



ICS Internationalisierungszentrum
Steiermark



**EREF-2008 Preparatory Workshop on
Regional Support to Internationalisation of SMEs**

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Analytical Compendium of Conclusions and Recommendations

Proposed Agenda Topics

1. State of the Art, Key Issues, and Problems
2. Support policies and Regulatory Measures
3. Recommendations

1. State of the Art: Key Issues and Problems

Barriers and challenges experienced by internationalised SMEs:

- High cost of internationalisation process
- Lack of capital or finance
- Lack of explicit strategy in the initial phase
- Lack of ability to implement strategies/insufficient planning skills
- Lack of know-how regarding international issues/managers
- Lack of international experience

Thus a combination of time, management and financial capacity prove to be the biggest barrier. (*Internationalisation of SMEs* pg. 47)

- Differences in national legislations and administrative regulations which make the implementation of trans-national activities more difficult
- Lack of coordinating capacities and resources
- Lack of awareness of national stakeholders on the importance of a coordinated approach towards Third Countries
- Other centrifugal factors based on competition between Member States / Associated States or specific geographical, linguistic and cultural ties which call rather for unilateral than for coordinated bi- or multilateral interventions
- Conscious reluctance against any forced coordination
- No clear and measurable outcomes and recognition of benefits yet (input-output ratio, spill-over effects from international S&T cooperation)
- Lack of knowledge on areas of common interest with other MS/AS
- Cultural differences (*Internationalisation of R&D* pg. XII)

The importance of Small and Medium-sized Enterprises (SMEs) for the EU economy is now well **recognized and a comprehensive EU SME policy was put in place in 2005 as an integral part of the Lisbon Partnership for Growth and Jobs** (Commission's Communication on a Modern SME Policy for Growth and Jobs). (*Small Business Act for Europe homepage*)

An assessment of the SME policy results during the 2005-2007 period has shown that substantial progress has been made both at EU and national level with the implementation of the "think small first" principle. The Commission has made real efforts to **cut red tape for SMEs** and has significantly increased the **SME focus within major EU spending programmes** for the period 2007-2013. Member States have also **substantially improved the SMEs' environment** and progressed in their implementation of the 2006 Spring European Council conclusions, e.g. by introducing **one-stop shops** for company registration and reducing the time and costs required to do so. (*Small Business Act (SBA) for Europe*)

Despite these significant improvements, in its Communication to the October 2007 Meeting of Heads of State and Government: "The European Interest: Succeeding in the age of globalisation" the Commission underlined the need to fully unlock the growth and jobs potential of SMEs and make full use of their innovative capacities. This was reflected in the strategic report on the renewed Lisbon strategy for growth and jobs adopted on 11 December 2007, which **substantially increases the emphasis on SMEs in the context of the next**

Lisbon cycle 2008-2010. As a major contribution to this objective, the Commission proposed in the Community Lisbon Programme the preparation of a Small Business Act for Europe whose main aim will be to **set principles and concrete measures to improve the framework conditions for European SMEs, while taking full account of their diversity.** This initiative was welcomed by the December 2007 European Council. (*Small Business Act (SBA) for Europe*)

While the Commission's full proposals will not be on the table before June this year, Verheugen already gave indications as to their substance, rejecting for instance one of the main features of the **US scheme** whereby a **23% share of public procurement contracts is reserved for SMEs.** (*EU Small Business Act dismissed as 'paper tiger', Euractiv article*)

The traditional stage theory (describing internationalisation as a gradual process beginning with sporadic exporting and ending with foreign subsidiaries) is being challenged both by the concept of 'born globals' (enterprises oriented towards internationalisation at an early stage) and the fact that internationalisation comprises a whole range of cross-border activities, mutually supporting each other, rather than being successive stages in a gradual process. A broader view of the internationalisation strategy is also needed to analyse the internationalisation activities resulting from further integration of activities other than sales/trade. (*Internationalisation of SMEs, pg 53*)

Speaking at the hearing, Verheugen roundly rejected that option: "I remind you that we are not asking for quotas or quantitative obligations. Instead, we will propose initiatives to cater for the need for more transparency and information on public tenders." (*EU Small Business Act dismissed as 'paper tiger', Euractiv article*)

And while the EU can do more to simplify its rules and regulations, SME policy, Verheugen went on, should remain an issue to be primarily dealt with at national level. "Let me be clear, **SME policy remains largely the preserve of national authorities – and rightly so [...]** **That is why we also need a strong commitment on their side.**" (*EU Small Business Act dismissed as 'paper tiger', Euractiv article*)

Furthermore, European venture capital markets are still fragmented along national lines. We believe that this reduces the efficiency of the venture capital industry. Funds that want to invest in several Member States face a jungle of red tape and they end up spending money and time to clear it. (*Financing Innovation, Le Bail speech, pg. 7*)

Three modes of internationalisation:

- International R&D **cooperation between partners in more than one country** to generate new scientific knowledge and technological know-how, whereby each partner retains its own institutional identity and ownership remains unaltered (e.g. the case of FPs, or bilateral intergovernmental S&T programmes) (*Internationalisation of R&D pg. II*)

- **International generation of knowledge and innovations**, carried out by multinational enterprise (MNEs) which create innovations across borders by building up research networks including the establishment of new R&D units in the host country or the acquisition of foreign R&D units (i.e. FDI in R&D) (*Internationalisation of R&D pg. II*)

- **International exploitation of innovative know-how** and technologies through means of trade, granting of licences and patents, reverse engineering, etc. (*Internationalisation of R&D* pg. II)

According to ENSR Survey most SMEs underestimate the benefits of internationalisation:

- 60% of non-internationalised SMEs have never considered internationalisation as a business opportunity. (*Internationalisation of SMEs* pg.47)

- SMEs do not recognise that the internationalisation process affects them even though they operate mainly on the domestic market (internationalisation often misconceived as exporting) (*Internationalisation of SMEs* pg. 47)

- Many SMEs underestimate international competition even at the domestic level (*Internationalisation of SMEs* pg. 47)

- SMEs underestimate the possibilities of strengthening their competitiveness through international sub-suppliers or access knowledge and know-how through international collaboration. (*Internationalisation of SMEs* pg. 47)

- significant gap between the acknowledged need in SMEs for planning of international activities and the real actions taken in relation to international activities. (*Internationalisation of SMEs* pg 53)

- Insecure intellectual property regimes (*Internationalisation of R&D* pg. II)

- Unbalanced brain circulation flows (*Internationalisation of R&D* pg. II)

- Relocation of FDI in R&D from Europe to other regions (*Internationalisation of R&D* pg. II)

Too many European SMEs fail to follow globalisation trends, and continue operations locally and think locally – not benefiting from the opportunities created by the ever shrinking global market and the advantages of information society.

Internationalisation is the response through which SMEs reach a more objective self assessment, test their strengths and competition with peers and other relevant actors, and enhance their motivation to achieve international excellence.

Removing and overcoming the remaining barriers to operate freely at the entire European Single Market is an important condition for SME internationalisation.

SME support environment has strongly improved over recent years, and is characterised by the “one-stop-shop” policies, however in many cases this is not yet functioning properly.

There is a performance advantage in **rapid internationalisation**. That is, the earlier a company internationalises the faster it can grow. Especially high tech firms, usually characterised by intense competition and shorter windows of opportunity, **early internationalisation** is fundamental to increase economic success. (*Supporting the internationalisation of SMEs*, pg. 18)

Overcoming uniformity of support measures. The level of internationalisation of the SME is related to its size and resources. The problems and the corresponding support measures required will have to change as the company evolves and grows. (*Supporting the internationalisation of SMEs*, pg. 18)

An area of potential **synergies between innovation and internationalisation** is in the management of support programmes to “born globals”. These are companies usually

associated with a new technological development, that internationalise extensively shortly after inception and in a very short period of time. (*Supporting the internationalisation of SMEs*, pg. 20)

It is especially important to **invest in promising research fields** and to achieve a sufficient volume and quality level in them. Such fields are the life sciences, the environment, information technology and software, the well-being cluster and knowledge-intensive services. (*knowledge, innovation and internationalisation*, pg. 35)

Enhancing the role of Industrial Policy, focusing on favourable and stable framework conditions to improve sustainability, technology and innovation, to face the challenges of increased international competition, technological progress, energy and global climate change. (2832nd Council meeting, pg. 8)

Putting more actual emphasis on SMEs, taking into account their role as drivers of growth and job creation, helping them to take full advantage of the globalisation opportunities and promoting their competitiveness and sustainable growth. (2832nd Council meeting, pg 8)

The main role of industrial policy at EU level is to set clear long-term priorities and to strengthen and deepen the right framework conditions for enterprise development and increased innovation, taking into account the needs of small and medium-sized enterprises (SMEs) and the impact on the different EU industrial sectors, making the EU an attractive place for industrial investment and job creation. (2832nd Council meeting, pg 10)

The need to develop a world-class environment supporting innovative and high growth SMEs in what concerns the provision of financing schemes for businesses at all stages of their life-cycle. (2832nd Council meeting, pg. 13)

Further action is needed to unlock the full potential of SMEs, including single person enterprises (2832nd Council meeting, pg. 13)

Additional efforts are needed for internationalization and access to markets, helping SMEs grow and face more demanding markets (both internal and third country markets), inter alia in the fields of standardisation, innovation and IPR, and in obtaining critical mass, information and skilled workforce. (2832nd Council meeting, pg. 14)

Efforts are needed to tackle **energy efficiency** and climate change, creating the framework **conditions and specific support for SMEs** to adapt their strategies in view of the challenges and opportunities inherent to the low-carbon economy and the new energy and resources consumption patterns. (2832nd Council meeting, pg. 14)

The **obstacles are essentially the same for SMEs and large companies**, the costs and risks associated with complying with more than one system may in particular discourage SMEs from engaging in cross-border activity. The underlying cause of these obstacles, i.e. additional tax and compliance burdens, is the existence within the Internal Market of 15 separate tax systems. (*Commission Staff Working Paper*, pg 47)

Both Framework programmes allocated a substantial amount of their budget to SMEs based on various thematic areas; FP5 a total of 10% and FP6 15% (approximately €1.7 billion) respectively. (*Commission Staff Working Paper*, pg. 63-65)

European SMEs suffer from **lack of finance**. They suffer because they don't have the track record, reputation or tangible assets that banks require. Risk capital is clearly the best form of finance for these firms – but Europe lags behind in providing early-stage capital. Thus, access to appropriate sources of early-stage financing hampers their success. (*Financing Innovation, Le Bail speech*, pg 3)

Third, Europe needs to overcome the **fragmentation of the venture capital market**. Clearly, the best European funds can successfully compete with the best funds anywhere. The **European Venture Capital and Private Equity Association** has published a study that shows that between 2000 and 2004 firms receiving private equity and venture capital created 1 million jobs. Of these, those firms that were backed by venture capital created more than 60%. (*Financing Innovation, Le Bail speech*)

Information and communication technologies (ICTs), and particularly e-business, offer many opportunities for SMEs to grow and prosper. While some are embracing change very successfully, for the most part European SMEs find the opportunities presented by ICTs difficult to grasp. The obstacles are well documented. They include lack of technical and management skills in SMEs, lack of appropriate e-business solutions, the high cost of ownership of ICT equipment, concerns about security and privacy, and complex regulatory frameworks for e-commerce. Most significantly of all, many SMEs are not yet convinced of the appropriateness of e-business for their particular circumstances. They are seeking highly specific information on which to build a business case, and so **make informed and realistic investment decisions**. (*Commission Staff Working Paper*, pg 69)

A fully integrated financial market and sufficient access to finance is crucial for the growth of small and medium sized enterprises. **If not properly addressed, the lack of finances will continue hindering innovation in SMEs**. At community level, funding sources shall be made available through the financial instruments under the forthcoming Community programmes, in particular the 7th Research Framework Programme and the Competitiveness (*Presidency, 23-24 March 2006*)

2. Support policies and Regulatory Measures

Existing national policies available for the internationalisation of SMEs, can be grouped into **five categories; information, promotion, financial support, inward investment support and counselling**. (*Internationalisation of SMEs* pg. 48)

Information services are offered in most countries, be it from publications to conferences, internet platforms, aid measures, the national export promotion activates abroad, legal aspects of different countries (foreign laws and regulations), case examples of internationalised companies, etc. (*Internationalisation of SMEs* pg. 48)

Promotion is usually in the form of publicly supported and coordinated participation in foreign trade fairs. (*Internationalisation of SMEs* pg. 48)

Financial support can be in the form of export credit, risk insurance, grants, and guarantees issued by public organisations, sometimes although not as often, credits related to the

establishment of subsidiaries abroad/internationalisation support grants (FDI). As well as, tax relief available only in some countries. (*Internationalisation of SMEs* pg. 48)

Counselling is most effective when given in an individual support, in forms of educational activities and competence development of employees in the various fields required for successful internationalisation. Also, matchmaking activities with businesses abroad (customers or partners) and counselling on foreign laws and regulations. It may also include a marketing plan, translation, monitoring programmes. (*Internationalisation of SMEs* pg. 48, 50, 51)

In the OECD survey, SMEs are quoted to express the following **list of barriers**: “Obtaining reliable foreign representation”, “Identifying foreign business opportunities”, “Limited information to locate/analyse markets” and “Lack of home government assistance/incentives” in. SMEs clearly need a reliable, centralised source of information to learn more about business environments on the ground in potential investment sites as well as about what their governments can offer them in terms of assistance in internationalising. (*The Voice of OECD Business*, pg 3.)

Government support for SMEs:

In order to have more internationalised SMEs Government support remains vital. Many SMEs would not consider internationalisation if it were not because of support. This “additionality” effect fully justifies governmental intervention. (*Supporting the internationalisation of SMEs*, pg. 32)

Focus must be on **long term cooperation rather than trade development**, in other words, **search of partners rather than customers**. (*Supporting the internationalisation of SMEs*, pg. 27)

Programmes must be demand driven and adaptable; feedback from SMEs in order to evolve as SME needs shift. . (*Supporting the internationalisation of SMEs*, pg. 18)

However there is a **lack of support for further stages of internationalisation**, like cross border investments particularly for the comparatively small amount commonly demanded by an SME. (*Supporting the internationalisation of SMEs*, pg. 23)

The structure of policy measures vary from country to country, some organisational structures have **one central umbrella organisation** that takes care of all areas (as is the case of Ireland), whilst others have **various institutions** that specialise in providing competition in the same services. (*Internationalisation of SMEs* pg. 48)

This is often done by agencies such as embassies, chambers of commerce or by different local agencies. Some countries also have specialised agencies that deal with attracting FDI. A good practice example would be the German KfW- SME Programme-Abroad. (*Internationalisation of SMEs* pg. 49)

- Identifying the relevant targets for coordination activities
- Raising awareness of needs and benefits of coordinated S&T policies towards Third Countries
- Establish and improve instruments for a better coordination of activities
- Implement a proactive approach in international S&T initiatives
- Ensure coherence towards developing countries and development policies - Ensuring harmonised and consistent activities of MS and the European Commission

- Establish a sustainable strategic dialogue on the internationalisation of R&D
(*Internationalisation of R&D* pg. XII)

- Calls for simplified information and single access points.
- Decrease the numerous and often uncoordinated support institutions, providing what some SMEs describe as a “Promotion Jungle”.
- avoid repetition and duplication of programmes. This should help prevent a “support jungle” and ease SME access into support programmes. (*Supporting the internationalisation of SMEs*, pg. 28)

The need for multilevel governance is key. Development of policies is (probably) better coordinated at national level. BUT for maximum results, implementation must be at local or regional level. This also provides the ability to identify and gives the flexibility to develop and adapt programmes. (*Supporting the internationalisation of SMEs*, pg. 32)

A fluid, integrative and consultative process between all the stakeholders (Government, support agencies and SMEs) is possibly the best key for successful policy development. (*Supporting the internationalisation of SMEs*, pg. 18)

Support and promotion of existing networks should be provided at all possible levels.

- 2 types of networks can be distinguished: **support networks** and **cooperation networks**.
- **Support networks** tend to be managed by the government or by big business associations. They play a key role as a support measure for any type of internationalisation as they provide access to information that is directly usable by the SME.
- **Cooperation networks** are focused on promoting direct cooperation between companies.
- Networks constitute a way to get access to key resources, notably knowledge and are as such an important route to growth.
- European Commission’s **Enterprise Europe network** could play an important role in linking business together in particular in the area of long term SME cooperation.
- For classic sectors which tend to internationalise through stages support networks are vital.
- For new fast moving sectors, for “born globals” (mentioned below), **development networks** provide better support. (*Supporting the internationalisation of SMEs*, pg. 25)

*Good practice example of such networks is the **ECONET Platform**: Business cooperation for Austrian, Slovak and Czech SMEs within the triangle Vienna – Bratislava – Brno www.advantageaustria.org. The aim of this cross-border programme is to improve the situation of SMEs in the border regions by providing or increasing the levels of information, consulting, training measures, cross-border networking and co-operation between SMEs to foster innovation and competitiveness through intensive business co-operation. The programme features Business Clubs, Business cooperation meetings in all participating countries, seminars, consulting for SMEs and business studies.*

*In particular, companies in the high technology sectors must be **specialised and niche-oriented to compete**. In this case or where significant sector specific challenges emerge, a recommendation could be to set up a tailor made programme for this. An example is the programme “**Gateway to California**”, a programme designed to introduce small innovative ICT companies to Silicon Valley. (*Supporting the internationalisation of SMEs*, pg. 26)*

Internationalisation agencies have to become **customer led and customer centred and offer comprehensive support**. This also opens the door for service integration which is conducive to additional synergies.

Some examples:

- **Malta Enterprise** has merged the three agencies in charge of trade promotion, investment promotion and support to SMEs acting effectively as a one stop shop both for foreign and local companies.
- **Enterprise Ireland** is the result of merging the industrial development agency and the trade development agency. (It integrates all competitiveness and growth policies under one umbrella: innovation, IP, internationalisation management training and human resources audits).
- **The Dutch EVD agency** for internationalisation is becoming part of the Enterprise Europe network and merging with promotion of foreign investment will also include foreign based office.
- **Finland** is launching the growth company service concept merging the services of 4 business support agencies into a service that identifies potential growth companies, analysis, action plan and follow up based on a single account manager and specialist (In Norway similar case).
- **Brandenburg Economic Development Board**, has combined 5 different tasks – inward investment, technology promotion, foreign trade promotion, start-up promotion and energy saving consultancy. (*Supporting the internationalisation of SMEs*, pg. 33)

Greater uniformity is designed to reduce the existence of different regulations; fiscal, complaint resolution, regulations in consumer transactions, etc. (*Supporting the internationalisation of SMEs*, pg. 32)

Ministries should assume more responsibility as strategic development organisations and as users of social innovation which supports development. Their research and development and expert resources need to be strengthened partly redeployed. (in Finland for example, that would also include the Council, the Cabinet Committee on Economic Policy, the Prime Minister's Office as well). (*Knowledge, innovation and internationalisation*, pg. 35)

Ministries should **increase collaborative cluster programmes and their financing**. (*Knowledge, innovation and internationalisation*, pg. 37)

Strategic role of ministers is changing into a **more knowledge-intensive direction**. Managing change entails that ministries continuously **assess their own roles and integrate their research strategies closely into overall development work**. In most administrative sectors, this requires updating the research strategies with **emphasis on needs-orientation**. (*Knowledge, innovation and internationalisation*, pg. 52)

Ensuring an efficient and effective Internal Market, addressing the existing barriers providing entrepreneurs with a solid foundation on which to adapt to globalisation and ensuring a level-playing field among enterprises across the EU to encourage, in particular SMEs, to engage more in cross-border activities. (pg 9) & improve the legal and policy framework in order to enhance legal certainty and to create a more consistent and clear regulatory environment allowing SMEs to grow and operate cross borders as they do on their domestic market and take full advantage of the opportunities of the Single Market. (2832nd Council meeting, pg. 16)

Place high priority on the complete, coherent and timely transposition and implementation of the Services Directive, thus strengthening the opportunities for SMEs in the internal market and to provide for user-friendly points of **single contact for enterprises**. (2832nd Council meeting, pg. 16)

Developing, within our commitment to an open global trading system, the **external dimension of competitiveness**, pressing for increased opening up of international markets which should lead to reciprocal benefits, strong enforcement of IPR rules, strong efforts to create regulatory convergence with our trading partners, in order to create a level playing field, and transparent and effective trade defence instruments. (2832nd Council meeting, pg 9)

Underlines the crucial importance of the **external aspects of competitiveness for the EU's** industrial performance in a globalised economy, where EU-based companies compete with companies subjected to different rules and therefore calls on the Member States and the Commission to take further action, in what concerns the European and international Regulatory Framework and international trade rules and starts to achieve a worldwide level playing field. (2832nd Council meeting, pg 10)

Considering that the initiative on structural change should be aimed at taking advantage of the fast growth of certain high-tech sectors, and the initiative on the link between industry and services at improving the quality, productivity and value provided by services to industry, in particular **Knowledge-Intensive Business Services** (2832nd Council meeting, pg 11)

Welcoming the Commission's intention to present **initiatives on lead markets, standards and clusters** by the end of 2007, recalling the importance of continuing the consultation process with the stakeholders in the drawing-up of the lead markets initiative, as stated in the Council conclusions on innovation in December 2006. (2832nd Council meeting, pg 11)

Strengthen efforts to reduce administrative burdens on SMEs, in the context of the 25% reduction by 2012 (2832nd Council meeting, pg. 14)

The importance of **using the following tools in a proportionate manner, taking into account the SMEs specificities;**

- Use of **product policy**, including the identification and **promotion of "advanced performance" benchmarks.**
- **Leveraging innovation, including technological and non-technological innovation**, with efficient and effect **use of Community funding programmes** and Community State Aid rules on Environmental Protection and on Research, Development and Innovation.

The creation of a favourable regulatory environment based on the "Think Small First" principle, the improvement of SMEs' access to public procurement and the promotion of entrepreneurial spirit. (2832nd Council meeting, pg. 13)

While the Commission already identified a number of problems which prevent SMEs from fully unlocking their potential when launching its Modern SME Policy, the aim of this consultation is to stimulate an open debate with all stakeholders on developing the "**Small Business Act**" for Europe in order to ensure that all remaining obstacles to EU SMEs' prosperity, and solutions to tackle them, are identified. A public hearing with the main stakeholders is taking place in Brussels on 6 February. The results of this consultation will provide a major contribution to the Commission's own reflections leading up to the development of the "Small Business Act". "**Small Business Act**" for Europe & (2832nd Council meeting, pg. 14)

Continue to evaluate **ERASMUS**-type exchange programmes for young entrepreneurs and apprentices to encourage them to get experience in Member States. (2832nd Council meeting, pg. 14)

Improve SMEs' access to public procurement, establish specific strategies, where appropriate, and introduce measures to raise enterprises' awareness of procurement opportunities and access to information on public tenders. (2832nd Council meeting, pg. 15)

Make better use of community funding (e.g. **CIP, FP7** and **Cohesion Policy** initiatives such as **JEREMIE**) to promote the key priorities in the field of SME policy according to the general objectives of the Lisbon strategy and the corresponding national priorities. (2832nd Council meeting, pg. 15)

Support to a long-term e-skills agenda, in response to the need to address e-skills as a way of contributing to the development of an economy based on knowledge-intensive products and services and a more inclusive society. (2832nd Council meeting, pg. 16)

Council supports the Commission's intention to continue to provide a **platform for the exchange of best practices**, promote a regular dialogue on e-skills and develop a **European e-Competence Framework**. (2832nd Council meeting, pg. 17) and thus invites Member States to include e-skills strategies in their national reform programmes. The industry, social partners and education providers, including academia should contribute to the implementation of the long-term e-skills strategy. This should facilitate the internationalisation of SMEs.

In addition, **two specific schemes for SMEs (with a total budget of €430 million)** in the form of Horizontal Research Activities was set up: Collective Research and Co-operative Research (**CRAFT**). These will primarily address the large community of SMEs with a capacity for innovation but with limited research capability. Any research topic or field in the area of science and technology in which the SMEs concerned have specific identifiable needs can be addressed by these schemes. (*Commission Staff Working Paper*, pg 66)

Most of the SME support schemes such as the **Intellectual Property Rights Helpdesk (IPR Helpdesk)** funded by the EC remain unknown to majority of these companies. Assists an important number of European SMEs (among others) participating in Community funded RTD projects. It was launched in 1998 as a Commission pilot project and will continue its operation until December 2004 under a new contract co-financed by the Commission. The project maintains a multilingual portal¹²⁴ that facilitates access to a large range of IPR materials.

A representative Office in Brussels has also been established, to which any actors wishing to discuss relevant matters directly with IPR experts can turn. (*Commission Staff Working Paper*, pg 68)

The Network of Innovating Regions in Europe (IRE) and other Networks is the joint platform for collaboration and exchange of experience in the development of regional innovation policies and schemes.

The IRE Network is open to all European regions, including those in Central and Eastern Europe and Cyprus, which can demonstrate good practice in the promotion of innovation. The network aims to enable regions to access new tools and schemes for innovation promotion and to create an inter-regional learning process. It also seeks to put innovation at the top of the regional policy agenda¹²⁶. During the years 2001-2002, 16 innovation strategy projects in the

Newly Associated Countries (IRE-NAC projects) have been launched with the objective of developing and implementing regional innovation strategies. At the same time, 14 Thematic Networks bringing together over 250 innovation stakeholders throughout Europe have been set up to exchange good practice on specific regional innovation policy topics. (*Commission Staff Working Paper*, pg 69)

The Commission helps SMEs access finance with the Financial Instruments of our **Competitiveness and Innovation Programme** – deemed efficient and core of financing. (*Financing Innovation, Le Bail speech*)

For its part the Commission is helping entrepreneurs and investors to overcome these difficulties. We are **facilitating the development of investment readiness programmes**. We are using our **innovation networks to spread good practices** and will build an **index of enterprise** finance to record progress in improving policies. (*Financing Innovation, Le Bail speech*, pg 5)

The Commission has already taken initiatives that facilitate cooperation between business and innovation sources. We have networks that provide advice and contacts. These include our new business support network, and **Europe INNOVA**. (*Financing Innovation, Le Bail speech*, pg 8)

Competitiveness and Innovation Programme (CIP). In addition, the Council calls on Member States to **fully utilise the potential of structural funds**, through traditional and new funding instruments such as **JEREMIE**. Moreover, the intellectual property rights' (IPR) potential of SMEs deserves more attention. Furthermore, SMEs' access to markets will be improved by facilitating their access to public procurement markets and standardisation as well as by supporting their internationalisation. (*Financing Innovation, Le Bail speech*, pg 10)

The BIAC SME site for example is divided into two parts, a public site with general information available to all, and a members-only password-protected site to link BIAC SMEs willing to cooperate (or to interact with) BIAC MNEs. (*The Voice of OECD Business*)

Internationalisation of SMEs: cooperation with non-member countries.

The Market Access Database, available to all economic operators via the Internet, has been fully operational since 1996 with distinct benefits, in particular for SMEs. Its functions comprise (1) to list main trade barriers affecting Community exports by sector and by country and to ensure follow-up and Commission action where necessary; (2) to provide basic information of interest to Community industry and Community exporters, such as the rates of customs duties and internal taxes in key export markets, import licensing requirements, special customs clearance formalities; and (3) to provide an interactive means of communication between business and the European Authorities allowing an exchange of information on-line. <http://mkaccdb.eu.int> (*Commission Staff Working Paper*, pg 103)

The Enterprise Europe Network (EEN) offers concrete and effective solutions to entrepreneurs and companies in more than 40 countries, including the 27 EU member states, three EU candidate countries (Croatia, the former Yugoslav Republic of Macedonia and Turkey), members of the European Economic Area (EEA) and other participating third countries.

- Former **Euro Info Centre and Innovation Relay Centre networks** will be developed to offer one-stop-shops for services in support of business innovation.

3. Recommendations

Support measures could gain effectiveness if they were reorganised and that it would be advisable to focus on the **entrepreneur's experience** and on **developing his/her qualifications**, including networking capabilities, rather than on the characteristics of the firm. (*Internationalisation of SMEs* pg. 50)

Initiate programmes that are **designed for a target group of SMEs** with no international experience, for example the Spanish programme PIPE 2000 (Plan de Iniciacion a la Promocion Exterior). (*Internationalisation of SMEs* pg 50)

Foreign partnerships, foreign investments and cross border clustering represent new viable ways to strengthen the international business strategies of SMEs. Such diverse international activities may integrate different business function (i.e R&D, marketing, production) and thus involve elements across the entire value chain. (*Internationalisation of SMEs* pg. 9)

Awareness is still insufficient among SMEs of the benefits and opportunities that may be obtained from international activities and should be raised. (*Internationalisation of SMEs* pg. 53)

Most effective way to guarantee a successful long term internationalisation is to provide **individualised support for each company, beyond supporting the merely "international" part of the company**. (As each company will have its own set of individual variables and barriers for competitiveness – available financial and human resources, company size and stage of internationalisation, sector, geographical location, target markets, etc.) (*Supporting the internationalisation of SMEs*, pg. 32)

Austrian good practice example (a joint initiative of the Austrian Federal Government and the Federal Economic Chamber) of internationalisation initiative "**Go International**". Promotes the export of goods, services and direct investments and thus contributes to strengthening the competitive position. **Targeted promotion of first time exporters**. The package of measures is founded on raising awareness, knowledge transfer and the creation of networks. (*Françoise LE BAIL*, pg 74)

Key to success in a joint venture is the choice of the right partner, thus assistance is required for SMEs to locate and **select appropriate business partners** (good practice example is the establishment of **Enterprise Ireland**). (*Internationalisation of SMEs* pg 51)

Lack of flexibility on working time regulation was identified as a **barrier to internationalisation**, some of the practical tasks should be performed on behalf of the manager. (*Internationalisation of SMEs* pg. 51)

To find an appropriate business partner, **services** should be **customised to the problems** and potentials of the individual company. (*Internationalisation of SMEs* pg. 51)

Currently, SMEs focus too heavily on exporting and FDI. The focus nowadays should also be given to **international sub-suppliers** or **access knowledge and know-how** through international collaboration. (*Internationalisation of SMEs* pg. 47, 51)

The Internet and new facilities for fast easy communication and collaboration have been key factors in allowing more complex partnerships – thus it is important to have up-to-date IT **infrastructure throughout all regions**. (*Internationalisation of SMEs* pg.53)

Cooperation as an activity is perceived by SMEs to have an even greater positive effect on competitiveness than internationalisation. This underlines the fact that that internationalisation has to be **viewed** in a very broad perspective including not only trading but also international collaborative activities. (*Internationalisation of SMEs* pg. 8)

Enhancing competitiveness and growth (*Supporting the internationalisation of SMEs*, pg. 32)

-programmes must **support in all aspects and implications of internationalisation**, not only focusing on exports.

-the main internationalisation programmes must permit the **participation of the widest number of SMEs possible**.

Develop a methodology and establish an evaluation system for policy measures towards the internationalisation of R&D covering ex-ante evaluation, monitoring and impact assessment. Here, appropriate quantitative and qualitative indicators need to be developed. A European approach could be considered to allow benchmarking of **national internationalisation performance**. (*Internationalisation of R&D* pg. XV)

S&T Policy Strategies at the level of Member States / Associated States

Develop **comprehensive internationalisation strategies** as integral part of national S&T policy. This would include national (core) objectives and priorities in order to make optimum use of the benefits and to properly address the challenges of globalisation. It covers the links to other relevant policies and requires national coordination between the different stakeholders involved. (*Internationalisation of R&D* pg. XV)

Fostering international cooperation of S&T institutions

Scale up available bilateral funding schemes for the internationalisation activities of R&D organisations through direct funding of collaborative research in addition to small-scale mobility-based networking measures. (*Internationalisation of R&D* pg. XV)

Attracting and making use of Foreign Direct Investments

Improve instruments which allow national S&T institutions and innovative firms to raise the full potential of spillover effects from inward and outward FDI. (*Internationalisation of R&D* pg. XV)

Setting the frame for the international exploitation of knowledge

Set a regulatory frame and support (including funding) activities of national S&T institutions and innovative firms allowing on the one hand better access to foreign knowledge and on the other hand a fair exploitation of domestic knowledge in Third Countries. (*Internationalisation of R&D* pg. XV)

Instruments for a better coordination of activities

Systematically extend **ERAWATCH** to major Third Countries as well as increase its efficiency through linking it with existing information services in EU MS/AS and upcoming services to be developed under the **INCO-NET** scheme. (*Internationalisation of R&D* pg. XVI)

Increase **transparency on opportunities for trans-national coordination of S&T policies and coordinating joint S&T activities** within European and international organisations, programmes and initiatives. It is proposed to develop and update a '**Directory of European and International Organisation**', depending their coordination instruments and listing contacts in terms of respective MS/EC participants. (*Internationalisation of R&D* pg. XVI)

Develop a **light but standardised system of indicators and databases** through a coordinated effort to capture and assess the diverse policy measures related to the internationalisation of R&D in order to generate comparable and evidence-based knowledge for decision-making processes. (*Internationalisation of R&D* pg. XVI)

Analyse the interest of Member States/Associated States to establish a **joint programme management institution for implementing multilateral funding activities targeting Third Countries**. Together with the European Commission. (*Internationalisation of R&D* pg. XVII)

Set up a strategic dialogue between Member States and the Commission. This dialogue would identify and regularly update common priorities and relevant emerging topics, which are of joint interest for European initiatives in international organisations. If appropriate it could provide a process for ad-hoc consultation between Member States and the EU Commission. (*Internationalisation of R&D* pg. XVII)

Entrust the European Commission with **the participation in international organisations complementing MS participation** – but not replacing them. If appropriate and legally possible, the Commission could represent the Community on the basis of positions previously agreed by the Member States on a case by case basis. The European Commission should report on their respective activities to the Member States. (*Internationalisation of R&D* pg. XVII)

Work-out a policy document on 'S&T and development policies' including: **synergies of S&T and development policy objectives towards Africa, South-East Asia, Latin America and the Caribbean**; recommendations on how to link instruments of S&T policy and development policy at MS' and Community level in order to exploit synergies; criteria and respective proposals for joint activities of MS/AS; scenarios, how to use ODA money for the upgrading of S&T structures in developing countries (through capacity building, institution building and research for development measures). Here, the upcoming activities within the bi-regional dialogues implemented through the **INCO-NET** scheme should be considered. (*Internationalisation of R&D* pg. XVII)

Coordinate S&T related activities towards developing countries on MS/AS and Community level through establishing a '**Global INCO-NET**' as a dialogue forum of respective stakeholders involving wherever appropriate stakeholders from developing countries. (*Internationalisation of R&D* pg. XVII)

Set-up a **strategy forum** on international cooperation with high-level representatives of the Member States, Associated States and the European Commission in an appropriate form (i.e. by **CREST**) for **developing, implementing and monitoring the international dimension of the ERA** with adequate support. (*Internationalisation of R&D* pg. XVIII)

Successful support will have to be based on building capabilities inside the SME where access to training and consulting should play a central role this will require scoring, filtering and analysing companies prior to providing any support and adapting the mix of (usually) standardised support programmes to create a company specific support plan. (*Supporting the internationalisation of SMEs*, pg. 32)

Support of direct SME cooperation, matchmaking, promotion of intra-European value chains and cooperation between SMEs and MNEs, could be conducive to greater competitiveness and growth. (*Supporting the internationalisation of SMEs*, pg. 33)

- the **internal market** has the potential to be a main engine for SME growth. It can allow SMEs to gain size and competitiveness which in turn will allow them to face international competition better, both at home and abroad. (*Supporting the internationalisation of SMEs*, pg. 33)

- **sectoral matchmaking events, clustering** can also be very instrumental in supporting the internationalisation of crafts. (*Supporting the internationalisation of SMEs*, pg. 33)

Raising SME awareness of the need to internationalise, ideally this should be coupled up with easy access to support based on the one stop shop principle. (*Supporting the internationalisation of SMEs*, pg. 28)

For trade related **finance existing mechanisms**, the **availability** is quite good across most European countries (good example of a Dutch website, which presents products of the private financial sector, the state, the EU and multilateral institutions including products like export-credit-insurance, international credit rating, factoring, venture capital, payment habits, leasing and checklists, which can be very useful for cross border finance.

A **pan-European venture capital market** is non existent valid step forward would be to mutual recognition of venture capital funds and their management companies. (*Supporting the internationalisation of SMEs*, pg. 24)

A consideration of **widening of the JEREMIE scheme to include the intra European dimension of internationalisation**. (*Supporting the internationalisation of SMEs*, pg. 24)

EIB could also play a part in **supporting SME investments in cooperation with national institutions**. (*Supporting the internationalisation of SMEs*, pg. 24)

Internationalisation creates two kinds of networking needs in regional innovation. On the one hand, the aim is to strengthen **the national innovation service network** and to better respond to the needs of the regions. Education, science, technology and innovation policies must be able to support and also guide regional development to ensure that measures taken at the national and regional levels reinforce each other. The challenge is to raise the knowledge and know-how and their utilisation to a level which withstands international competition in all regions while further strengthening their natural strengths.

On the other hand, the national innovation service network does not lessen the need for **specialised networking based on the region's own needs**. In order to supplement its own knowledge and cooperation, a region must be able, through networking, to acquire knowledge and know-how which is not directly available in its own area. The challenge is especially to put in place sufficiently large, internationally interesting and competitive knowledge clusters and systematically develop and use them. The smaller the region and the more specialised the knowledge, the more likely its need to find complementary knowledge, cooperation partners and larger user groups outside the region. (*Knowledge, innovation and internationalisation*, pg. 31)

Vocational education and training must be geared to **meet the needs of fields relevant to the economy, employment and labour demand.** (*Knowledge, innovation and internationalisation*, pg. 47)

Introduction of **work-based training** as an inherent part of initial vocational training and through the integration of skill tests designed in collaboration with labour market partners into vocation qualifications. (*Knowledge, innovation and internationalisation*, pg. 47)

Enterprises **should make training an inherent part of work.** Enterprises must be encouraged to espouse models of a learning organisation. (*Knowledge, innovation and internationalisation*, pg. 49)

In planning technology programmes and launching projects, it is important to stress the user point of view. Close cooperation with venture capital investors is vital from the outset. More attention must be paid to **ensuring favourable conditions for SMEs to commercialise knowledge.** (*Knowledge, innovation and internationalisation*, pg. 49)

The development of innovation in regions must be based on the **region's own natural strengths** and on **networking with other regions** and national and international players. (*Knowledge, innovation and internationalisation*, pg. 49)

Each region should have **a network of public organisations offering innovation services and expertise** must be **strengthened in regions** in order to make services more accessible through their or other organisations' units. (*Knowledge, innovation and internationalisation*, pg. 50)

Underlines the **importance of human capital and skills** and emphasises that **life-long learning** programmes should be designed in such a way as **to boost competitiveness**, technological development, innovation, entrepreneurship and to anticipate the adjustment to structural changes. (*2832nd Council meeting*, pg 10)

Take into account the diversity of the SME community (e.g. craft, social economy, micro and single-person enterprises and family-run small companies as well as those managed by underrepresented groups), and the **conditions in which they operate** (e.g. geographical), when designing and implementing policies and support measures. (*2832nd Council meeting*, pg. 14)

Promote training schemes for managers in small enterprises. (*2832nd Council meeting*, pg. 15)

Simplified reporting requirements and exemptions for SMEs. (*2832nd Council meeting*, pg. 15)

Simplification of company law, accounting and auditing, so that they are best suited not only to make European companies fit for the Internal Market but also make them more competitive globally". Many of today's technological instruments in use today, did not exist when the company law Directives were adopted. Regulation and practices in the areas of company law, accounting and auditing should therefore be adapted to this new reality in a way which makes the most of the added value.

- The **reduction of costs** to undertakings arising from bureaucracy-related obligations and on making procedures simpler and more transparent specifically for SMEs. (2832nd Council meeting, pg. 19)
- Reducing the number of preventive **legality checks**
- The possibilities offered by the available technical standards or the **use of electronic signatures**

The Commission together with the Member States and in collaboration with the European Investment Bank (EIB) and other potential financial partners to continue to **study ways to improve conditions for R&D funding**, notably building upon the experience, as part of the mid-term evaluation of FP7 from the Risk-Sharing Financing Facility (RSFF), to foster additional investment in European research and development, taking in consideration emerging developments in the size, integration, and technologies available in global capital markets. (2832nd Council meeting, pg. 35)

Set up the exchange of best practices, in particular by making full use of existing methods of open coordination, efficient coordination within the euro area being of particular importance (*Presidency Conclusions, 13-14 March 2008*, pg.3)

The EU must **remove barriers to the free movement of knowledge** by creating a “fifth freedom” based on:

- Enhancing the cross-border mobility of researchers, as well as students, scientists, and university teaching staff,
- Making the labour market for European researchers more open and competitive, providing better career structures, transparency and family-friendliness,
- Further implementing higher education reforms,
- Facilitating and promoting the optimal use of intellectual property created in public research organisations so as to increase knowledge transfer to industry, in particular through an "IP Charter" to be adopted before the end of the year,
- Encouraging open access to knowledge and open innovation,
- Fostering scientific excellence,
- Launching a new generation of world-class research facilities,
- Promoting the mutual recognition of qualifications. (*Presidency Conclusions, 13-14 March 2008*, pg.6)

The Council also urges the **industry to make appropriate commitments for RTD financing of the JTI's** while ensuring that participation in projects is open to a wide range of participants throughout Europe, in particular SMEs. The allocation of Community funding by the Joint Technology Initiatives will take place on the basis of the Framework Programme principles of excellence and competition. (*Presidency Conclusions, 13-14 March 2008*)

As to the measures targeted at SMEs, the **administrative tax formalities, bookkeeping requirements, etc. for SMEs should be less demanding than for larger companies, also in cross-border situations**. There are **good reasons to grant SMEs proportionate simplification and standardisation arrangements** for reducing their **resulting tax compliance cost**. Depending on the type of measure, such initiatives are either appropriate at national level, or should, as for instance currently in the area of VAT, explicitly be supported on EU level. Moreover, the difficulties **with cross-border offsetting of losses hit SMEs particularly hard and therefore seem to deserve a specific remedy**. Generally speaking it should, however, be noted that only **few of the measures proposed by the Commission are**

geared specifically towards larger or SMEs. It follows from the nature of the problems and their effects that internationally active small and medium-sized enterprises will also benefit from the removal of the tax obstacles. (*Commission Staff Working Paper*, pg 47)

As regards the possibilities for **tackling the various tax obstacles in an all-embracing systematic way**, via a ‘comprehensive’ solution which would provide companies with a consolidated corporate tax base for their EU-wide activities, among the various technical models which are available for achieving such a common EU corporate tax base, that of **“Home State Taxation” seems to be of particular attraction to SMEs.** Under this approach, a company could opt for computing its (consolidated) tax base according to the rules of the Member State where its headquarters is based. At the large “European Conference on Company Taxation” of April 2002 in Brussels the idea to devise an appropriate pilot scheme for SMEs met with considerable support and is currently being followed up by the Commission. (*Commission Staff Working Paper*, pg 47)

Participation in FP is an effective investment of SMEs internationalisation. - More should be done to facilitate the participation of SMEs in FPs. (*Commission Staff Working Paper*, pg. 63)

The European Council underlines that **reducing administrative burdens** is an important measure for boosting Europe's economy, especially through its impact on SMEs. A strong joint effort significantly to reduce administrative burdens within the EU is necessary. The European Council therefore agrees that administrative **burdens arising from EU legislation should be reduced by 25% by 2012.** Taking into account the different starting points and traditions the European Council invites Member States to set their own national targets of comparable ambition within their spheres of competence by 2008. (*Presidency 8-9 March*)

We want **venture capital funds** also to benefit from the single market. **Better regulation** can help venture capital markets to perform their role. (*Financing Innovation, Le Bail speech*, pg. 7)

Coordination of R&D policies towards Third Countries between Member States and Associated States

Work out a specific agenda with priorities for coordinated actions MS and AS towards and with Third Countries in non-competitive areas through a strategic dialogue process involving the EU Commission as well and including Third Countries where relevant. (*Internationalisation of R&D* pg. XVI)

Identify barriers and threats for S&T cooperation with Third Countries and develop joint strategies to overcome them e.g. through coordinated policy approaches in terms of a common Community framework (addressing among other issues IPR, mobility aspects, access to S&T infrastructure and resources). (*Internationalisation of R&D* pg. XVI)

Identify and disseminate information on success stories of coordination activities taken into consideration (The outcome of an evaluation of existing coordination instruments on Community level, National approaches to enhanced coordination with other MS/AS, Joint activities in international organisations). (*Internationalisation of R&D* pg. XVI)

Encourage a debate at ministerial level on the topics and instruments of enhanced coordination of S&T policies towards Third Countries. (*Internationalisation of R&D* pg. XVI)

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