies stated that they were just giving examples of their support programmes/activities, and thus the above sample cannot provide a complete picture. This is supported by a triangulation of the responses with previous studies, such as the 1997 OECD report, which lists more support programmes for a number of responding economies compared to what was submitted by these economies for this study.
- ii. The responses obtained used different levels of aggregation, i.e. some member economies provided individual responses for different support programmes, while others appeared to write a common response incorporating aspects from various support programmes. This complicates the coding effort involved in analysing qualitative data and prevents a more detailed analysis.
- iii. Based on the incompleteness of the responses, the sample may be biased towards a certain type of programme (e.g. a clear focus on export support programmes).
- iv. From reading the responses it became clear that language problems are likely to have affected the responses of some member economies, i.e. the same question was not interpreted in the same way by different respondents.

173. In order to compensate for these reservations, the analysis uses both quantitative and qualitative techniques and large tracts of the original responses are included in the annexes to convey the range and variety of provision.

Qualifications of Data and Survey Instrument (SME Survey)

174. The survey allows for a useful starting point in attempting to identify perceived barriers to internationalisation amongst “international SMEs”. Two issues emerge however which require attention. First, the responses are highly biased towards a particular set of economies. It is not feasible therefore to extend the findings of the survey beyond this group of economies.

175. Even within this group, the response rate remains unknown since the survey does not allow information on how many SMEs actually received an invitation to participate in the survey. While this is a general problem with online questionnaires distributed through a number of email distributions lists, the problem remains. A low response rate is commonly associated with a potential respondent bias (i.e. a bias in the sample towards a set of respondents with a particular attitude, such as particularly ‘satisfied’ or ‘unsatisfied’ respondents). While the data on the perceived support indicates that the sample represents a fairly equal number of satisfied and unsatisfied SMEs, this issue cannot be discounted altogether.

ANNEX 14

MEMBER ECONOMY POLICYMAKER SURVEY

SECTION ONE: Economy-specific information <i>(Please complete this section once)</i>	
Economy Context	
<p>The policy thinking and philosophies that lie behind the government programmes of assistance to SMEs differ from economy to economy depending on the wider political, economic, regulatory, socio-cultural and environmental context in which the programmes fit.</p> <p>Please provide a brief description of the wider context in which your economy's programmes aimed at assisting SMEs to internationalise are positioned.</p>	
General Information	
Name of Economy	
<p>The definition of an SME differs from economy to economy. Please provide the general definition of an SME used in your economy. <i>(If various definitions are used for different programmes, you will have the opportunity to specify these in Section 2).</i></p> <p>If you subdivide your definition of an SME by class size for analytical purposes (e.g. based on numbers of employees) please indicate which class sizes you use.</p>	
Please state or estimate the number of SMEs in your economy.	Number of SMEs: Proportion of total businesses: % of SMEs currently exporting:
<p>Barriers to internationalising are defined as all those constraints that hinder a firm's ability to initiate, to develop, or to sustain business operations in overseas markets.</p> <p>In your economy, what are considered to be the Top 10 barriers to firms internationalising? <i>(A glossary is provided to assist with any unfamiliar terminology)</i></p>	<p>Top 10 Barriers: <i>Please select from the provided list (B1-B49)¹⁸ And rank with barrier #1 being the most important barrier.</i></p> <ol style="list-style-type: none"> 1. 2. 3. 4. 5. 6. 7. 8. 9. 10. <p><u>BARRIERS:</u></p> <p><u>Internal Barriers</u> – <i>barriers internal to the enterprise associated with organisational resources/capabilities and company approach to internationalising.</i></p>

¹⁸

As listed by Leonidas C. Leonidou in "An Analysis of the Barriers Hindering Small Business Export Development", *Journal of Small Business Management*, Vol 42, Number 3, July 2004.

	<p>Informational Barriers</p> <ul style="list-style-type: none"> B1. Limited information to locate/analyse markets B2. Unreliable data about the international market B3. Identifying foreign business opportunities B4. Inability to contact potential overseas customers <p>Functional Barriers</p> <ul style="list-style-type: none"> B5. Lack of managerial time to deal with internationalisation B6. Inadequate quantity of and/or untrained personnel for internationalisation B7. Lack of excess production capacity for exports B8. Shortage of working capital to finance exports <p>Product and Price Barriers to Marketing</p> <ul style="list-style-type: none"> B9. Developing new products for foreign markets B10. Adapting export product design/style B11. Meeting export product quality/standards/specifications B12. Meeting export packaging/labelling requirements B13. Offering technical/after-sales service B14. Offering satisfactory prices to customers B15. Difficulty in matching competitors' prices B16. Granting credit facilities to foreign customers <p>Distribution, logistics and promotion Barriers to Marketing</p> <ul style="list-style-type: none"> B17. Complexity of foreign distribution channels B18. Accessing export distribution channels B19. Obtaining reliable foreign representation B20. Maintaining control over foreign middlemen B21. Difficulty in supplying inventory abroad B22. Unavailability of warehousing facilities abroad B23. Excessive transportation/insurance costs B24. Adjusting export promotional activities to the target market <p><u>External Barriers</u> – <i>barriers stemming from the home and target business / host environment, within which the firm operates.</i></p> <p>Procedural Barriers</p> <ul style="list-style-type: none"> B25. Unfamiliar exporting procedures/paperwork B26. Difficulties in communicating with overseas customers B27. Slow collection of payments from abroad B28. Difficulties in enforcing contracts and resolving disputes <p>Governmental Barriers</p> <ul style="list-style-type: none"> B29. Lack of home government assistance/incentives B30. Unfavourable home rules and regulations B31. Unfavourable foreign-rules and regulations <p>Customer and Foreign Competitor Barriers</p> <ul style="list-style-type: none"> B32. Different foreign customer habits/attitudes B33. Keen competition in overseas markets <p>Business Environment Barriers</p> <ul style="list-style-type: none"> B34. Poor/deteriorating economic conditions abroad B35. Foreign currency exchange risks B36. Unfamiliar foreign business practices B37. Different socio-cultural traits B38. Verbal/nonverbal language differences
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	<p>B39. Inadequacy of infrastructure for e-commerce B40. Political instability in foreign markets</p> <p>Tariff and Non-tariff Barriers B41. High tariff barriers B42. Strict foreign rules and regulations B43. Inadequate property rights protection (e.g. intellectual property) B44. Restrictive health, safety and technical standards (e.g. sanitary and phytosanitary requirements) B45. Arbitrary tariff classification and reclassification B46. Unfavourable quotas and/or embargoes B47. High costs of Customs administration</p> <p>Other Barriers B48. Other (please specify) B49. Other (please specify)</p>
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SECTION TWO: Programme Information

(please complete for each relevant programme)

Descriptions of current central/federal government-funded programmes are mainly sought for the purposes of this survey. However, if particular regional, state or local programmes (either public or private sector funded) are considered to make a significant contribution to reducing barriers to SMEs internationalising, then information on those key programmes should be provided.

TITLE OF PROGRAMME	
Year programme established	
POLICY INFORMATION	
Overview of programme	<p>a. Description: b. Rationale/reasons for implementing the programme: c. Objectives, main goals, targets: d. How funding is delivered: (e.g. grants, loans, guarantees, equity, subsidies) e. Other information:</p>
What is the target group of the programme? (e.g. please state if a different SME definition is used for the purposes of this programme)	<p>Target group: Is the programme open to firms operating within all sectors/industries? Yes No (if no, please specify eligible sectors) No target group</p>
What are the criteria for eligibility?	
What are the specific barriers facing firms that the programme assists in overcoming? (please either select from above list of barriers to exporting or write in own words)	
How is this programme expected to assist firms in overcoming the above barriers?	
PROGRAMME DELIVERY INFORMATION	
Name of Government Agency/ Department/ Organisation responsible for delivery of programme	<p>Please select one of the following: Government agency identified above delivers the programme Programme delivery is contracted to another government agency (please state either central/federal, regional, local or other) Programme delivery is contracted to the private sector</p>

	Other (please specify)
Geographical Coverage of Programme	National Regional (please state region) Other (please specify)
How much funding is allocated on average to the programme per year ?	Local Currency: \$US:
Is any co-funding sought from programme participants?	No Yes If yes, what is the proportion of the total cost that the business must contribute? %
Please describe the step-by-step process by which businesses access and use this programme.	
EVALUATION AND MEASUREMENT INFORMATION	
Please provide information on the operation of the programme (e.g. uptake, client satisfaction, informal feedback, current progress towards meeting programme targets etc)	
Has a formal review/ evaluation of the effectiveness of this programme been undertaken? If yes , can you provide a URL to the most recent evaluation document or attach a copy of the executive summary or abstract? <i>(Please only supply documents that are in English or French)</i> If no , is a formal evaluation planned soon? (please state when an evaluation is due)	
Programme modification	Has the programme been modified since its introduction? No Yes If yes, why and in what way? If you were starting the programme afresh, would you make changes to it? No Yes If yes, why and in what way?

ANNEX 15

SURVEY OF SME PERCEPTIONS OF BARRIERS TO THEIR INTERNATIONALISATION

General Information	
Name of company (required)	Indicate name of your Company:
Location of company (required)	Indicate in which country your Company is located:
Company creation	Please indicate in what year your company was started:
Product or Service produced (required)	Please indicate whether your company exports (or has considered exporting) mainly a product, a service or both. Please specify:
Company size (required)	How many employees are in your company: Indicate Percentage of Gross Income received from exporting: <input type="checkbox"/> None <input type="checkbox"/> >0-20% <input type="checkbox"/> 21-40% <input type="checkbox"/> 41-60% <input type="checkbox"/> 61-80 % <input type="checkbox"/> 81-100% <input type="checkbox"/> Not Applicable
International experience	Please indicate whether your company has experience : <u>Exporting</u> <input type="checkbox"/> Currently active in international activities <input type="checkbox"/> Aspiring to be active (future potential/desire to be involved in international activities) <input type="checkbox"/> Not-active in international activities (without a future/potential desire to be involved in international activities) <u>Importing</u> <input type="checkbox"/> Currently active in international activities <input type="checkbox"/> Aspiring to be active (future potential/desire to be involved in international activities) <input type="checkbox"/> Not-active in international activities (without a future/potential desire to be involved in international activities) <u>Other (Licensing, joint ventures, outsourcing etc.)</u> Please specify: <input type="checkbox"/> Currently active in international activities <input type="checkbox"/> Aspiring to be active (future potential/desire to be involved in international activities) <input type="checkbox"/> Not-active in international activities (without a future/potential desire to be involved in international activities)
Number of years in international	In what year did your Company start its international activities?

activity	
Selling pattern (required)	Please indicate whether your selling pattern (sales) for the foreign market can be described as occasional (i.e. on an intermittent basis) or regular (i.e. on a continuous basis) <input type="checkbox"/> Occasional sales <input type="checkbox"/> Regular sales
Focus export market (required)	Please specify the country you have in mind (“host” “foreign” “target” market) as you answer the remaining questions on barriers to internationalising:
	Is this a current export market or a market you aspire to enter? <input type="checkbox"/> Current Export Market <input type="checkbox"/> Desired Export Market

Perceptions of Barriers to Internationalising

<p>Barriers to internationalising are defined as all those constraints that hinder a firm’s ability to initiate, to develop, or to sustain business operations in overseas markets.</p> <p>Thinking about your overall experience as an exporter or non-exporter, how significant a barrier to internationalising your product or service are the following:</p> <p><i>(Please refer to the glossary for assistance with any unfamiliar terminology)</i></p>	<p><u>INTERNAL BARRIERS</u> – barriers internal to the enterprise associated with organisational resources/capabilities and company approach to internationalising.</p>																				
	<p><u>INFORMATIONAL BARRIERS</u></p> <p>B1. Limited information to locate/analyse markets</p> <table> <tr> <td>Extremely Significant</td> <td>Very Significant</td> <td>Significant</td> <td>Somewhat Significant</td> <td>Not Significant</td> </tr> </table> <p>B2. Unreliable data about the international market</p> <table> <tr> <td>Extremely Significant</td> <td>Very Significant</td> <td>Significant</td> <td>Somewhat Significant</td> <td>Not Significant</td> </tr> </table> <p>B3. Identifying foreign business opportunities</p> <table> <tr> <td>Extremely Significant</td> <td>Very Significant</td> <td>Significant</td> <td>Somewhat Significant</td> <td>Not Significant</td> </tr> </table> <p>B4. Inability to contact potential overseas customers</p> <table> <tr> <td>Extremely Significant</td> <td>Very Significant</td> <td>Significant</td> <td>Somewhat Significant</td> <td>Not Significant</td> </tr> </table>	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
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	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant																
	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant																
	<p><u>FUNCTIONAL BARRIERS</u></p> <p>B5. Lack of managerial time to deal with internationalisation</p> <table> <tr> <td>Extremely Significant</td> <td>Very Significant</td> <td>Significant</td> <td>Somewhat Significant</td> <td>Not Significant</td> </tr> </table> <p>B6. Insufficient quantity of and/or untrained personnel for internationalisation</p> <table> <tr> <td>Extremely Significant</td> <td>Very Significant</td> <td>Significant</td> <td>Somewhat Significant</td> <td>Not Significant</td> </tr> </table> <p>B7. Lack of excess production capacity for exports</p> <table> <tr> <td>Extremely Significant</td> <td>Very Significant</td> <td>Significant</td> <td>Somewhat Significant</td> <td>Not Significant</td> </tr> </table> <p>B8. Shortage of working capital to finance exports</p> <table> <tr> <td>Extremely Significant</td> <td>Very Significant</td> <td>Significant</td> <td>Somewhat Significant</td> <td>Not Significant</td> </tr> </table>	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
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	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant																
Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant																	
<p><u>PRODUCT AND PRICE BARRIERS TO MARKETING</u></p> <p>B9. Developing new products for foreign markets</p> <table> <tr> <td>Extremely Significant</td> <td>Very Significant</td> <td>Significant</td> <td>Somewhat Significant</td> <td>Not Significant</td> </tr> </table> <p>B10. Adapting export product design/style</p> <table> <tr> <td>Extremely Significant</td> <td>Very Significant</td> <td>Significant</td> <td>Somewhat Significant</td> <td>Not Significant</td> </tr> </table>	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant											
Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant																	
Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant																	

	B11. Meeting export product quality / standards / specifications	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
	B12. Meeting export packaging/labelling requirements	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
	B13. Offering technical/after-sales service	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
	B14. Offering satisfactory prices to customers	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
	B15. Difficulty in matching competitors' prices	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
	B16. Granting credit facilities to foreign customers	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
	<u>DISTRIBUTION, LOGISTICS AND PROMOTION BARRIERS TO MARKETING</u>					
	B17. Complexity of foreign distribution channels	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
	B18. Accessing export distribution channels	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
	B19. Obtaining reliable foreign representation	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
	B20. Maintaining control over foreign middlemen	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
	B21. Difficulty in supplying inventory abroad	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
	B22. Unavailability of warehousing facilities abroad	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
	B23. Excessive transportation/insurance costs	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
	B24. Adjusting export promotional activities to the target market	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
	<u>EXTERNAL BARRIERS</u> – barriers stemming from the home and foreign/target/host environment, within which the firm operates.					
	<u>PROCEDURAL BARRIERS</u>					
	B25. Unfamiliar exporting procedures/paperwork	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
	B26. Difficulties communicating with overseas customers	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
	B27. Slow collection of payments from abroad	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant

B28. Difficulties in enforcing contracts and resolving disputes

Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
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GOVERNMENTAL BARRIERS**B29. Lack of home government assistance/incentives**

Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
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B30. Unfavourable home rules and regulations

Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
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B31. Unfavourable host/ foreign rules and regulations

Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
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CUSTOMER AND COMPETITOR BARRIERS**B32. Different foreign customer habits/attitudes**

Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
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B33. Keen competition in overseas markets

Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
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BUSINESS ENVIRONMENT BARRIERS**B34. Poor/deteriorating economic conditions abroad**

Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
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B35. Foreign currency exchange risks

Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
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B36. Unfamiliar foreign business practices

Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
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B37. Different socio-cultural traits

Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
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B38. Verbal/nonverbal language differences

Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
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B39. Inadequacy of infrastructure for e-commerce

Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
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B40. Political instability in foreign markets

Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
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TARIFF AND NON-TARIFF BARRIERS**B41. High tariff barriers**

Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
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B42. Strict foreign rules and regulations

Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
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B43. Inadequate property rights protection (e.g. intellectual property)

Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
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B44. Restrictive health, safety and technical standards (e.g. sanitary and phytosanitary requirements)

Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
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	<p>B45. Arbitrary tariff classification and reclassification Extremely Significant Very Significant Significant Somewhat Significant Not Significant</p> <p>B46. Unfavourable quotas and/or embargoes Extremely Significant Very Significant Significant Somewhat Significant Not Significant</p> <p>B47. High costs of Customs administration Extremely Significant Very Significant Significant Somewhat Significant Not Significant</p> <p><u>OTHER BARRIERS</u></p> <p>B48. Other (please specify) Extremely Significant Very Significant Significant Somewhat Significant Not Significant</p> <p>B49. Other (please specify) Extremely Significant Very Significant Significant Somewhat Significant Not Significant</p>
<p>Selecting from the barriers listed below, what do you consider to be the Top 10 barriers to firms internationalising that you would like removed?</p> <p><i>(Please refer to the glossary for assistance with any unfamiliar terminology)</i></p>	<p>Top 10 Barriers: <i>Please select from the provided list (B1-B49)</i></p> <ol style="list-style-type: none"> 1. 2. 3. 4. 5. 6. 7. 8. 9. 10. <p>B1. Limited information to locate/analyse markets B2. Unreliable data about the international market B3. Identifying foreign business opportunities B4. Inability to contact potential overseas customers B5. Lack of managerial time to deal with internationalisation B6. Inadequate quantity of and/or untrained personnel for internationalisation B7. Lack of excess production capacity for exports B8. Shortage of working capital to finance exports B9. Developing new products for foreign markets B10. Adapting export product design/style B11. Meeting export product quality/standards/specifications B12. Meeting export packaging/labelling requirements B13. Offering technical/after-sales service B14. Offering satisfactory prices to customers B15. Difficulty in matching competitors' prices B16. Granting credit facilities to foreign customers B17. Complexity of foreign distribution channels B18. Accessing export distribution channels B19. Obtaining reliable foreign representation B20. Maintaining control over foreign middlemen B21. Difficulty in supplying inventory abroad B22. Unavailability of warehousing facilities abroad B23. Excessive transportation/insurance costs B24. Adjusting export promotional activities to the target market B25. Unfamiliar exporting procedures/paperwork</p>

	<p>B26. Difficulties communicating with overseas customers</p> <p>B27. Slow collection of payments from abroad</p> <p>B28. Difficulties in enforcing contracts and resolving disputes</p> <p>B29. Lack of home government assistance/incentives</p> <p>B30. Unfavourable home rules and regulations</p> <p>B31. Unfavourable foreign rules and regulations</p> <p>B32. Different foreign customer habits/attitudes</p> <p>B33. Keen competition in overseas markets</p> <p>B34. Poor/deteriorating economic conditions abroad</p> <p>B35. Foreign currency exchange risks</p> <p>B36. Unfamiliar foreign business practices</p> <p>B37. Different socio-cultural traits</p> <p>B38. Verbal/nonverbal language differences</p> <p>B39. Inadequacy of infrastructure for e-commerce</p> <p>B40. Political instability in foreign markets</p> <p>B41. High tariff barriers</p> <p>B42. Strict foreign rules and regulations</p> <p>B43. Inadequate property rights protection (e.g. intellectual property)</p> <p>B44. High health, safety and technical standards (e.g. sanitary and phytosanitary requirements)</p> <p>B45. Arbitrary tariff classification and reclassification</p> <p>B46. Unfavourable quotas and/or embargoes</p> <p>B47. High costs of customs administration</p> <p>B48. Other (please specify)</p> <p>B49. Other (please specify)</p>
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Perceptions of Government Assistance

Have you accessed any government programmes that assisted (or is designed to assist) you in overcoming any of the barriers you faced/face?	<input type="checkbox"/> Yes <input type="checkbox"/> No Additional comments:										
What sort of assistance did you receive from the government? (please give a brief description and where possible, specify the name of the programme)											
From the assistance you have received, what do you consider was the most valuable in overcoming barriers to entering your chosen market?											
Was the government assistance useful to you?	<table style="width: 100%; border: none;"> <tr> <td style="text-align: center;">Extremely Useful</td> <td style="text-align: center;">Very Useful</td> <td style="text-align: center;">Useful</td> <td style="text-align: center;">Somewhat Useful</td> <td style="text-align: center;">Not Useful</td> </tr> <tr> <td colspan="5" style="border: none;">Additional comments</td> </tr> </table>	Extremely Useful	Very Useful	Useful	Somewhat Useful	Not Useful	Additional comments				
Extremely Useful	Very Useful	Useful	Somewhat Useful	Not Useful							
Additional comments											
What other government assistance would be useful for you to have for overcoming barriers to internationalising? (either from existing government programmes or for programmes you consider the government should implement)											

If follow-up to this survey were to be undertaken, would you be interested and willing to be contacted to give further information?

Yes No

If yes, please provide contact details (e-mail address, telephone number or fax) of someone whom we could contact.

Thank you for taking the time to fill out our survey on,
“SME Perceptions of Barriers to Exporting and Internationalisation.”

Glossary for Barriers to SME Access to International Markets

INTERNAL BARRIERS: Barriers internal to the enterprise associated with organisational resources/capabilities and company approach to export business.

Informational Barriers: problems in identifying, selecting, and contacting international markets due to information inefficiencies.

(B1) Limited information to locate/analyse markets: difficulty in knowing what national and international sources of information is available or required to reduce the level of uncertainty of foreign markets.

(B2) Unreliable data about the international market: problems associated with the source, quality, and comparability of available information used to attempt to increase understanding of foreign markets (including access to data, ability to retrieve data quickly, and the cost of obtaining data).

(B3) Identifying foreign business opportunities: difficulty in strategically and/or proactively identifying and selecting opportunities in foreign markets (including customers, contacts, business partners and joint ventures).

(B4) Inability to contact overseas customers: difficulty in contacting customers in overseas markets due to geographical distance and time-zones, poor research by the firm in identifying customers, and limited exposure to sources listing potential customers such as databases.

Functional Barriers: inefficiencies of various functions internal to the enterprises such as human resources, production, and finance, with regard to exporting.

(B5) Lack of managerial time to deal with internationalisation: inability for managers to devote sufficient time, resources and energy towards selecting, entering and expanding into foreign markets, designing export-marketing strategies, and conducting business with overseas customers.

(B6) Insufficient quantity of and/or untrained personnel for internationalisation: problems associated with insufficient numbers of personnel to handle the excess work demanded by export operations, in addition to a lack of specialised knowledge and expertise within the company to deal with export-business tasks such as documentation handling, logistical arrangements, and communicating with foreign customers (including knowledge of foreign languages, cultures and hands-on export experience).

(B7) Lack of excess production capacity for exports: inexistence of or inability to generate excess production over and above what the domestic market requires in order to initiate or expand export business operations.

(B8) Shortage of working capital to finance exports: difficulty in allocating and/or justifying adequate expenditure towards researching overseas markets, visiting foreign customers, adapting export marketing strategies and/or inability to access export financing assistance from governmental agencies, banks and other investors.

Marketing Barriers: pressures imposed by external forces on adapting the elements of the company's marketing strategy including barriers associated with the company's product, pricing, distribution, logistics, and promotional activities overseas.

(B9) Developing new products for foreign markets: inability, difficulty or unwillingness to develop entirely new products for specific foreign market needs and wants.

(B10) Adapting export product design/style: inability, difficulty or unwillingness to adapt the company's product design or style to the idiosyncrasies of each foreign market (e.g. different conditions of use, variations in purchasing power, dissimilar consumer tastes, diverse socio-cultural settings).

(B11) Meeting export product quality/standards/specifications: inability, difficulty, or unwillingness to adapt products necessitated by both legal and non-legal differences in quality standards and preferences among overseas markets.

(B12) Meeting export packaging/labelling requirements: inability, difficulty or unwillingness to adapt: packaging for requirements such as safety during transportation, storage and handling; and/or labelling for requirements such as different languages, specific information required by the host country (such as expiry dates, types of ingredients and net weight), and symbols, pictures, and colours preferred by foreign markets.

(B13) Offering technical/after-sales service: problems associated with the provision of technical and/or after-sales service including delays and increased costs associated with: geographical distances between the company and its export market; setting up servicing operations in strategic locations; maintaining large quantities of spare parts; adjusting the approach to after-sales service for country variations in conditions of use, competitive practices, and physical landscape.

(B14) Offering satisfactory prices to customers: inability to offer foreign customers satisfactory prices because of: higher unit costs due to small production runs; additional costs incurred in modifying product, packaging and/or service; higher administrative, operational and transportation expenses; extra taxes, tariffs, and fees imposed; and higher costs of marketing and distribution.

(B15) Difficulty in matching competitors' prices: lack of price competitiveness due to factors that are controllable (e.g. strict adoption of a cost-plus pricing method) and/or uncontrollable (e.g. existence of unfavourable foreign exchange rates; differences among countries' cost structure of production, distribution, and logistics; adoption of dumping practices by competitors; and government policy to subsidise local industry).

(B16) Granting credit facilities to foreign customers: problems due to a lack of funds to sustain providing credit facilities to customers and/or a fear that debts may not be recovered from customers that might be far away, have no past experience with the company, and come from countries with unstable politico-economic environments.

(B17) Complexity of foreign distribution channels: problems associated with adjusting distribution methods according to the variations and idiosyncrasies within each foreign market (e.g. range and quality of services offered, and number of layers of a distribution channel).

(B18) Accessing export distribution channels: problems associated with gaining access to distribution channels in overseas markets (including channels that are occupied by the competition; the costs of managing the length of the channel; or various levels of the system being controlled by a certain distributor).

(B19) Obtaining reliable foreign representation: difficulties in obtaining reliable representation overseas who meet the: structural (territorial coverage, financial strength, physical facilities), operational (product assortment, logistical arrangements, warehouse facilities), and behavioural (market reputation, relationships with government, cooperative attitude) requirements of the exporter and is not already engaged by a competitor.

(B20) Maintaining control over foreign middlemen: problems associated with companies having less control over foreign middlemen due to geographic and cultural distance, dependence on middlemen due to binding legal agreements, difficulties finding replacement middlemen; and/or the middleman carries other product lines that are more profitable than those of the exporter.

(B21) Difficulty in supplying inventory abroad: problems associated with re-supplying the foreign market adequately including transportation delays, demand fluctuations, and unexpected events that create shortages of the company's products overseas.

(B22) Unavailability of warehousing facilities abroad: problems associated with finding adequate warehousing overseas including lack of proper installations to safeguard product quality, prohibitive storage fees, outdated warehousing equipment technology, and the need for a multiple warehousing system for larger countries.

(B23) Excessive transportation/insurance costs: the exacerbation of transportation costs because of large distances to and within foreign markets, poor infrastructural facilities, limited availability of transportation, and delays in product delivery; and/or insurance costs because of the higher risks associated with selling goods overseas.

(B24) Adjusting export promotional activities to the target market: problems associated with adjusting promotional activities due to country variations in buying motives, consumption patterns, and government regulations including: variations in the composition of the target audience, inappropriate content of the advertising message, unavailability or different use of advertising media, restrictions in the frequency/duration of advertising, and insufficient means to assess advertising effectiveness across countries.

EXTERNAL BARRIERS: Barriers stemming from the home and host environment within which the firm operates.

Procedural Barriers: barriers associated with the operating aspects of transactions with foreign customers.

(B25) Unfamiliar exporting procedures/paperwork: difficulty in understanding and/or managing customs documentation, shipping arrangements, and other export procedures.

(B26) Difficulties communicating with overseas customers: insufficient and/or infrequent communication with customers due to the large geographical and psychological distances between buyers and sellers, and poor communications infrastructure.

(B27) Slow collection of payments from abroad: difficulty in achieving timely collection of payments from overseas due to the lack of immediate contact with overseas markets, foreign buyers requesting more credit facilities, the use of intermediaries to enter a foreign market, and/or strict currency restrictions imposed by the central bank of the foreign market.

(B28) Difficulties in enforcing contracts and resolving disputes: problems associated with: enforcing contracts due to poor quality (e.g. non-verifiable information, ambiguity, lack of consideration or mutual acceptance, and/or unreasonable breadth of the contract); enforcing contracts because of unclear expectations, misinterpretation, 'bad faith' and/or unwillingness of contract partner(s) to uphold the contract; resolving disputes because of nonexistent or unsophisticated dispute resolution mechanisms, time and/or cost of accessing foreign legal systems, lack of knowledge of foreign laws, and conflicts of laws; and/or unwillingness of contract partner(s) to participate in dispute resolution mechanisms.

Governmental Barriers: Barriers associated with the actions or inaction by the home government in relation to its indigenous companies and exporters.

(B29) Lack of home government assistance/incentives: support and/or encouragement by government agencies to SMEs for export and internationalising activities are non-existent, scarce or unsophisticated.

(B30) Unfavourable home rules and regulations: local exporters are restricted by controls imposed by the home government including restrictions on exports of either components or final-products to certain hostile countries and/or restrictions on products with national security or foreign policy significance.

(B31) Unfavourable foreign rules and regulations: local exporters are restricted by controls imposed by the host government including restrictions on exports of either components or final-products to certain hostile countries and/or restrictions on products with national security or foreign policy significance.

Customer and Competitor Barriers: Barriers associated with the firm's customers and competitors in foreign markets, which can have an immediate effect on its export operations.

(B32) Different foreign customer habits/attitudes: difficulty in adjusting the company's strategy to accommodate variations in consumer habits and attitudes caused by different topographic and climatic conditions, household size and structure, level of technical understanding, income level and distribution, manners and customs, and education standards.

(B33) Keen competition in overseas markets: difficulty in maintaining competitive advantage in overseas markets due to more complicated and intensive competitive situations (e.g. competition arising from many sources, different cost competitive strategies and protections, different brand positioning and variable marketing strategies).

Business Environment Barriers: Barriers associated with the economic, political-legal and socio-cultural environment of the foreign market(s) within which the company operates or is planning to operate.

(B34) Poor/deteriorating economic conditions abroad: unpredictable consumer behaviour caused by economic effects such as large foreign debts, high inflation rates, and high unemployment levels in foreign markets, which erode their citizens' purchasing power and impacts on their spending habits (e.g. seeking more economical products, purchasing goods less often, and carefully selecting what they buy).

(B35) Foreign currency exchange risks: risks to international business transactions arising from unstable exchange rates leading to fluctuating export prices overseas; revaluation of exporter's currency resulting in less favourable prices to end-users; and unconvertible foreign currencies that impede the repatriation of sales/profits from overseas.

(B36) Unfamiliar foreign business practices: variations in business practices from country to country which may confuse or send distorted signals to companies that are unfamiliar with the formal and informal procedures performed in foreign markets.

(B37) Different socio-cultural traits: challenges associated with understanding and accommodating the affects that variations in religion, values, attitudes, manners, customs, education, and social organisation have on consumer behaviour, targeting approaches, and marketing programmes.

(B38) Verbal/non-verbal language differences: challenges associated with understanding the oral and written aspects of the foreign language and its nonverbal characteristics, such as body language and time perception, in order to communicate both verbally and non-verbally through marketing, advertising, branding and packaging. **(B39) Inadequacy of infrastructure for e-commerce:** non-existent or unsophisticated structures (e.g. hardware, software, security, and broadband) are in place to support the distribution, sale, purchase, marketing, and servicing of products or services over electronic systems such as the Internet and other computer networks.

(B40) Political instability in foreign markets: difficulty in initiating or maintaining operations overseas due to economic (low household incomes, inflationary trends, large foreign debt), societal (religious fundamentalism, ethnic tension, high degree of corruption), and/or political (authoritarian regime, conflict with neighbours, military control) factors.

Tariff and Non-tariff Barriers: Barriers associated with restrictions on exporting and internationalising imposed by government policies and regulations in foreign markets.

(B41) High tariff barriers: the burden associated with excessive tax applied to imported goods to artificially inflate prices of imports and protect domestic industries from foreign competition.

(B42) Strict foreign rules and regulations: controls placed by foreign governments on companies that sell goods in their markets including entry restrictions which delay or restrict the flow of the product in the market; price controls; special tax rates; and exchange controls.

(B43) Inadequate property rights protection: difficulties associated with an inadequate legal framework to protect the ownership, use, control, benefit, transferral or sale of both physical and intangible property especially intellectual property (e.g. copyrights, patents, trademarks and trade secrets).

(B44) Restrictive health, safety and technical standards: difficulties associated with meeting high, non-transparent, inconsistent and/or discriminatory country-specific standards for imported goods including: sanitary and phytosanitary requirements; industrial and environmental protection standards; conformity assessment procedures (testing and re-testing, verification, inspection and certification to confirm products fulfil standards); and technical standards (e.g. preparation, adoption and application of different standards for specific characteristics of a product such as production, design, functions and performance).

(B45) Arbitrary tariff classification and reclassification: problems and costs associated with the practices by Customs administrations of classifying goods in a way which is not in accordance with internationally accepted rules and principles of tariff classification (e.g. increasing the level of duty payable for imported goods either for trade policy, trade protection and/or revenue raising reasons; imposing tariffs less favourable than those implied previously through reclassification of imported goods; inability to obtain firm rulings from overseas Customs authorities on duties for some products; and/or lack of technical knowledge by Customs' administrations to enable them to provide correct tariff classifications to importers).

(B46) Unfavourable quotas and/or embargoes: unreasonable prohibition of commerce and trade with a certain country or unreasonable restrictions on the quantity of specific goods being imported to certain countries.

(B47) High costs of Customs administration: costs associated with: divergent interpretations of customs valuation rules by different Customs administrations (including the use of arbitrary or fictitious customs values); delay in customs clearance procedures (e.g. excessive and/or irrelevant paperwork, congestion at points of entry, delay and cost of cargo clearance); lack of procedures for prompt review; and lack of transparency and/or irregular/illegal practices (e.g. unofficial customs procedures, unwritten rules and unpublished changes, unofficial fees to accelerate processing, and the absence of information on customs regulations and procedures in English).

See the following website for further information: www.oecd.org/cfe/sme



**Asia Pacific
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**Building a competitive
Greece**

MINISTRY OF DEVELOPMENT