



Internationalization – a driver for
business performance

January 2013



TABLE OF CONTENTS

1. Introduction	3
1.1. Background	4
1.2. Methodology	5
2. Analysis	7
2.1. International SMEs	8
2.1.1. International business activities	8
2.1.2. International competitive advantages	15
2.2. High-performers	17
2.2.1. High-performing SMEs	17
2.2.2. International high-performing SMEs	18
3. Conclusion	23
4. Annexes	25
Annex 1: Questionnaire: drivers of competitiveness for SME's trading internationally	26
Annex 2: Country focus	31

1. INTRODUCTION



In an exacting economic environment, small and medium sized enterprises (SMEs) have been presented with a challenge. A challenge to grow and increase the profitability of their businesses against a backdrop of often weak demand.

This report summarises the results of research into the performance and competitiveness of SMEs in this business environment, with a specific focus on attempts by SMEs to ‘internationalise’ their businesses and how this impacts on their growth. The research involves analysis of SMEs across 12 countries – the G7 and the BRIC economies with the addition of another emerging market, Mexico (‘BRICM’). The report studies SMEs that have international operations, as well as ‘high-performing SMEs’ (see below for definition). Of particular interest is the overlap between these two groups – SMEs that have international operations and are high-performing – prompting the thought that trading internationally is itself a driver of performance.

The main purpose of the study is to

1. Identify and describe international SMEs, their drivers and challenges.
2. Draw insights of what makes an international SME competitive.

1.1. Background

SMEs – a definition

The definition of small and medium-sized enterprises (SMEs) varies by country, but is usually based on staff numbers and revenue, sometimes on the value of assets.

They are a heterogeneous group with a diverse range of company sizes, capabilities and business activities: from the artisan producing agricultural implements for the local market, to a sophisticated engineering or software firm selling in overseas markets.

Our study uses the most widely accepted definition, shared by the European Union and by a large number of OECD countries, which is a company with:

- Between 10 and 249 employees
- Annual turnover of less than €50 million

An important point to note is that ‘micro enterprises’ (MSMEs), which have fewer than 10 employees, are excluded from our analysis to avoid a skew towards businesses that operate on a local-only basis.

SMEs’ contribution to the economy

Small and medium-sized enterprises (excluding MSMEs) occupy an important position in any country’s economy and typically employ around 35-45% of the work force and contribute 30-40% of national added value. As the backbone of economic activity (bridging the gap between many micro enterprises and the few large ones), they stimulate growth and help diversify economic activity; they are flexible and can adapt quickly to changing market demand and supply situations; they drive innovation; and they make a significant contribution to exports and trade.

SMEs' international competitiveness

As trade barriers are removed and logistics and communication costs fall, small and medium-sized enterprises have adapted to new challenges to stay competitive in an international marketplace. These developments have also opened up opportunities for SMEs. Their integration into the global economy has prompted them to develop new international activities such as attempting to open new markets; adding more value to their products and services; and reducing their cost base.

Assessing an SME's international competitiveness requires consideration of the economic, political and social aspects within the SME's country of origin, as much as looking at the SME itself. Both levels of analysis have to be taken into account in this research:

- The macro level, 'national' competitive advantages, such as access to new technologies, skilled labour, market structure, logistics and infrastructure.
- The micro level, company-specific competitive advantages, such as price, quality, service, responsiveness and innovation.

1.2. Methodology

The study has drawn upon recent studies of SMEs; from IHS proprietary data and reports; and most significantly from primary research of SMEs through an online survey.

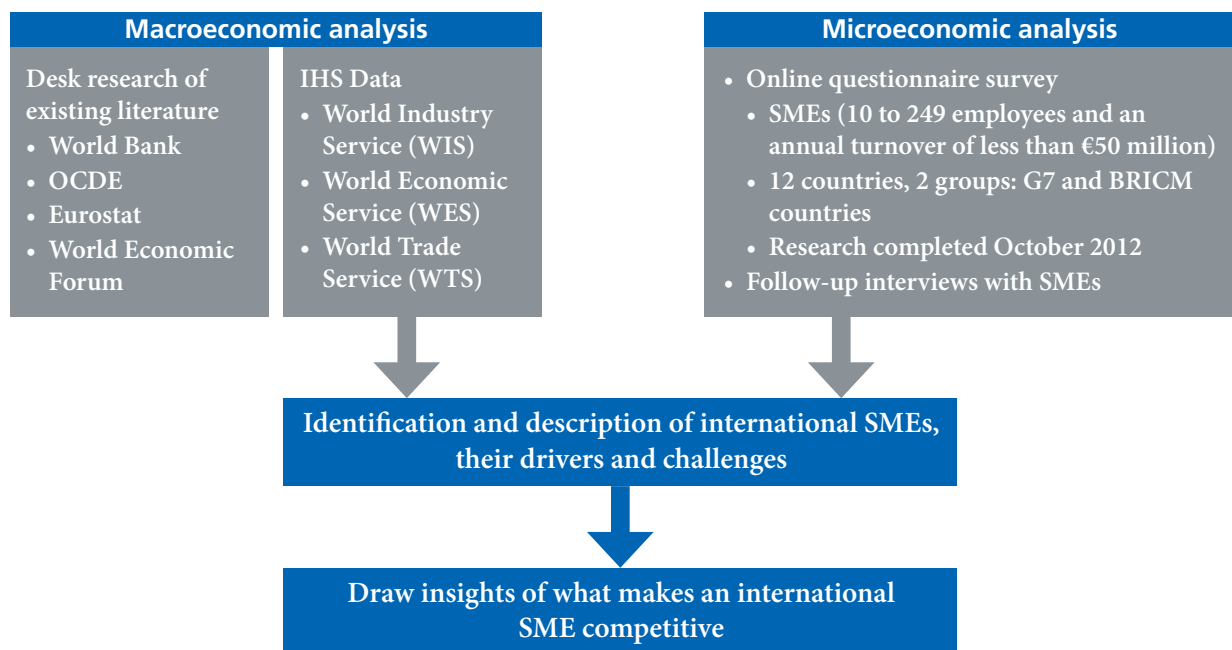


Table 1.2.1 Approach

Note: The SME sample for the primary research is based on 410 respondents – owners or members of the senior management team at SMEs having between 10 and 249 employees. The questionnaire can be found in Annex 1 of this report.

Performance indicators

We identified a group of high-performing SMEs based on their average annual growth rate over last three years. These were defined as SMEs who have achieved:

- More than 10% average annual growth rate over last three years for G7 countries (on average, the G7 countries had a 1,58% growth in GDP)
- More than 20% average annual growth rate over the last three years for BRICM countries (on average, the BRICM countries had a 5,84% growth in GDP)

The study also classified SMEs by key competitive advantage; were they “efficiency” or “innovation” driven. Of course, all SMEs have a mix of both criteria but, through our research, we were able to classify two groups according to their predominant business characteristic.

- Efficiency-driven companies compete on the basis of efficient production processes, quality product improvements and well-organised logistics services
- Innovation-driven companies compete by providing new or unique products / services creating their own market

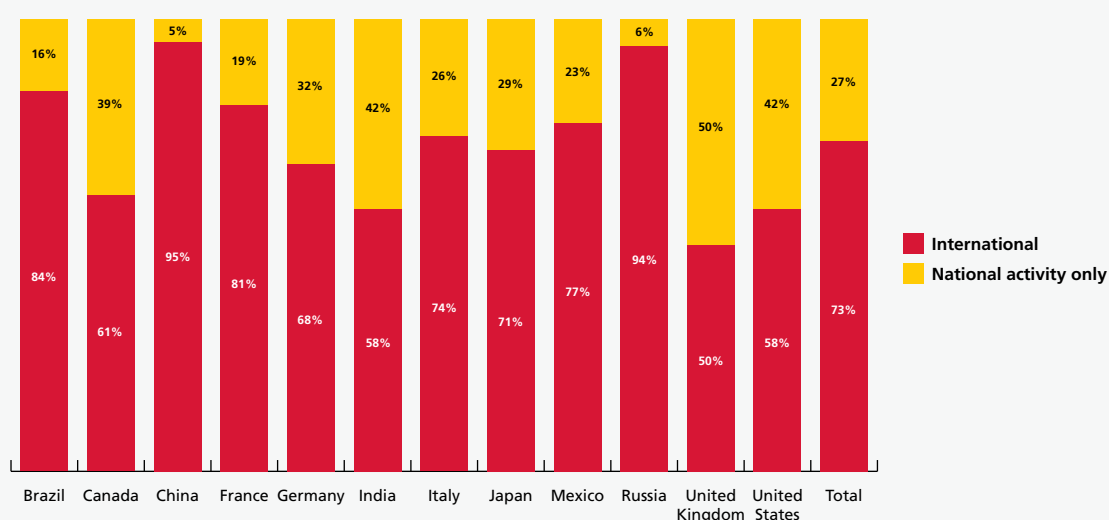
2. ANALYSIS



Our first group of interest is international SMEs that operate in **two or more** countries; typically 70% of country respondents.

2.1. International SMEs

International business activities



Source IHS survey – 2012

2.1.1. International business activities

International SMEs have developed multi-faceted international activities

Small and medium-sized enterprises are affected by globalisation and are increasingly forced to think and act internationally.

The first finding of this study is that SMEs' internationalization no longer has a limited focus on exporting / importing, but has become a much more differentiated business activity encompassing subcontracting as well as technical or commercial cooperation. SMEs may be engaged in cross-border partnerships and foreign investments to capitalize on new opportunities.

Smaller SMEs are less internationalised than bigger SMEs, but even for them, internationalization is today a reality. While 80% of SMEs with 50 to 249 employees are operating at an international level, 66% of SMEs with 10 to 49 employees are international. One point to notice nevertheless, is that the size difference is still marked when analyzing the share of small-sized enterprises with more complex forms of internationalization, or a combination of more than one form of internationalization.

THE MODERN SME MAY WELL BE ENGAGED IN INTERNATIONAL BUSINESS ACTIVITIES BEYOND IMPORT / EXPORT

Q. – In which international business activities is your company engaged?



NB: Technical cooperation defined as, for example, sharing know-how, technologies etc. Commercial cooperation defined as marketing, distribution etc.

“The major challenge for SMEs operating internationally is not lack of resources – for instance, staff are often more flexible and committed than those at large companies – but the lack of experience of the management team in the initial phase, and the lack of confidence by investors that SMEs have a role to play at an international level.”

A high-performing SME based in the UK

Our survey identified a high number of SMEs having international activities within their first five years of existence. For instance, while 27% of all SMEs have more than one international activity, this indicator rises to 31% of SMEs with less than five years of trading, despite them obviously having had less time to expand their businesses (a general assumption would likely be that the figure would be much lower for younger SMEs). This demonstrates a growing trend towards the internationalization of SMEs.

Young international SMEs are a reality of today's economy and are, in our survey, responsible for an important part of SME internationalization. In fact, recent literature points to a growing number of such firms trading internationally within the first five years of their creation. These 'born global' SMEs see themselves as international rather than national players.

Interestingly, these 'born global' SMEs are also more prevalent in BRICM countries (24%) than in G7 countries (13%). The rationale behind this could be that BRICM based small and medium-sized enterprises are strategically more focused on international markets than their G7 peers.

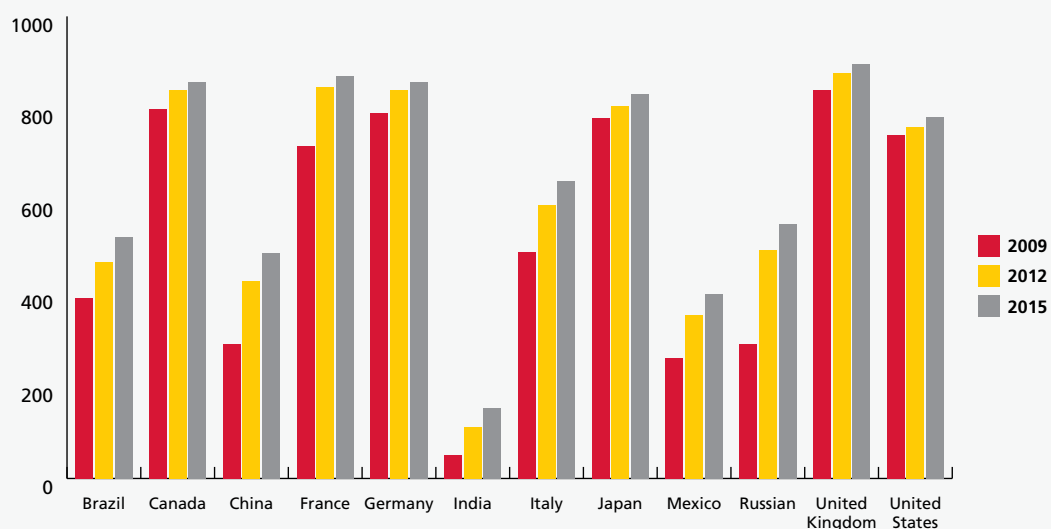
THERE IS A GROWING NUMBER OF 'BORN GLOBAL' SMES, COMPANIES THAT HAVE ADOPTED A GLOBAL FOCUS SINCE THEIR CREATION

Communication technologies and transportation infrastructure

One of the major forces enabling economic globalisation and internationalization of companies is the proliferation of inexpensive communication technologies and efficient logistics services that have eroded national borders and distance. Observing the speed and the minimal cost with which information, products or services can be transmitted across geographic space, we can talk about the world as a 'global village' accessible to all companies.

The table below shows the speedy take up of new technologies in BRICM countries which is a part of the explanation of the successful internationalization of BRICM based SMEs.

Internet users (per 1000 persons)



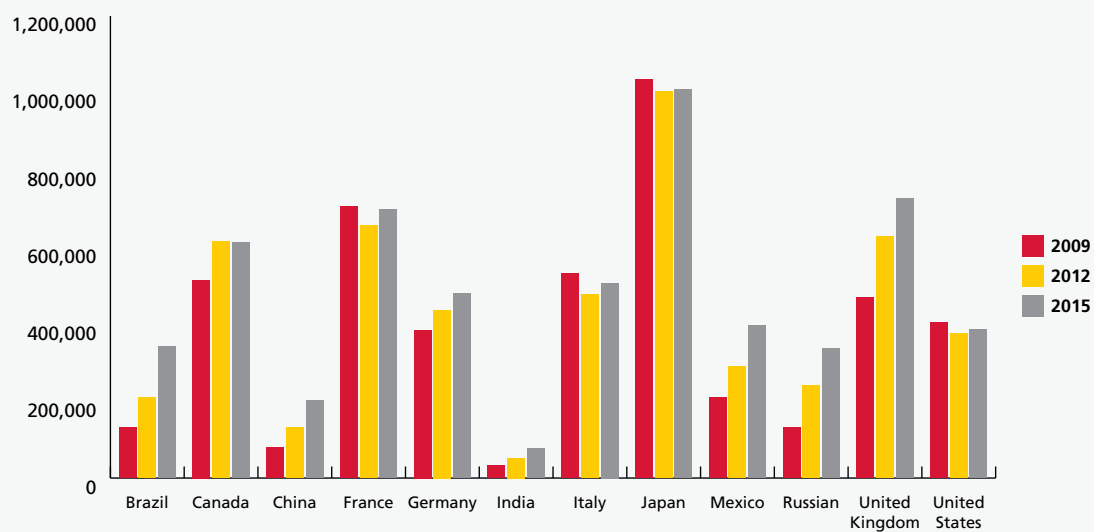
Source IHS – 2012

Today, more than ever before, a small and medium-sized enterprise can use not only extensive and efficient communication tools, but also transportation infrastructures to reach out to large targeted audiences, to customize products and services and meet international demand. To some extent, this is the strategy employed by German SMEs, commonly referred to as the Mittelstand. One of the major strategic instruments deployed by this kind of company is the combination of product specialisation and geographic diversification.

In fact, inadequate transport infrastructures and insufficient supply of private distribution and logistics services will constrain competitiveness by limiting efficient product and service delivery. SMEs are normally less well equipped to overcome inefficiencies in public infrastructures than larger companies. For that reason, the development of services in transport, packaging and distribution, as part of a set of policy measures directed at fostering a well-functioning business environment, is particularly important to SMEs' internationalization and growth.

The graph below – transportation spending per 1000 people, by country – underlines the fact that emerging economies like Brazil, China or Mexico, but also developed countries like the United Kingdom, are increasing their investments in transportation infrastructure to facilitate trade.

Transportation spending (US\$ per 1000 persons)



Source IHS – 2012

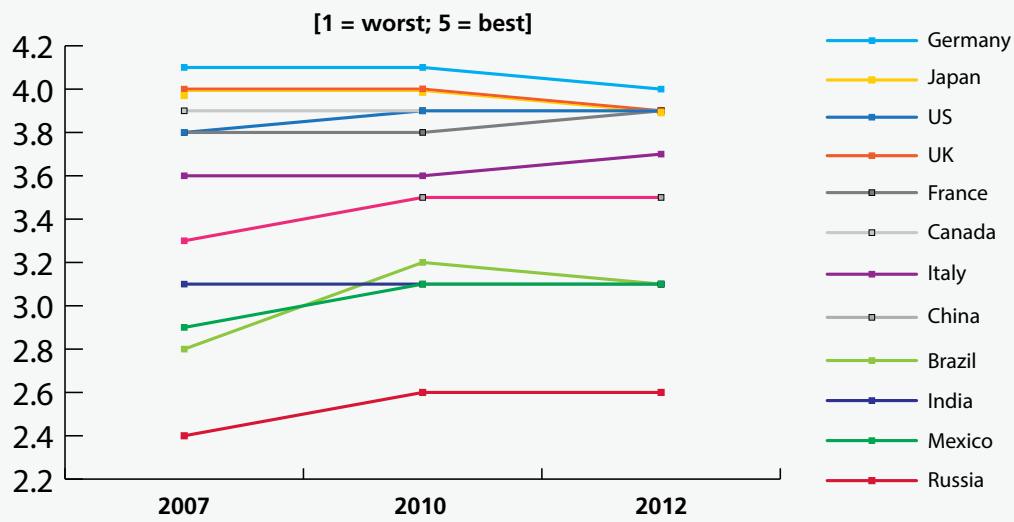
THE SPREAD OF INEXPENSIVE COMMUNICATION TECHNOLOGIES AND EFFICIENT LOGISTICS SERVICES HAS RADICALLY CHANGED THE POSSIBILITIES FOR SMES TO DEVELOP AT AN INTERNATIONAL LEVEL

Logistics services

A World Bank study on logistics performance - “Connecting to Compete” - includes an index built around a survey of logistics professionals who evaluate the logistics environment in the countries where they work, providing information on the quality of infrastructures, the performance of core services, the ease of trade clearance procedures, and the time, cost, and reliability of import and export supply chains.

The graph below shows the superiority of the G7 countries when compared with their BRICM peers, but also the fact that the greatest improvements are occurring in BRICM countries.

Logistics performance index (score)



Source: World Bank – Study “Connecting to Compete” 2007, 2010, 2012

“Our company produces machines for manufacturing bricks and all of the production is done in China. We sell in China, but also export to Russia, Vietnam, and African countries. Exports represent 20% of our turnover. Even if it is more expensive, we would find it more convenient and more professional to use high quality transportation providers to grow our export activities.”

A high-performing SME based in China

BRICM SMEs have more international activities than their G7 peers

The degree of internationalization among SMEs varies by size of company, but also by country of origin. SMEs (excluding MSMEs) in BRICM countries have a greater tendency towards internationalization than SMEs in G7 countries. They are more likely to operate internationally and are more likely to do so in a more sophisticated manner, through a range of international business activities.

Q. In which international business activities is your company engaged?

International activities	G7 SMEs	BRICM SMEs
Commercial cooperation	16%	28%
Technical cooperation	26%	26%
Subcontracting	14%	21%
Imports	23%	26%
Export	28%	37%
More than 1 activity	24%	32%

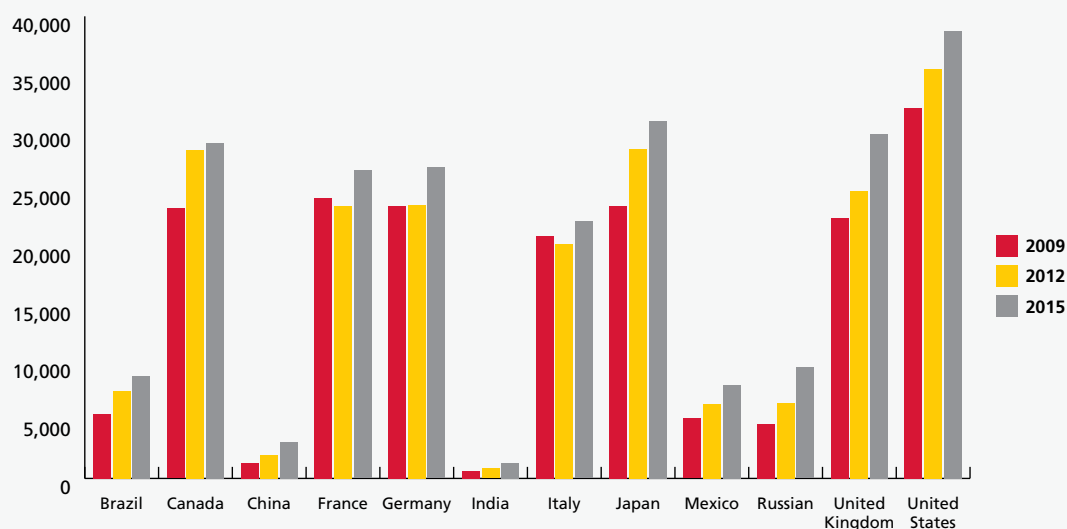
Source IHS survey – 2012

NB: Our survey excludes micro enterprises, enterprises that employ up to nine people.

The rationale behind this could be that a real business driver is strong business relationships with developed countries whether the SME is based in a BRICM or in a G7 country. 61% of G7 SMEs have the majority of their international clients, partners and subcontractors in developed countries, while this also true for some 50% of BRICM SMEs, implying just how attractive it is to have high exposure to large Western economies.

The chart below shows consumption per head in G7 countries remains high and dwarfs consumption per head in BRICM countries, making them a most attractive market for international SMEs, regardless of their country of origin and the distance to reach these markets. BRICM countries do represent an increasing business opportunity because of their recent and continuing growth, but, in absolute value, developed countries still represent the most attractive markets for most companies. Despite the emergence of middle classes in BRICM countries with increased spending power, the balance of consumer spending still weighs heavily towards the developed economies.

Total consumption (US\$ per capita)



Source IHS – 2012

BRICM SMES ARE MORE INTERNATIONAL THAN THEIR G7 PEERS, PARTLY BECAUSE OF THE REVENUE OPPORTUNITIES PRESENTED BY DEVELOPED COUNTRIES

Significantly, as the balance of economic power shifts in the coming years, it is BRICM SMEs that will be best placed to meet demand in overseas markets – given their current experience in and efficacy at international business.

This driver, strong business relationship with developed countries, could explain one of the few differences between G7 SMEs and BRICM SMEs: BRICM SMEs are more convinced of the positive effect of logistics in their business performance than their G7 peers. Because logistics is a more fundamental piece of their competitiveness and performance, and likely because of the infrastructure challenges they face, BRICM SMEs are more aware of the importance of having efficient and inexpensive logistics services and can use logistics as a competitive differentiator.

For BRICM SMEs logistics is seen as having a strong positive effect on their business performance

The table below shows the percentage of G7 SMEs and BRICM SMEs that consider logistics as having a “strong positive effect” on their business performance. BRICM SMEs consistently value logistics services higher than their G7 peers, often to a factor of 2 or more. On average, 14% of G7 SMEs consider logistics services as fundamental to their strong business performance compared with 27% of BRICM-based SMEs.

Q. What effect do you think logistics can have on the following aspects of your business performance?

Business performance	G7 SMEs	BRICM SMEs	SMEs
Increasing sales	19%	38%	27%
Opening new markets	17%	38%	26%
Accessing new products, materials, or suppliers...	13%	31%	21%
Differentiating your product or service offering	14%	28%	20%
Reducing your need for long term capital	13%	21%	16%
Reducing operating Costs	12%	19%	15%
Reducing stock obsolescence	11%	18%	14%

Source IHS survey – 2012

2.1.2. International competitive advantages

Internationalization as a driver to performance

Internationalization is seen as an opportunity to increase sales, but internationalization affects the firm's competitiveness in other ways too, for instance, through improved cost-efficiency by subcontracting abroad; developing know-how and technology competencies via technical cooperation; and extending product ranges through commercial partnerships.

From our survey, we observe two interesting findings:

- For 41% of SMEs, the main reason to develop international activities is to access new markets.
- For 31% of our respondents, the main reason to develop international activities is linked to long term business growth ('Access to know-how and technology' and 'Diversification of product / service portfolio').

Q. What are your main reasons to increase your international business activity?

Reasons to increase international activities	International SMEs
Access to new markets	41%
Access to know-how and technology	17%
Diversification of product / service portfolio	14%
Additional production capacity	11%
High labour costs in the domestic market	7%
Access to cheaper raw materials	4%
Access to capital	3%
Access to labour force	2%
More flexible regulation	1%

Source IHS survey – 2012

Encouraged by initiatives from the World Trade Organisation (WTO) and the General Agreement on Tariffs and Trade (GATT), as well as regional agreements such as MERCOSUR and the EU Single Market, subcontracting, technical and commercial cooperation can strengthen the ability of SMEs to compete successfully at the international level while continuing to exploit their local strengths. One example of this can be found in the northern Mexican regions. Small and medium-sized enterprises there have developed a specific form of cross-border partnership that takes advantage of the innovative US business environment, allowing access to know-how and technology.

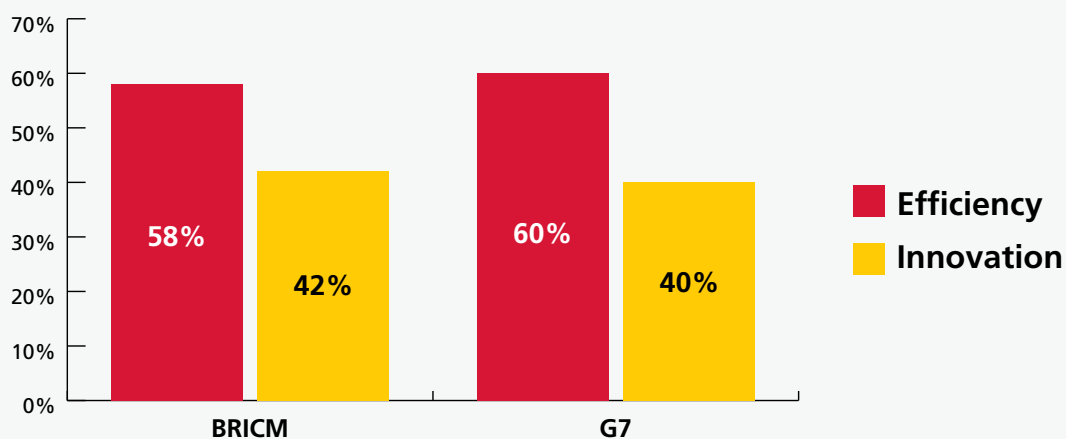
31% OF OUR RESPONDENTS SEE THE INCREASE OF THEIR INTERNATIONAL ACTIVITIES AS A WAY TO IMPROVE THEIR LONG TERM BUSINESS GROWTH THROUGH ACQUISITION OF KNOW-HOW AND PRODUCT DIVERSIFICATION

Competitive advantages – Efficiency-driven SMEs & Innovation-driven SMEs

We were interested to arrive at a single core competitiveness driver for SMEs, so we asked SMEs to rank eight business drivers in order of the competitive advantage they offered. These eight drivers were then considered as being predominantly efficiency-oriented or predominantly innovation-oriented. This allowed us further classification of SMEs between those tending towards efficiency-driven models and those tending towards innovation-driven models.

- Efficiency-driven companies compete on the basis of effective production processes, quality products and well-organised logistics services.
- Innovation-driven companies compete on the basis of new or unique products, creating new market niches, new opportunities.

International SMEs core competitive driver



Source IHS survey – 2012

In fact, BRICM and G7 SMEs, in general terms, are about as likely to be efficiency-driven or innovation-driven as each other. It suggests that regardless of the macro-economic context in which they operate, the basic premises of running a business apply for all SMEs. It may also reflect the subjective nature of this insight – the companies that responded to the survey are likely comparing themselves to their local peers and considering how important efficiency or innovation is to their business model on this measure rather than an objective, international one.

INTERNATIONAL SMES ARE A HOMOGENOUS GROUP – IN TERMS OF THEIR COMPETITIVENESS DRIVERS – WHERE COUNTRY OF ORIGIN IS OF MINIMAL IMPORTANCE

2.2. High-performers

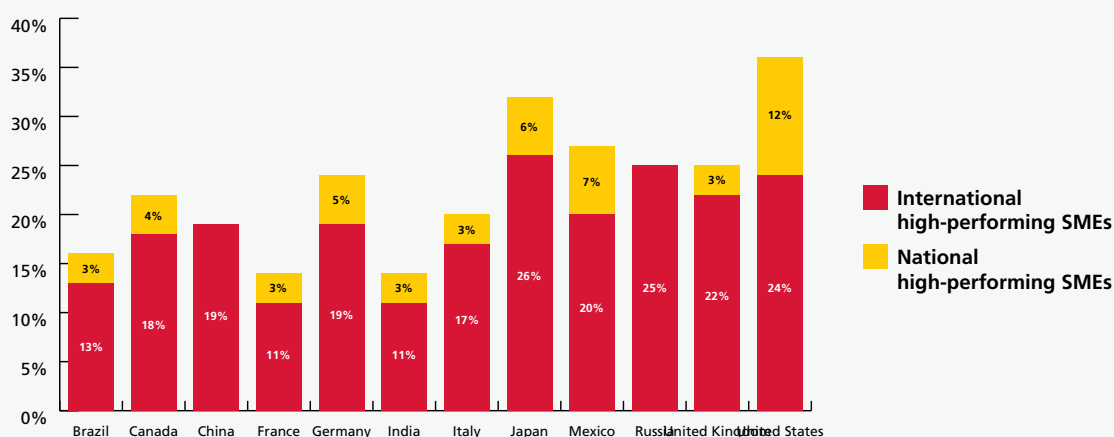
2.2.1. High-performing SMEs

This section considers high-performing SMEs, whether they operate on a domestic basis only or whether they are also involved in international activities.

Defined as having an average annual growth rate over last three years greater than 10% for G7-based SMEs and an average annual growth rate over last three years greater than 20% for BRICM-based SMEs, high-performing SMEs represent 23% of the analysed panel.

The United States, Japan and Mexico have the greatest proportion of high-performing SMEs, while some 83% of all high-performing SMEs trade internationally.

Share of high-performing SMEs in total size of the country sample



Source IHS survey – 2012

NB: On average, during the last three years, the G7 countries had a 1.58 % growth in GDP and the BRICM countries had a 5.84% growth in GDP.

2.2.2. International high-performing SMEs

This section considers high-performing SMEs with international business activities.

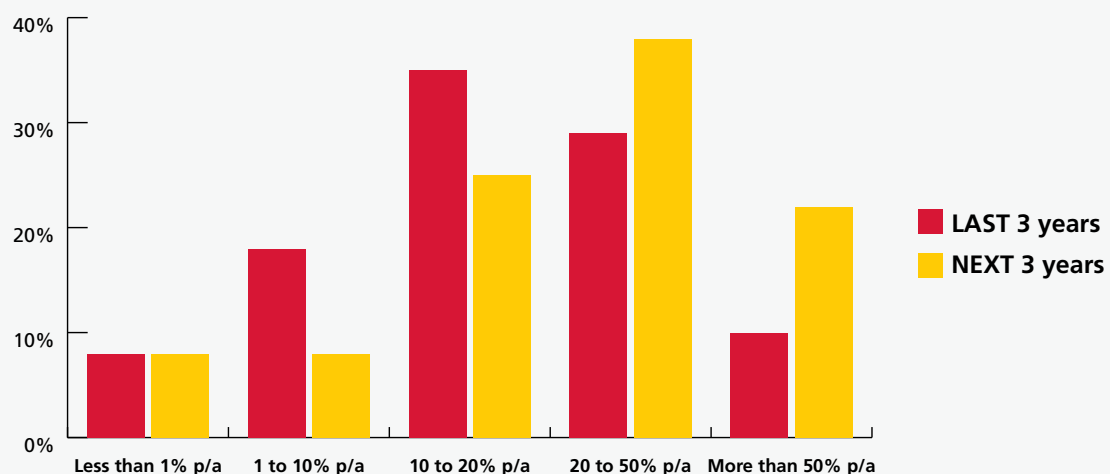
Some 39% of international high-performing SMEs have more than one international activity (export; import; technical cooperation; commercial cooperation; subcontracting).

39% of international high-performing SMEs have increased their share of exports in their total turnover by more than 20% during the last three years. By contrast, only 14% of international SMEs have made such a significant increase.

Of those who have not yet increased the share of exports to date, a significant 60% of international high-performing SMEs, compared with 34% of international SMEs, are planning to increase their share of exports in their total turnover to more than 20% during the next three years. International high-performing SMEs are optimistic concerning the future growth of exports in their company turnover:

Q. How much of your total turnover in percentages was generated / is expected to be generated by exports?

International high-performing SMEs by share of exports in total turnover



Source IHS survey – 2012

You will recall that international SMEs most commonly selected ‘access to new markets’ as their main reason for increasing international business, so combining this with their appetite for increased export sales, it would be reasonable to assume that international high-performing SMEs will extend their country coverage in the next three years.

“Our board decided to open new markets for the new jewellery collection we launched. Our local factory was able to support market entry and has continued to manufacture jewellery and transport the finished goods to the sales points based abroad.

When starting to sell in new markets, we felt the need for professional and secure transportation services for our products. And gaining confidence in the provider of such a service for expensive goods takes time.”

A high-performing SME based in Russia

INTERNATIONAL HIGH-PERFORMING SMES ARE PLANNING TO INCREASE THEIR EXPORT ACTIVITY AND COUNTRY COVERAGE IN THE NEXT THREE YEARS

In order to increase their exports, international SMEs will need to overcome the day-to-day challenges they encounter. The table below shows the main barriers SMEs encountered when developing their exports during the last two years.

Q. Looking at the last two years, what were the three main challenges you encountered when developing exports?

Top five challenges when exporting

Challenges	G7 international high-performing SMEs	BRICM international high-performing SMEs	International high-performing SMEs
Establishing contacts with foreign partners and/or a foreign customer base	24%	21%	23%
Lack of knowledge of foreign markets	14%	29%	19%
High customs duties in the destination country	12%	15%	13%
Regulations in the destination country	15%	0%	10%
Quality of logistics services	8%	10%	9%

Source IHS survey – 2012

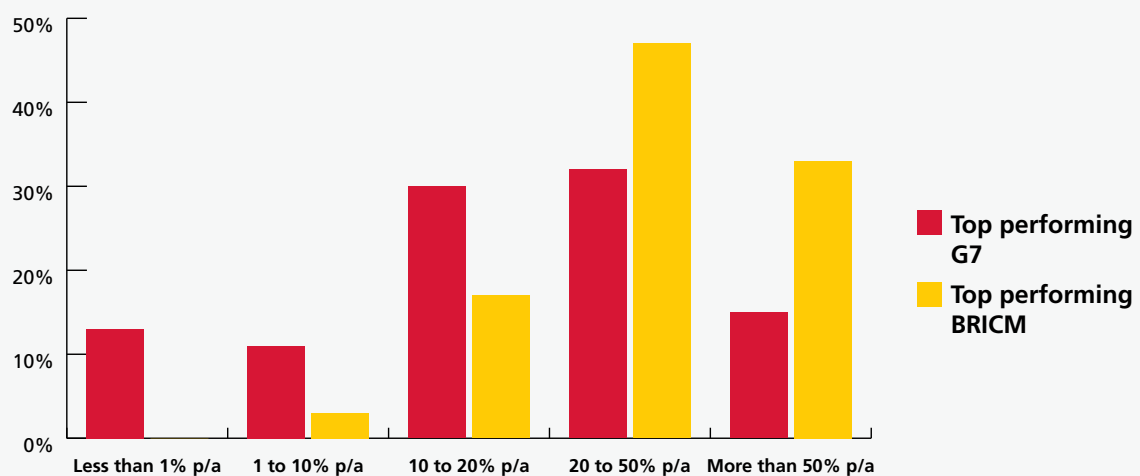
Logistics is an issue especially for BRICM SMEs – it's the fourth main challenge for high-performing BRICM SMEs – probably because of the relatively high export share of their turnover.

- 53% of international high-performing BRICM SMEs – compared with 30 % of international high-performing G7 SMEs – had export revenues of more than 20 % of total turnover over the last three years
- 80% of BRICM international high-performing SMEs, as opposed to 47% of G7 international high-performing SMEs, are expecting their export revenues to be more than 20 % of total turnover in the next three years.

Exporting, for BRICM international high-performing SMEs, is a priority

Q. What portion of your total turnover do you expect to be generated by exports during the next three years?

International high-performing SMEs by percentage of total turnover to be generated by exports during the next three years



Source IHS survey – 2012

BRICM INTERNATIONAL SMES STRIVE FOR EXPORT SALES AND TYPICALLY SEE A DAY NOT FAR AWAY WHERE AT LEAST 20% OF COMPANY SALES WILL COME FROM EXPORT

So what makes international high-performing SMEs more competitive when exporting?

Q In your opinion, what makes you more competitive than your peers when exporting?

Top five competitiveness drivers when exporting

Competitive advantages	G7 international high-perf. SMEs	BRICM international high-perf. SMEs	International high-perf. SMEs
Quality of product/service	28%	43%	34%
Innovation	26%	30%	27%
Price	13%	10%	12%
Design	11%	7%	9%
Uniqueness of the product/service	13%	8%	10%

Source IHS survey – 2012

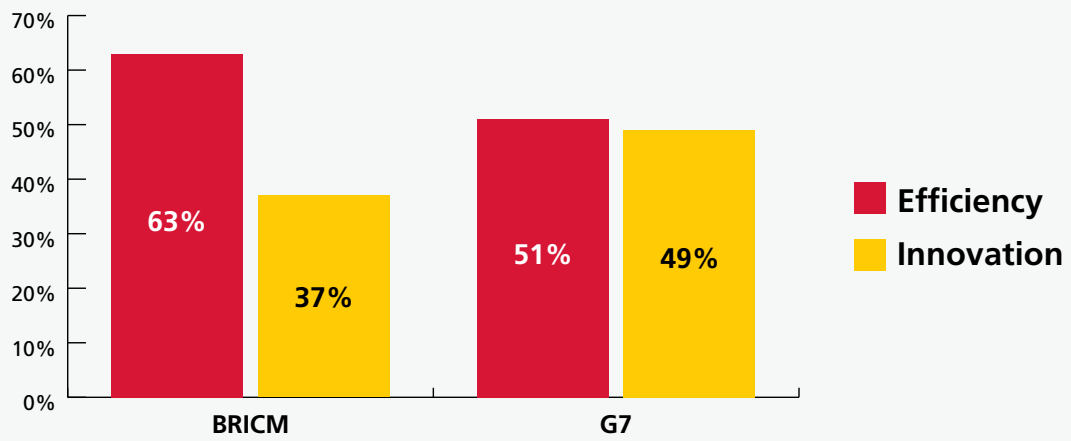
The answer is clearly quality of products / services; this is followed by innovation; and then price. For international high-performing SMEs, it is interesting to notice that one accepted stereotype – that BRICM SMEs tend towards efficiency and G7 SMEs tend towards innovation – appears to be true. , -63% of international high-performing BRICM SMEs tend towards efficiency, compared with 51% of international high-performing G7 SMEs.

One explanation for this could be that the relative differences in infrastructure development mean that BRICM SMEs can achieve more gains through improved efficiencies, while G7 SMEs enjoy a more level “structural” playing field, so they are forced to compete through innovation.

Furthermore, successful BRICM companies seem to have developed an ability to improve their internal performance in order to compensate for external, that is to say, macro factors such as institutions, education or market efficiency, and to be as competitive as their G7 peers.

To conclude our analysis of international high-performing SMEs, we present the core competitiveness drivers, efficiency or innovation, for this group by region.

International high-performing SMEs core competitive driver



Source IHS survey – 2012

3. CONCLUSION



So, do SMEs that trade internationally perform better? Our research strongly suggests that they do.

We were surprised by the high proportion of our sample that traded internationally. Given this sample profile it is reasonable to expect that international SMEs figure significantly in our high-performers category; but they do outperform their domestic-only peers. So the idea of internationalization being a driver of business performance is certainly supported by our results. The reasons for this could be that international SMEs transfer best practice developed internationally to their overall business, as well as the idea that SMEs which expand internationally are more likely to be ambitious.

What can be said is that SMEs are more and more integrated into the global economy and not limited to regional / national activities: in fact they have gone beyond what is often the first step of internationalization, exporting / importing. Among the SMEs surveyed, 73% of companies had at least one international activity and, among them, 43% were involved in exporting activities – SMEs are not just local service providers.

Further points of interest with regard to international SMEs include:

- International SMEs perform better than the average SME – 26% of the international SMEs in the sample were high-performers while 13% of the domestic-only SMEs were high-performers. In fact, more than 30% of our respondents see the increase of their international activities as a way to improve their long term business growth through acquisition of know-how and product diversification.
- SMEs are increasingly focused on doing business internationally, with younger companies more likely to be engaged in overseas markets despite having had less time to grow their businesses. Often referred to as ‘born global’, these young international SMEs are a reality of today’s economy often exploiting the spread of inexpensive communication technologies and efficient logistics services.
- SMEs in BRICM countries are more likely to have international activities than SMEs in G7 countries: one explanation for this is that a real business driver is to set up strong business relationships with high consumption per capita developed markets. In fact, 70% of BRICM high-performing SMEs have the majority of their international clients, partners and subcontractors in developed countries. This also suggests they are better placed to respond to opportunities in new geographical markets than many G7 SMEs in the future.
- Turning to high-performing SMEs, even with the challenging economic environment across developed markets, and to some degree, developing markets, 23% of the total surveyed SMEs have seen average annual growth rate over last three years of more than 10% for G7 countries, and more than 20% for BRICM countries.
- High-performing international SMEs cited three key challenges to their export efforts, ‘lack of knowledge of foreign markets’, ‘high customs duties in the destination country’ and ‘establishing contacts with foreign partners / customer base’. Governments looking to boost the competitiveness of their SMEs should take note.
- Logistics is seen as having a positive effect or a strong positive effect on many aspects of a SMEs performance with a distinct difference between G7 countries, where logistics is seen as a way to reduce operating costs, and BRICM countries, where logistics is seen as a means to differentiate their product or service offering.

Finally, and impacting all SMEs, despite the significant contribution made by SMEs to employment (typically 35-45% of total employment) and value added to an economy (typically 30-40% of total value added), there is a real lack of reliable and up-to-date information about SMEs on a country by country basis. This lack of information is itself a restraint upon SMEs since it restricts SMEs’ ability to organise themselves and present their case around credible data and information, basically to have a “voice.” Linking back to the internationalization thread of this report, as one respondent explained, banks, investors, institutions do not think of SMEs as operating at an international level. This is certainly in part due to the lack of reliable information on this subject which hinders the construction of a clear vision for such a heterogeneous group. There is clearly an opportunity for policy makers to support this sector as a means to create more jobs, add value, and increase export earnings.

4. ANNEXES



ANNEX 1: QUESTIONNAIRE

DRIVERS OF COMPETITIVENESS FOR SME'S TRADING INTERNATIONALLY

Conducted by IHS on behalf of a global logistics company, this survey aims to describe the situation of Small and Medium sized Enterprises (SME) in some of the major economies, highlighting the factors that help them to develop their international activities. Specifically, we wish to develop a better understanding of the business drivers as well as the common success factors and challenges to SMEs when operating internationally.

The survey takes less than 10 minutes and will give you an opportunity to express your vision of competitiveness and the factors at stake for your business. In addition, if you would be happy to speak to one of our experts, you can signal this at the end of the survey.

- 1) Does your company have less than 250 employees?
 - a) Yes
 - b) No
- 2) Does your company have a turnover of less than 50 million EURO?
 - a) Yes
 - b) No

General Characteristics

- 1) Nature of your company
 - a) An independent company
 - b) A subsidiary of another company
- 2) Position of respondent within the company
 - a) Owner
 - b) Member of senior management team
 - c) Other
- 3) Main activity of your company
 - a) Manufacturing
 - b) Distribution
 - c) Services
- 4) Creation of your company
 - a) Less than 2 years ago
 - b) 2-5 years ago
 - c) 6-10 years ago
 - d) More than 10 years ago

Questionnaire

Q.1 How many people were/are/will be employed in your company on average?

	1 – 9	10 – 19	20 – 49	50 - 99	100 - 249
In 2009					
In 2012					
In 2015 (your expectation)					

Q.2 What was/will be the average annual growth in revenue of your company?

	Less than 1%	1 to 5%	5 to 10%	10 to 20%	20 to 50%	More than 50%
	p/a or Negative	p/a	p/a	p/a	p/a	p/a
In the last three years						
In the next three years (your expectation)						

Note: p/a stands for per annum

Turning to your international business operations

Q.3 Is your company engaged in international business activity? (Tick the boxes – multiple choices possible)

- a) Exports
- b) Imports
- c) Subcontracting
- d) Technical cooperation (e.g. know-how)
- e) Commercial cooperation (e.g. distribution)
- f) None

Q.4 How many countries are you working with (e.g. export, import, subcontracting...)?

- a) None
- b) 1 to 3 countries
- c) 3 to 5 countries
- d) More than 5 countries

Q.5 Where are the majority of your international clients, partners and subcontractors based?

- a) Neighbouring countries
- b) Countries in your continent (e.g. Europe, Asia, South America)
- c) Countries in more than one continent

**Q.6 Where are the majority of your international clients, partners and subcontractors based?
– By country type**

- a) Developed countries (e.g. countries with high level of social and business activity)
- b) Emerging countries (e.g. countries with social or business activity in the process of rapid growth)
- c) Developing countries (e.g. countries with a low level of social and business activity)

**Q.7 What are your main reasons to increase your international business activity?
Select the top 3 responses.**

- a) Access to new markets
- b) Access to know-how and technology
- c) Additional production capacity
- d) Diversification of product/ service portfolio
- e) High labour costs in the domestic market
- f) Access to cheaper raw materials
- g) Access to capital
- h) Access to labour force
- i) More flexible regulation

Now concentrating upon exporting

**Q.8 What percentage of your total turnover was generated / is expected to be generated
by exports?**

	Less than 1% p/a	1 to 5% p/a	5 to 10% p/a	10 to 20% p/a	20 to 50% p/a	More than 50% p/a
In the last three years						
In the next three years (your expectation)						

Note: p/a stands for per annum

**Q.9 In your opinion, what makes you more competitive than your peers when exporting?
Select the top 3 responses.**

- a) Innovation
- b) Design
- c) Quality of product/service
- d) Price
- e) Lower cost base
- f) Responsiveness to changing markets
- g) Logistics (e.g. speed to market)
- h) Uniqueness of the product/service
- i) Strength of customer relationship
- j) Other – (please state)

Q.10 Looking at the last 2 years, what were the 3 main challenges you encountered when developing exports? Select the top 3 responses.

- a) Lack of knowledge of foreign markets (e.g. market needs, trading practice, culture etc.)
- b) Establishing contacts with foreign partners / customer base
- c) Language problems
- d) Lack of management resources
- e) High customs duties in the destination country
- f) Lack of knowledge of export procedures
- g) Excessive or complex paperwork requirements
- h) Quality of logistics services
- i) Cost of transport services
- j) Unstable currency market and / or inflation
- k) Regulations in the destination country
- l) Local competition

We mentioned earlier that the survey is sponsored by a global logistics company, so turning to logistics

Q.11 How much does logistics represent as a percentage of your total annual costs (e.g. shipping, packaging, customs support, tracking...)?

- a) Up to 3%
- b) 3 to 5 %
- c) 5 to 10%
- d) More than 10%

Q.12 What effect do you think logistics can have on the following aspects of your business performance?

Business Performance	Impact		
	Strong positive effect	Positive effect	No effect
Reducing operating			
Costs			
Reducing stock obsolescence			
Increasing sales			
Opening new markets			
Accessing new products, materials, or suppliers...			
Reducing your need for long term capital			
Differentiating your product or service offering			

Open question

Q. 13 What factors would help you increase your international trade within 3 years?

ANNEX 2: COUNTRY FOCUS

Table - SMEs in G7 and BRICM countries

Country	Number of SMEs (in units)	Employment by SMEs (% total)	Value added (% total)	Source (year)
Brazil	333 644	44%	20%	IBGE (2008)
Canada*	1 119 778	64%	54%	INDCA (2011)
China*	10 231 000	80%	N/A	SAIC (2009)
France	139 628	36%	33%	SBS Eurostat (2011)
Germany	341 270	43%	39%	SBS Eurostat (2011)
India*	79 000	30%	N/A	MinMSME (2007)
Italy	203 715	34%	39%	SBS Eurostat (2011)
Japan*	1 206 539	56%	N/A	SBJP (2006)
Mexico	170 100	32%	37%	INEGI (2008)
Russia*	253 000	14%	N/A	GSK (2011)
UK	167 878	34%	32%	SBS Eurostat (2011)
USA*	1 162 183	34%	41%	USSBA (2010)

Source International Finance Corporation (IFC)/World Bank/IHS

* Canada, 1-499 employees

* China, employees <300 Indstr., <600 Constr., <100 Wholesale, <100 Retail, <500 Transp., <400 Post, <400 in Hotels & Restaurants
- new classification, which might include micro will take effect in the next years

* India, Mfg.: Invst. < US\$ 2 mil, Servc: Invst. < US\$ 1 mil

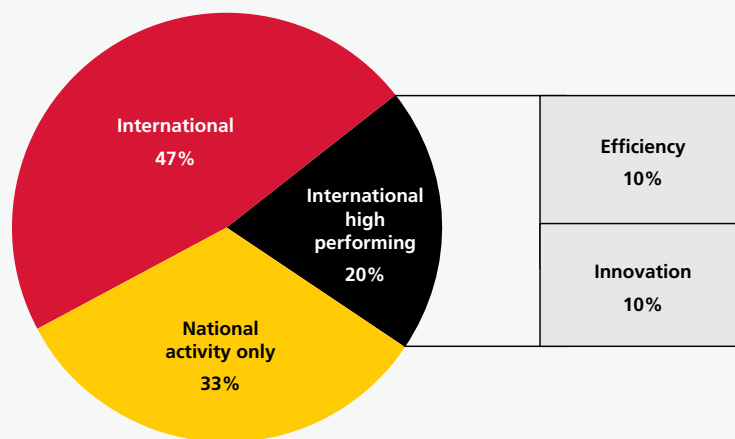
* Japan, 10-299 employees

* Russia, 15-250 employees

* USA, 10-299 employees

G7 AREA

Make Up of IHS SME survey

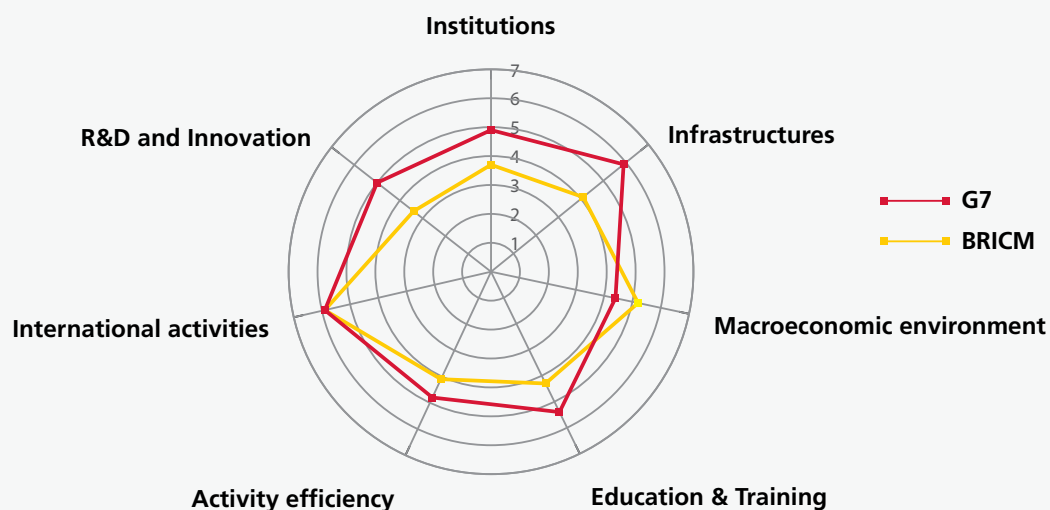


Source IHS survey

International high-performing companies:

- 24% are manufacturing oriented and 56% are services oriented
- 27% were established less than 5 years ago and 42% were established more than 10 years ago
- 31% have between 10 and 19 employees and 36% have between 100 – 249 employees
- 81% have more than 2 international activities
- 60% have the majority of their international partners based in developed countries

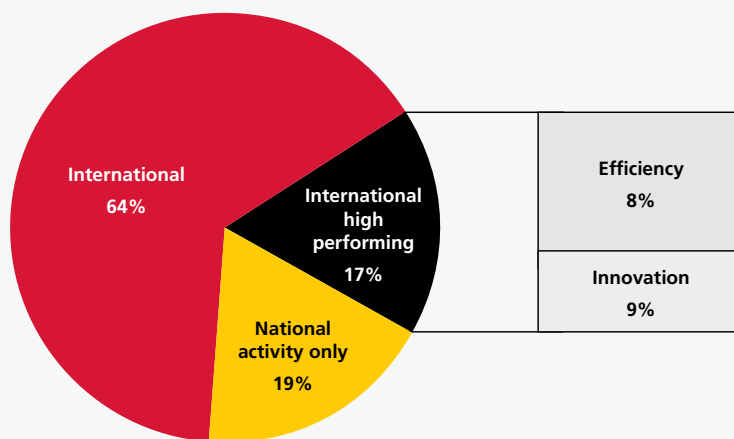
Area competitiveness



Source World Economic Forum (WEF)/IHS - [1 = extremely inefficient; 7 = highly efficient]

BRICM AREA

Make Up of IHS SME survey

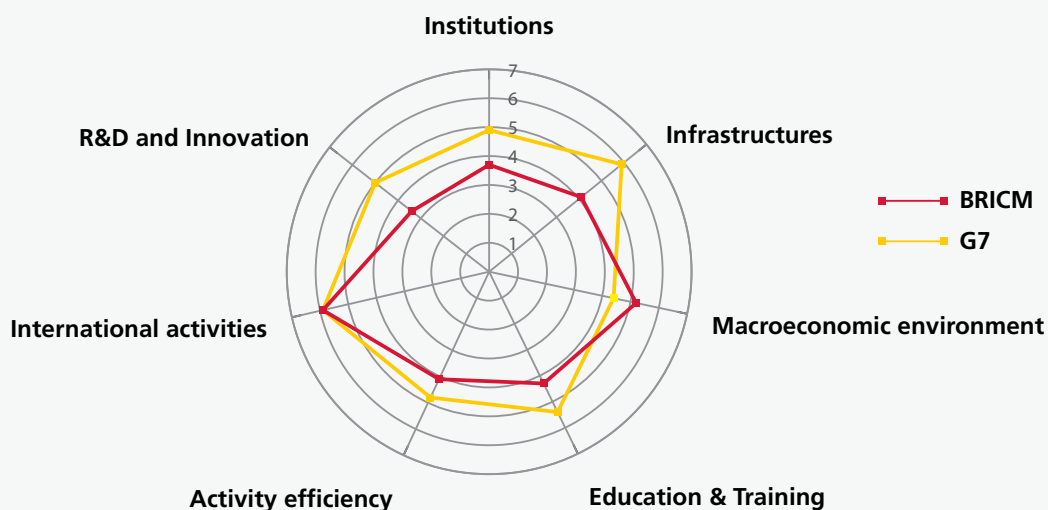


Source IHS survey

International high-performing companies:

- 44% are manufacturing oriented and 47% are services oriented
- 35% were established less than 5 years ago and 44% were established more than 10 years ago
- 29% have between 50 and 99 employees and 50% have between 100 – 249 employees
- 47% have more than 2 international activities
- 60% have the majority of their international partners based in developed countries

Area competitiveness



Source World Economic Forum (WEF)/IHS - [1 = extremely inefficient; 7 = highly efficient]

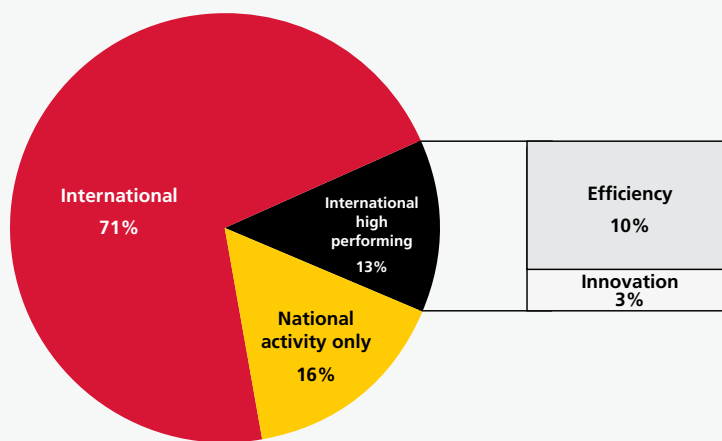
BRAZIL

SME Key indicators

Number of SMEs (in units)	333 644
Employment by SMEs (% of total)	44%
Value added of SMEs (% of total)	20%

Source International Finance Corporation (IFC)/World Bank (WB) - IBGE (2008)

Make Up of IHS SME survey



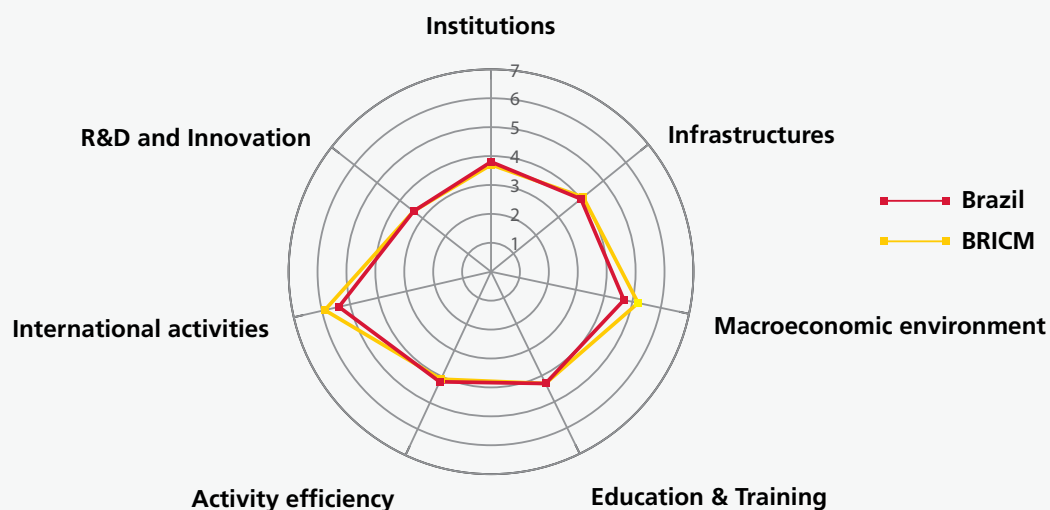
Source IHS survey

Survey summary

International high-performing companies typically are:

- Services oriented
- 2-5 years old
- 50-99 persons

Country competitiveness



Source World Economic Forum (WEF)/IHS - [1 = extremely inefficient; 7 = highly efficient]

CANADA

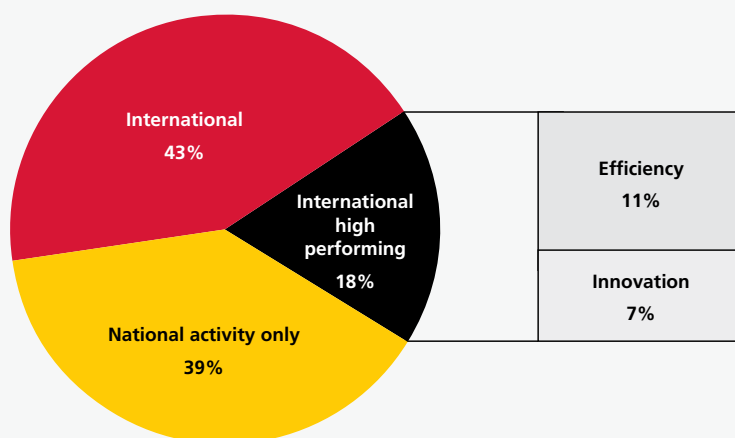
SME Key indicators

Number of SMEs (in units)	1 119 778
Employment by SMEs (% of total)	64%
Value added of SMEs (% of total)	54%

* Canada, 1-499 employees

Source International Finance Corporation (IFC)/World Bank (WB) - INDCA (2011)

Make Up of IHS SME survey



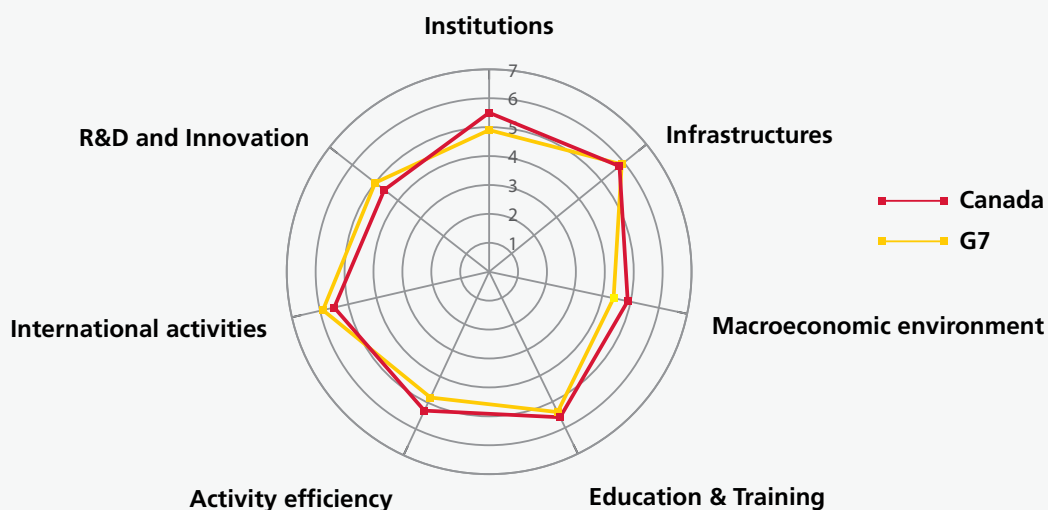
Source IHS survey

Survey summary

International high-performing companies typically are:

- Services oriented
- 2-5 years old
- 100-249 persons

Country competitiveness



Source World Economic Forum (WEF)/IHS - [1 = extremely inefficient; 7 = highly efficient]

CHINA

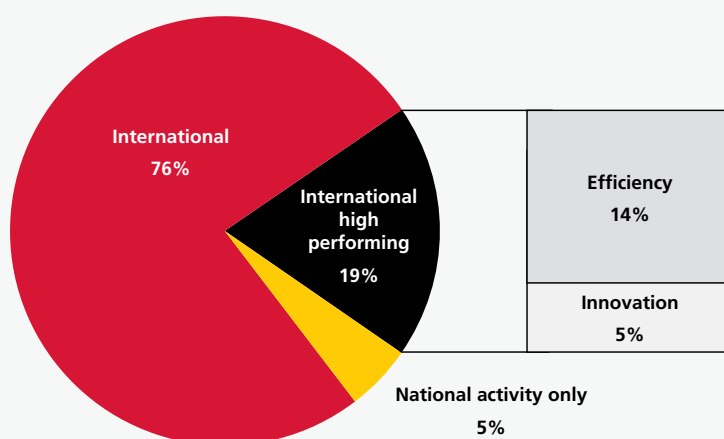
SME Key indicators

Number of SMEs (in units)	10 231 000
Employment by SMEs (% of total)	80%
Value added of SMEs (% of total)	N/A

Source International Finance Corporation (IFC)/World Bank (WB) - SAIC (2009)

* China, employees <300 Indstr., <600 Constr., <100 Wholesale, <100 Retail, <500 Transp., <400 Post, <400 in Hotels&Restaurants - new classification, which might include micro will take effect in the next years

Make Up of IHS SME survey



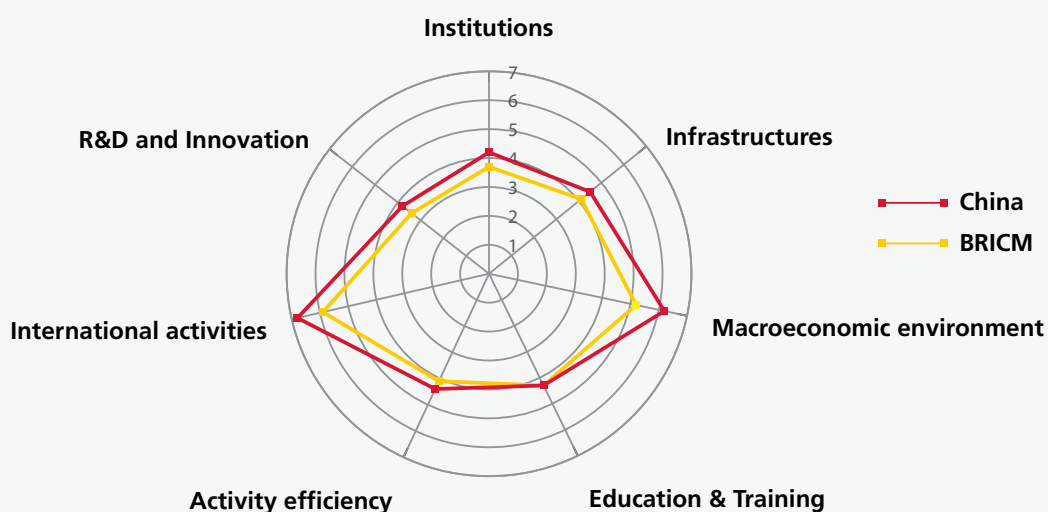
Source IHS survey

Survey summary

International high-performing companies typically are:

- Manufacturing oriented
- More than 10 years old
- 100-249 persons

Country competitiveness



Source World Economic Forum (WEF)/IHS - [1 = extremely inefficient; 7 = highly efficient]

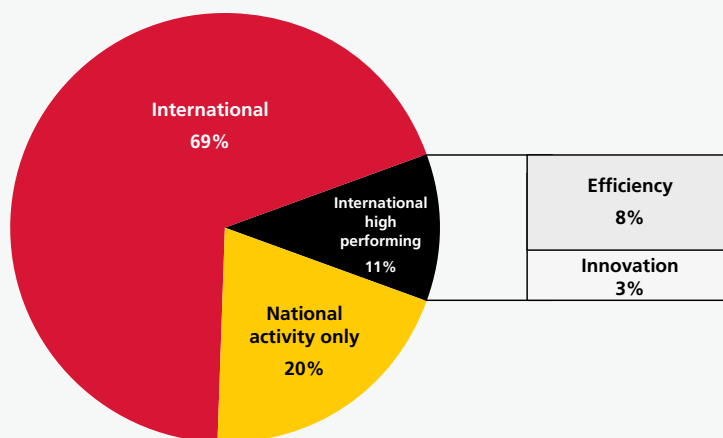
FRANCE

SME Key indicators

Number of SMEs (in units)	139 628
Employment by SMEs (% of total)	36%
Value added of SMEs (% of total)	33%

Source International Finance Corporation (IFC)/World Bank (WB) - SBS Eurostat (2011)

Make Up of IHS SME survey



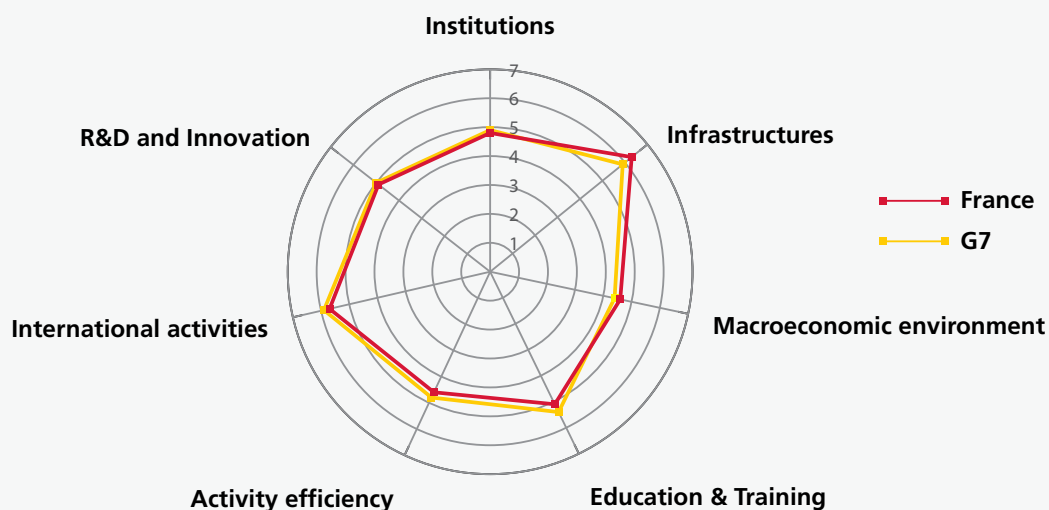
Source IHS survey

Survey summary

International high-performing companies typically are:

- Services oriented
- More than 10 years old
- 100-249 persons

Country competitiveness



Source World Economic Forum (WEF)/IHS - [1 = extremely inefficient; 7 = highly efficient]

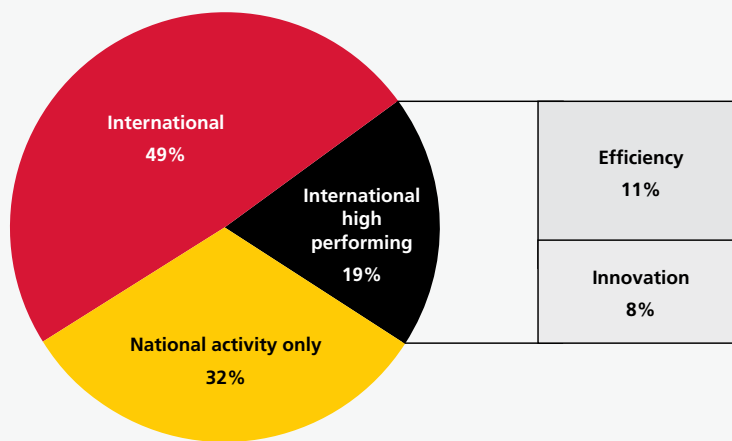
GERMANY

SME Key indicators

Number of SMEs (in units)	341 270
Employment by SMEs (% of total)	43%
Value added of SMEs (% of total)	39%

Source International Finance Corporation (IFC)/World Bank (WB) - SBS Eurostat (2011)

Make Up of IHS SME survey



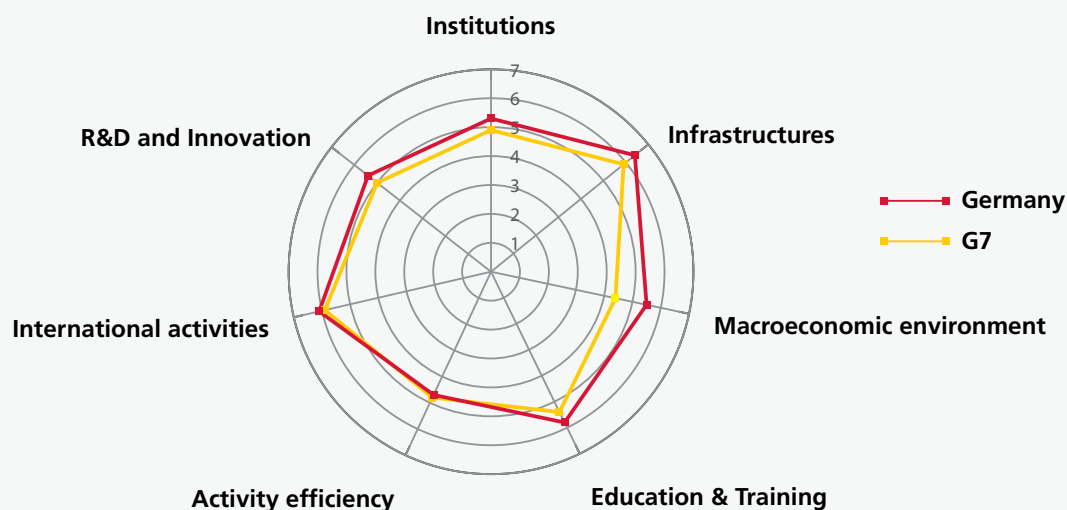
Source IHS survey

Survey summary

International high-performing companies typically are:

- Manufacturing oriented
- 6-10 years old
- 100-249 persons

Country competitiveness



Source World Economic Forum (WEF)/IHS - [1 = extremely inefficient; 7 = highly efficient]

INDIA

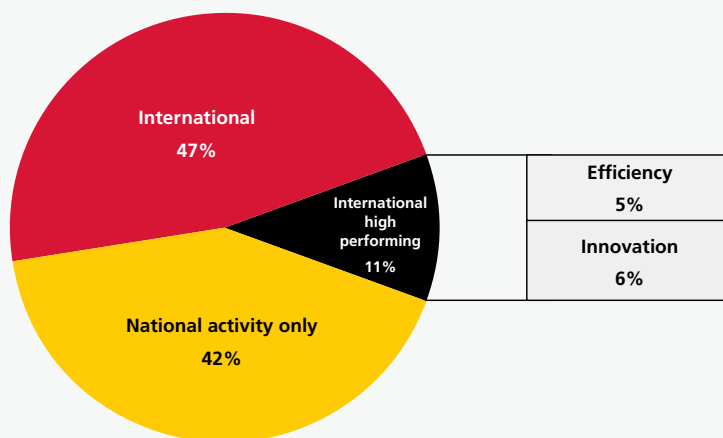
SME Key indicators

Number of SMEs (in units)	79 000
Employment by SMEs (% of total)	30%
Value added of SMEs (% of total)	N/A

* India, Mfg.: Invst. < US\$ 2 mil,
Serc.: Invst. < US\$ 1 mil

Source International Finance Corporation (IFC)/World Bank (WB) - MinMSME (2007)

Make Up of IHS SME survey



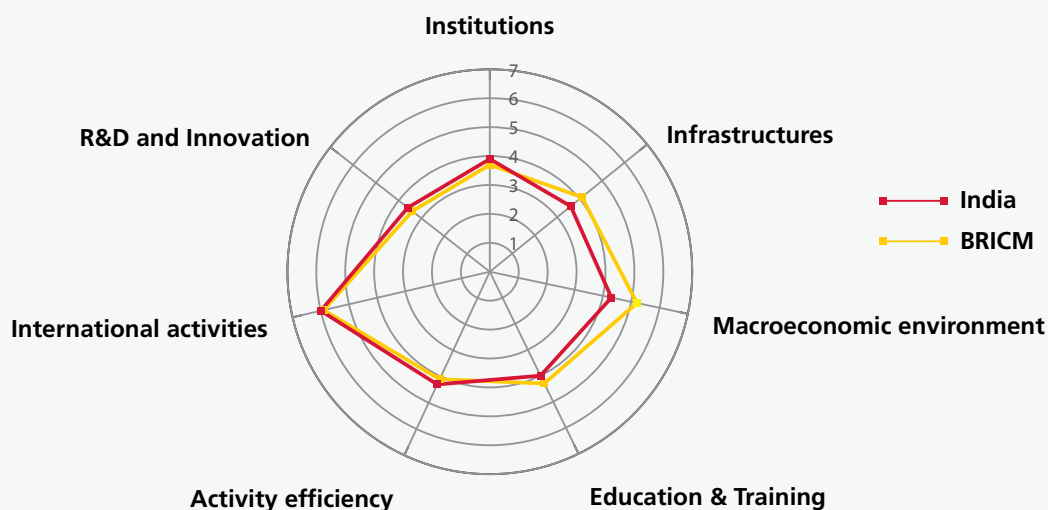
Source IHS survey

Survey summary

International high-performing companies typically are:

- Services oriented
- 6-10 years old
- 100-249 persons

Country competitiveness



Source World Economic Forum (WEF)/IHS - [1 = extremely inefficient; 7 = highly efficient]

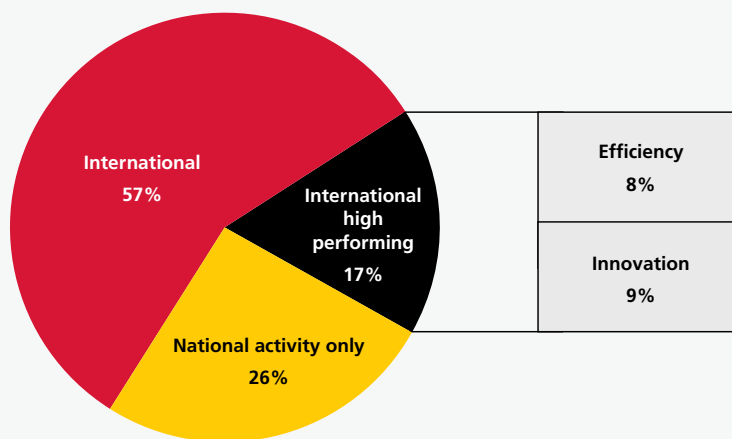
ITALY

SME Key indicators

Number of SMEs (in units)	203 715
Employment by SMEs (% of total)	34%
Value added of SMEs (% of total)	39%

Source International Finance Corporation (IFC)/World Bank (WB) - SBS Eurostat (2011)

Make Up of IHS SME survey



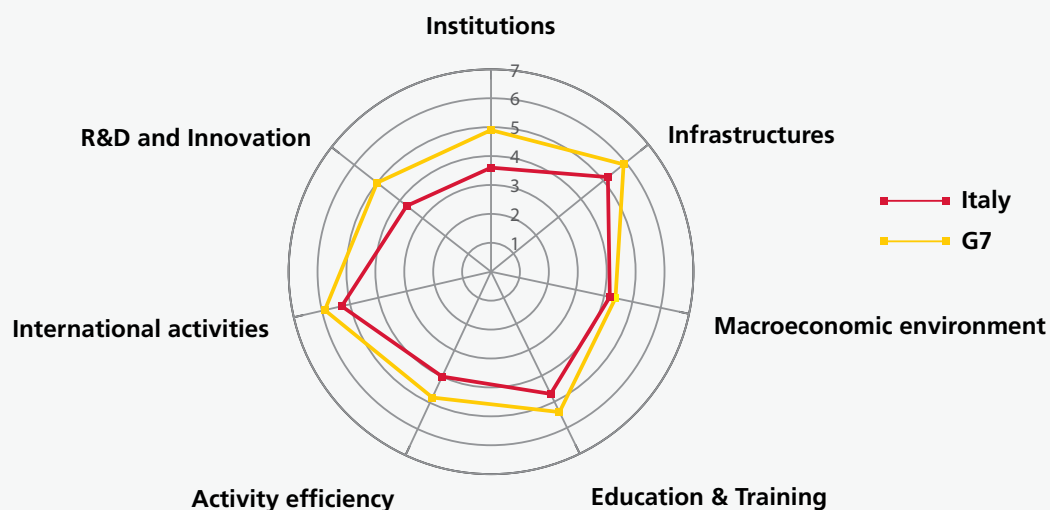
Source IHS survey

Survey summary

International high-performing companies typically are:

- Distribution oriented
- 2-5 years old
- 100-249 persons

Country competitiveness



Source World Economic Forum (WEF)/IHS - [1 = extremely inefficient; 7 = highly efficient]

JAPAN

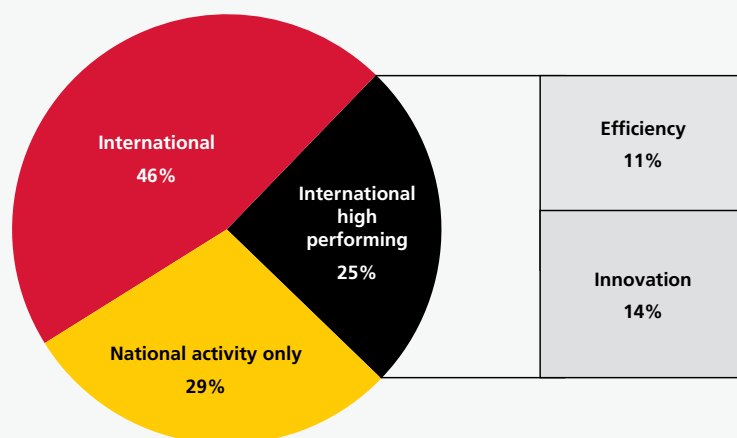
SME Key indicators

Number of SMEs (in units)	1 206 539
Employment by SMEs (% of total)	56%
Value added of SMEs (% of total)	N/A

* Japan, 10-299 employees

Source International Finance Corporation (IFC)/World Bank (WB) - SBJP (2006)

Make Up of IHS SME survey



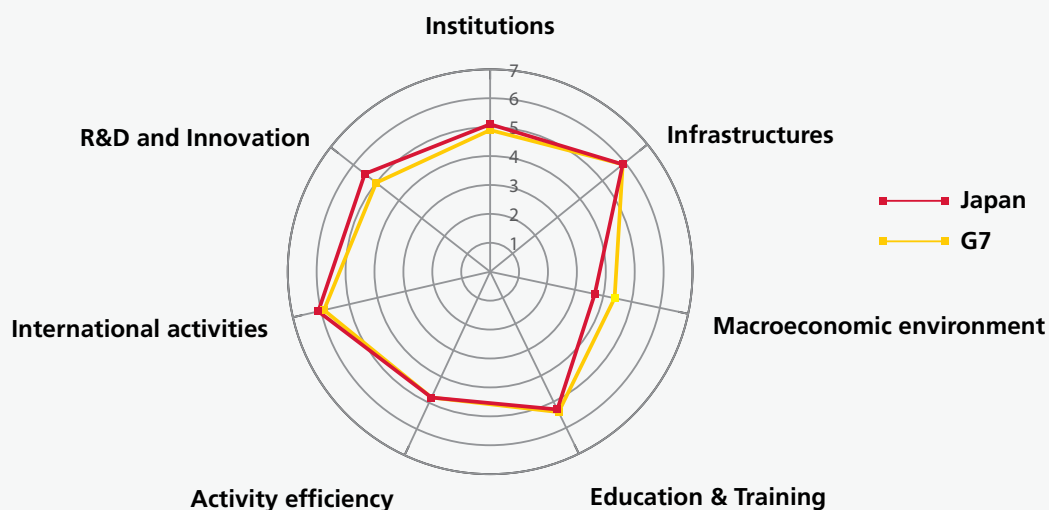
Source IHS survey

Survey summary

International high-performing companies typically are:

- Services oriented
- More than 10 years old
- 100-249 persons

Country competitiveness



Source World Economic Forum (WEF)/IHS - [1 = extremely inefficient; 7 = highly efficient]

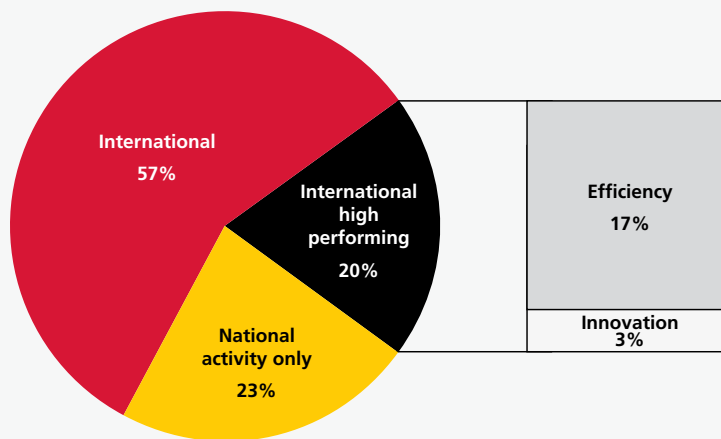
MEXICO

SME Key indicators

Number of SMEs (in units)	170 100
Employment by SMEs (% of total)	32%
Value added of SMEs (% of total)	37%

Source International Finance Corporation (IFC)/World Bank (WB) - INEGI (2008)

Make Up of IHS SME survey



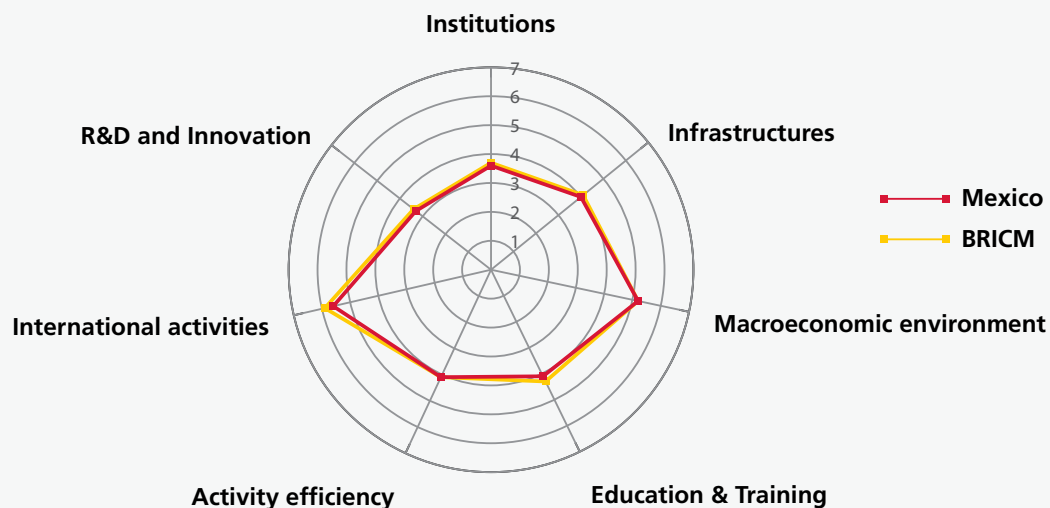
Source IHS survey

Survey summary

International high-performing companies typically are:

- Services oriented
- 2-5 years old
- 50 – 99 persons

Country competitiveness



Source World Economic Forum (WEF)/IHS - [1 = extremely inefficient; 7 = highly efficient]

RUSSIA

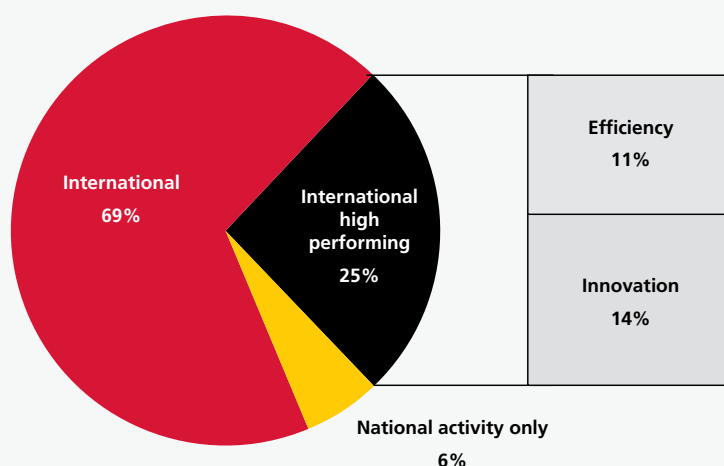
SME Key indicators

Number of SMEs (in units)	253 000
Employment by SMEs (% of total)	14%
Value added of SMEs (% of total)	N/A

* Russia, 15-250 employees

Source International Finance Corporation (IFC)/World Bank (WB) - GSK (2011)

Make Up of IHS SME survey



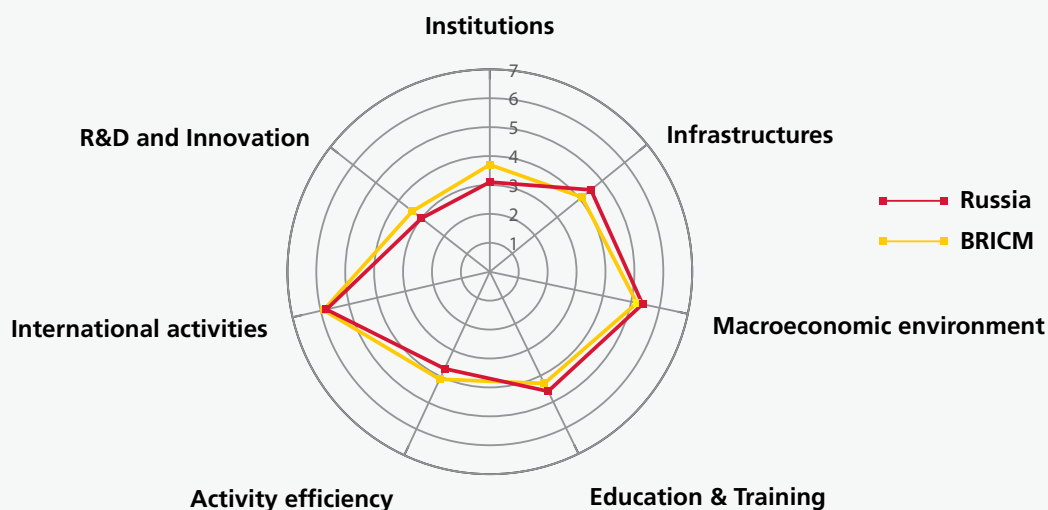
Source IHS survey

Survey summary

International high-performing companies typically are:

- Manufacturing oriented
- More than 10 years old
- 100 – 249 persons

Country competitiveness



Source World Economic Forum (WEF)/IHS - [1 = extremely inefficient; 7 = highly efficient]

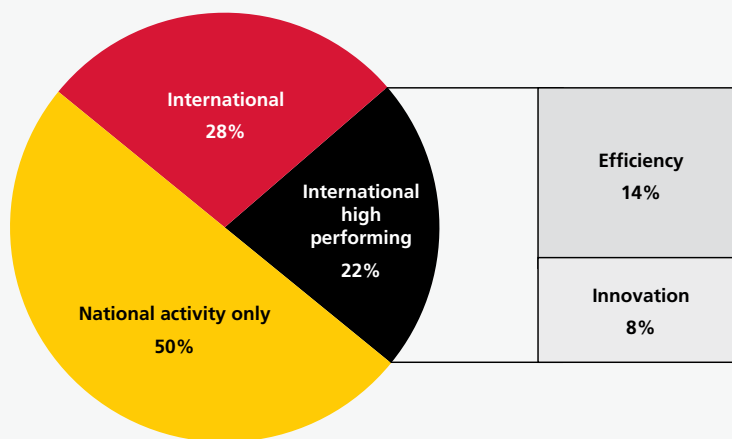
UNITED KINGDOM

SME Key indicators

Number of SMEs (in units)	167 878
Employment by SMEs (% of total)	34%
Value added of SMEs (% of total)	32%

Source International Finance Corporation (IFC)/World Bank (WB) - SBS Eurostat (2011)

Make Up of IHS SME survey



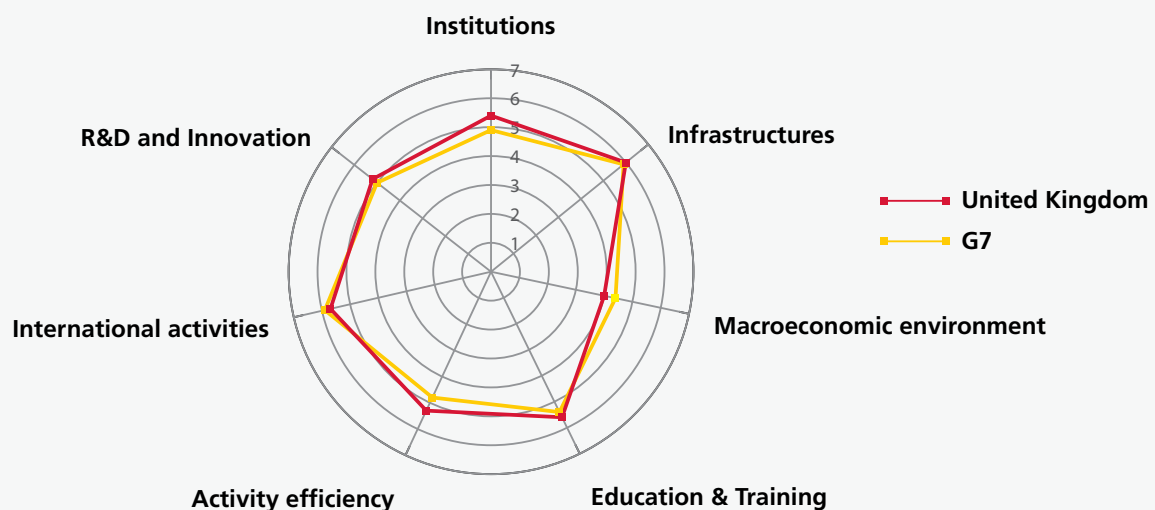
Source IHS survey

Survey summary

International high-performing companies typically are:

- Services oriented
- More than 10 years old
- 50 – 99 persons

Country competitiveness



Source World Economic Forum (WEF)/IHS - [1 = extremely inefficient; 7 = highly efficient]

UNITED STATES

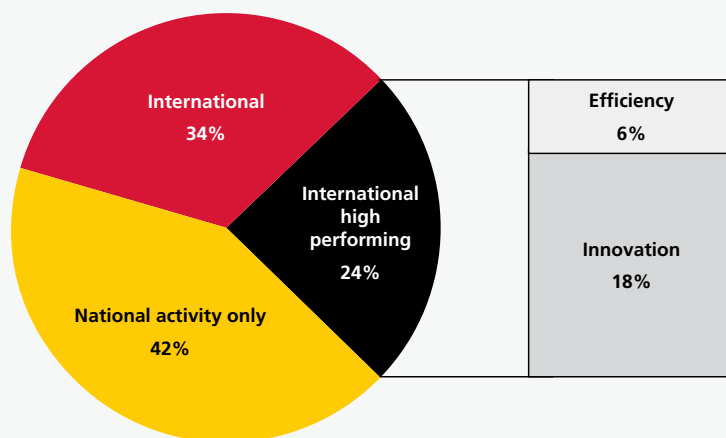
SME Key indicators

Number of SMEs (in units)	1 162 183
Employment by SMEs (% of total)	34%
Value added of SMEs (% of total)	41%

* USA, 10-299 employees

Source International Finance Corporation (IFC)/World Bank (WB) - USSBA (2010)

Make Up of IHS SME survey



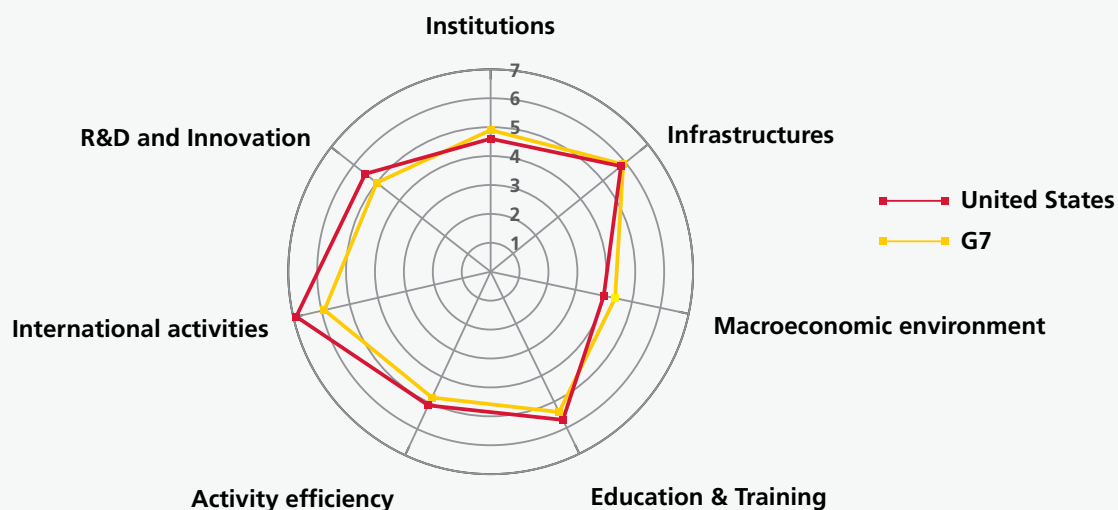
Source IHS survey

Survey summary

International high-performing companies typically are:

- Manufacturing oriented
- 6-10 years old
- 50 – 99 persons

Country competitiveness



Source World Economic Forum (WEF)/IHS - [1 = extremely inefficient; 7 = highly efficient]

