



Internationalisation of SMEs from the European construction sector in third markets

Drivers, challenges and policy examples

Final report

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CONTENT

ABSTRACT	8
EXECUTIVE SUMMARY	9
1. INTRODUCTION, OBJECTIVES AND SCOPE	16
1.1 Study objectives	17
1.2 Study scope.....	17
1.3 Setting the context.....	18
1.3.1 The construction sector in the EU	18
1.3.2 Key EU and international policy initiatives.....	22
1.3.3 Internationalisation: definition and baseline.....	25
1.3.4 Theories of internationalisation	26
1.3.5 Barriers to internationalisation	28
1.3.6 Initiatives to address these challenges	30
2. RESEARCH METHODOLOGY.....	35
3. CONSTRUCTION SME NEEDS	38
3.1 Drivers of internationalisation	38
3.2 Modes of internationalisation	47
3.3 Challenges of internationalisation	50
3.4 Key success factors – needs for successful internationalisation.....	57
4. OVERVIEW OF AVAILABLE SUPPORT AND GAP ANALYSIS	61
4.1 Industry Support.....	61
4.1.1 EU-level industry support	61
4.1.2 Industry - national	63
4.2 Public sector support at EU, national, regional levels.....	66
4.2.1. Public sector - national governments	67
4.2.2. Public sector: regional governments	71
4.2.3. Public sector: national and regional	73
4.2.4. Public sector: EU-level	73
4.3 Cluster organisations.....	76
4.3.1. National and regional cluster organisations.....	77
4.3.2. EU supported clusters	78
4.4 Support used by the success story companies.....	79
4.5 Conclusions regarding support	80
4.6 Gap analysis	80
4.6.1. Awareness.....	80
4.6.2. Gaps in specific provision of support.....	81
5 CONCLUSIONS & RECOMMENDATIONS	84
5.1 Is there a case for specific support for construction sector SMEs that want to internationalise?	84
5.2 What are the needs of SMEs in the construction sector that want to internationalise?.....	85
5.2.1. Improving information (availability and outreach)	87
5.2.2. Coordinating stakeholders	88
5.2.3. Pooling existing resources	89
5.3 Summary of proposed actions	89
ANNEX.....	92
A.1 Literature.....	93

A.2 Questionnaire and full survey analysis	96
A.3 Interview list	115
A.4 Success stories	118
A.5 Interview guidelines	146
A.6 Glossary of commonly used abbreviations	164

TABLE OF FIGURES

Figure 1: Challenges for different internationalisation drivers	11
Figure 2. Specific gaps in construction industry support	13
Figure 3: Approach to the study.....	16
Figure 4: SME definition.....	18
Figure 5: Share of SMEs over total enterprises by construction product – 2007-2016 average	20
Figure 6: Share of SMEs (<250 employees) over total enterprises active in the construction sector by country – 2007-2016 average	22
Figure 7: Share of SMEs (<50 million EUR turnover) over total enterprises active in the construction sector by country – 2007-2016 average	22
Figure 8: Internationalisation in networks	27
Figure 9: Company perceptions of barriers to SME internationalisation	29
Figure 10: Pros and cons of policy support to SME internationalisation.....	31
Figure 11: Overall framework of the study	35
Figure 12: Interviews carried out	36
Figure 13: Selected case studies	36
Figure 14: Drivers of internationalisation	39
Figure 15: Orientation to internationalisation among Architects in Europe	44
Figure 16: Challenges for different internationalisation drivers.....	46
Figure 17: What mode(s) of internationalisation have you adopted?	49
Figure 18: Support needs for different modes of internationalisation	49
Figure 19: Share of respondents who indicated that they faced specific internal challenges during the internationalisation process? (% saying each challenge was either “quite important” or “most important”).....	50
Figure 20: Share of respondents who indicated that they faced specific external challenges during the internationalisation process? (% saying each challenge was either “quite important” or “most important”).....	53
Figure 21: Perceptions of main challenges in different destination markets.....	54
Figure 22: Areas where EU companies typically may have competitive advantages in non-EU markets	59

Figure 23: Key success factors for internationalisation	60
Figure 24: Construction SME internationalisation support in Italy	63
Figure 25: Construction SME internationalisation support in Spain.....	65
Figure 26: Are you aware of the European External Investment Plan?.....	76
Figure 27: Are you aware of internationalisation support measures available at regional/ national/ EU levels?	81
Figure 28. Overview of construction industry support needs	81
Figure 29: Key aspects for a more holistic approach to SME internationalisation in the construction sector	87
Figure 30: High level intervention logic.....	90

ABSTRACT

This report provides an analysis of potential areas for public support at EU level to EU SMEs from the construction industry in their efforts to internationalise their activities beyond the limits of the EU. The report analyses the current state of play, it provides examples of success stories and it identifies EU construction SMEs' needs and expectations.

The study proposes three aspects where there would be most added value for EU intervention. These are: (1) Inform and raise awareness in destination markets, across the supply chain and among intermediaries, (2) coordinate and direct stakeholders at all levels, and (3) Pool existing resources (human, financial, information).

Many of the proposed measures are based on bringing together relevant stakeholders from industry and policy. Intermediaries and clusters at European, national and regional level can play an important role in making the required connections, feeding information effectively between industry and policymakers and translating the needs of industry into actionable policy.

The actions proposed aim to increase the participation by European SMEs in international construction projects by adopting a more holistic approach to support for SME internationalisation.

EXECUTIVE SUMMARY

Objectives

This report provides an input for the development of policy at the EU and/or national level to support EU construction SMEs in their efforts to internationalise their activities beyond the limits of the EU. The report analyses the current state of play, it provides examples of success stories and it identifies EU construction SMEs' needs and expectations. Finally, the study presents the results of a series of workshops on areas for EU support measures.

Scope

The study focuses on the following sub-sectors within the construction industry:

- Transport infrastructures (road, railway, airport, waterway, port)
- Energy (production, distribution)
- Water (production, treatment, distribution)
- Waste (collection, treatment, management)
- Buildings (housing, public services, commercial and industrial)
- Communication networks
- Construction services (architecture, engineering, technical consultancies)
- Construction products and materials manufacturing and trading

From a geographical point of view, the study covers all EU-28 countries and the following target markets: Africa-Caribbean-Pacific (ACP), Asia, Latin America, the Middle East and the Balkans. The selection of these target markets is based on the requirements in the terms of reference for the study and a discussion at the kick-off meeting. The analysis includes all size categories within the SME definition (micro, small and medium size enterprises).

Methodology

The study is based on a primary and secondary research programme including:

- A survey of construction sector SMEs (n=113) that have exported, including to destinations outside the EU targeted by this study,
- Interviews with industry associations and other representatives (e.g. clusters), companies in the affected sectors and public authorities,
- 12 case studies (success stories), and
- 2 workshops in Brussels with about 25 participants each.

The objective of this study is to present needs, gaps, and expectations (as collected in interviews) which could form the starting point for a strategy to support SMEs that want to internationalise. The research effort was aimed at drawing a picture of the current situation in terms of the needs of SMEs in the construction sector, developing an overview of the different types of support that exist already, enriched by in-depth examples of SMEs that managed to internationalise successfully (with or without public support). Based on this qualitative information and stakeholder perceptions, the study develops an analysis of the gaps in support and proposes areas where the EU could play a more active role. The report concludes with a set of suggested actions where added value at the EU level could be expected.

Specific features of the construction sector

The study analyses the specific features of SMEs in the construction sector for which sector-specific public support for internationalisation is sought for. These specificities include the following:

- The construction industry includes a very diverse range of products and services: including door-handles, floor tiles, civil engineering know-how, architecture, town planning and project management skills, etc. In many instances, products and services are integrated, as for example, when a company with world leading specialised skills in earthquake resistant hospital floors designs such floors but also has to go and install them, or a company might be specialised in design and erection of branded facades, or playgrounds, etc. The success story of CIPA, specialised in subterranean engineering, provides one such example (see Annex A.4 for a full description of each success story). We do not see there to be justification for separate treatment of construction goods or machinery and equipment as these markets operate in a similar manner to non-construction markets.

Indeed, the mode of market entry that seems quite construction industry-specific ("cross-border order processing") includes both the export of products and of services. Construction SMEs almost never sell only a product but provide assembling services as well. It is this expertise that is also exported. The success story of BDI-BioEnergy International GmbH is a good example of this (see Annex A.4). It is very rare that construction SMEs set up a local office or co-operate through a joint venture. Another internationalisation mode for SMEs (usually specialist suppliers) is through integration in the value chains of large enterprises, as that is a way to reduce transaction costs. The success story of FibR GmbH, a 'born-global' start-up is an illustration of this approach (See Annex A.4).

- The **time scales of construction projects** and related **payment schedules** can also create problems for internationalising SMEs. Where a local EU based bank might provide short-term credit for a local SME with whom it has a long term banking relationship while the SME is waiting for large staged payments by customers, such short-terms credit might not be as readily forthcoming in foreign markets. If such payments are further affected by delays related to exchange rates and currency availability, it can have very negative cash flow consequences for otherwise profitable projects. BDI-BioEnergy International GmbH also illustrates these challenges very well.

All of these factors contribute to increased **transaction costs, uncertainty, and risks in a cumulative manner**. As such it can be argued that there is a case for separate treatment of relevant parts of the construction industry, as compared to generic SME support, especially when it comes to construction services, whether provided standalone or integrated with a construction product.

Drivers and modes of internationalisation and needs

The report sets out why and how internationalisation happens and how this matches up with different kinds of public support.

Figure 1: Challenges for different internationalisation drivers

Driver	Challenges
Alerted to an opportunity	Which should be followed up on? How should they be prioritised – what are the criteria for selection based on the capabilities of the SME and the risks/ potential in the market?
The need for revenue/ profit	Is the SME ready (staff, management, finances) for taking this next step? How does it prepare itself, identify and select and access opportunities – and engage with those markets in the long term for long term growth and returns?
Followed a customer	What are the risks involved for the SME? How can risks be identified and minimised? How can this become a platform for future international growth?
A new internal initiative	How well prepared is the SME as a whole – is it dependent on one employee for this initiative, or the owner-manager? What are the opportunity costs? The risks? Is the SME ready (staff, management, finances) for taking this next step? How does it prepare itself, identify and select and access opportunities – and engage with those markets in the long term for long term growth and returns?
Domestic business cycle downswing.	Does the SME have the financial and human resources strength required to pursue opportunities in foreign markets – even if the local/ domestic market improves? If not, how can it be improved (if at all)? Which countries/ markets should be pursued? How can those markets be accessed?
Following competitors	Are there specific circumstances in the market that would also be relevant for another enterprise – is there room in the market? What kind of competitive response might be expected?
Other	Should the opportunity be followed up? Is the enterprise in a position to exploit the opportunity?
International construction cycles and opportunities	Which markets are realistically most worth pursuing? When will the cycles come to an end? What is required for the SME to be able to pursue opportunities in those markets – with a realistic prospect of a positive return? What are the operational specificities of those markets that have to be considered?

In terms of **key success factors needed for successful internationalisation**, interviewees emphasised the importance of two key (and related) points:

1. **Extensive and in-depth preparation** to get to know the market. This should cover all the 'challenges' set out above.
2. Selecting the **right business partner**

In addition, the presence of a **trusted advisor** (who might be the business partner or another person) and the need to be able to do a **pilot plant or run** to test the market before making a full commitment were mentioned as very important in interviews.

The key point made was that SMEs should not rush into these markets unprepared. **This is particularly the case with parts of the construction sector where companies work on the spot and often have to rely on local staff, materials and work to local regulations.** The consensus was that foreign markets can be a useful source of profit if the SME gets it right. If not, they can lose a lot, and there are many such stories, which might be as instructive to repeat as success stories.

Availability of public support and gaps

The study shows that there is a wealth of public support for internationalisation available at all different levels (EU, national, regional) from public and industry sources. It should also be noted that internationalisation is not the only way to develop a business and it is not necessarily appropriate for all SMEs in the construction sector.

The issue is therefore not the existence of support but how it is presented and taken up by SMEs and how it matches their needs at different stages of the internationalisation process.

1. There is a relatively **low level of awareness** of support programmes at different levels, even among SMEs that have internationalised and among public authorities.
2. Where gaps in the provision of public support exist, they are the result of the interplay of the following factors which need to be taken into account when designing tailor-made internationalisation support for SMES in the construction sector.
 - Drivers of internationalisation
 - The mode of internationalisation
 - Stage in the internationalisation process
 - The sub-sector/ activity in question
 - Functional areas in the enterprise
 - The destination market
3. Apart from these general conclusions, a number of specific gaps are worth highlighting:

Figure 2. Specific gaps in construction industry support

Nature of the need	Relevant Organisation	Description
Lack of targeted outreach to promising SMEs	National/ regional trade promotion organisations/ cluster organisations	Given the number of SMEs in the construction sector, it is not possible or desirable to approach all of them – how can those potentially of interest be identified and approached?
Low awareness of available support	Potentially competitive construction SME	Many of the SMEs interviewed and surveyed (including those that successfully internationalised) were not aware of the support available. More can be done to improve awareness.
	National/ regional trade promotion organisations/ cluster organisations	Public sector support organisations interviewed indicated that they were not fully aware of all the support at regional/ national and EU level. Mapping of support available ensuring that support organisations are aware of what is

Nature of the need	Relevant Organisation	Description
		available for SMEs would be of value.
Barriers in access to public tenders	Wide range of construction SMEs	<p>SME engineering companies bidding for participation in large projects funded by development institutions state that it is difficult to identify tenders as these are increasingly decentralised; it is also difficult to meet the project exclusion criteria and as a result their opportunities for participation in non-EU projects are small. Small specialists are being bought up by larger enterprises.</p> <p>Challenges in identifying tenders in countries from the target areas, and language issues when working with such tenders.</p>
Barriers in access to markets	Construction industry professionals/construction (services) businesses Construction SMEs	<p>Construction industry professionals and businesses are confronted with various non-tariff entry/ market access barriers, e.g. ability to operate and requirements for participation in public tenders. This is an EU Trade Policy issue to be followed up in the appropriate fora.</p> <p>Increased longer-term in-country support related to identifying opportunities, finding business partners, setting up local operations and developing operations, and providing updates on legislation, opportunities and relevant developments provided by construction industry professionals</p>
Lack of financial support	SMEs	More specifically tailored support (in terms of loans, guarantees, insurances), especially for: the process of carrying out in-country search for business partners, which may be demanding and time-consuming; developing pilot projects; and, growth and expansion once established.
Collaboration between Member States trade promotion organisations, EU-level support & industry	Construction-related support organisations	To identify, design and implement co-ordinated collaboration programmes for construction SME internationalisation.
Need for more SMEs to collaborate with large construction enterprises	Construction enterprises	Develop ways to integrate more SMEs into international supply chains of major industry players.
Lack of a construction industry internationalisation platform or 1-stop shop	Industry-wide, EU level	Develop a pan-EU platform or 1-stop shop for construction industry internationalisation to work at developing and co-ordinating programmes and act as a driver for continued internationalisation in the industry
Lack of skills	Construction SMEs	Human resources in SMEs are often tied up in local opportunities and they may not have the skills / profile to support the company in internationalising beyond the EU. Furthermore, sending EU staff to target markets for prolonged periods of time may be impeded by significant

Nature of the need	Relevant Organisation	Description
		regulatory barriers. At the same time, suitable human resources that are local to the target market are difficult to identify.

EU value added

The results of the study indicate that there is already a lot of support available and internationalisation is not appropriate for all SMEs in the construction sector. In addition, **trade promotion is a national competence**, and any activity envisaged would have to demonstrate that there is EU-value added and not a duplication of or conflict with national-level provision.

Notwithstanding these caveats, to address the gaps identified in the report, there is an opportunity to act at the level of intermediaries to have a more holistic approach to internationalisation of SMEs in the construction sector. The study develops three action areas where there would be most beneficial to intervene. These facets are:

1. **Better awareness and outreach** on the side of SMEs (e.g. about available market opportunities and available support), on the side of intermediaries (e.g. about the specific needs of construction SMEs that want to internationalise especially in relation to timing and payment terms) and on the side of public support providers who have trouble reaching relevant SMEs with relevant information about their support instruments.
2. **Improved collaboration and linkages** among stakeholders who provide support to construction SMEs. This is valid for public support providers who are not always aware of other support schemes at different levels of governance (EU, national, regional) but it also refers to Member State trade promotion organisations and EU-level support & industry where additional linkages could help identify, design and implement co-ordinated collaboration programmes for construction SME internationalisation. Greater collaboration between companies including SMEs and larger companies (e.g. through clusters focused on internationalisation such as the ESCP-4i) could help overcome the size and resource limitations that prevent smaller players from accessing some international opportunities at present.
3. Finally, and related to the two aspects above, the research has indicated that- in some cases - there is additional leverage in **pooling existing support and resources** that is now spread across Member States and across a wide range of stakeholders.

In the research for this study, these three facets were cited as most important across different stakeholder groups. Addressing these needs does not require additional financial resources to be made available on a large scale, nor does it necessarily need to differentiate between sub-sectors within the construction industry. Rather, it will enable existing support mechanisms to be used in a more effective manner, irrespective of the specificity of the construction sector.

In addition, there is a scope for more sector-specific initiatives, developed through collaboration between TPOs from Member States, the banking community, clusters and business associations. This report includes mapping of available support and key construction specific issues related to the main challenges, targeted outreach and awareness of available support, negotiating barriers in access to public tenders and markets, improving financial support, or building skills and human resources.

At all levels, many of the proposed actions aim to support all construction SMEs and they relate to better coordination between different types of stakeholders. This work would build on existing initiatives at EU and national and level. For instance, in the field of clusters and cluster policy, the European Enterprise Network (EEN),

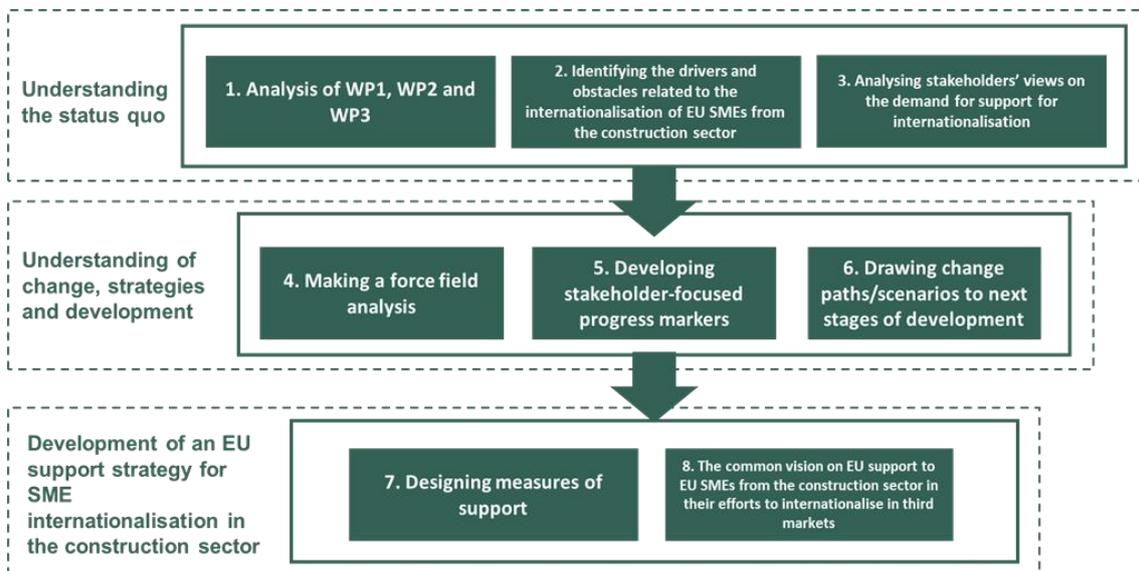
the European Cluster Observatory (EOCIC), the European Cluster Collaboration Platform (ECCP), European strategic cluster partnerships (ESCP), in particular those focused on internationalisation (ESCP-4i) or Innovation Support actions (Innosup).

1. INTRODUCTION, OBJECTIVES AND SCOPE

This document is the final report for the study on *Internationalisation of SMEs from the European construction sector in third markets* for the European Commission Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs.

The figure below visualises the three main steps in developing the study.

Figure 3: Approach to the study



The first step of the analysis is to understand the rationale for any construction-specific intervention: i.e. what is the current situation in terms of the drivers and obstacles to internationalisation, the needs of construction SMEs and the support that is currently already provided.

The second step is to understand how an intervention could generate a change of the status quo and what instruments are available to achieve this change. The aim is to focus EU intervention where it can add most value and on needs that are not (or insufficiently) met by existing support schemes.

In a third step, the above is summarised in an intervention logic analysis which sets the identified needs against objectives, proposed actions and expected results and impacts.

The research is based on interviews with public authorities, industry representatives, and companies, a survey of SMEs, 12 in-depth case studies ("success stories") of SMEs that internationalised with or without the use of public support and two workshops in Brussels with relevant stakeholders.

1.1 Study objectives

The overall objective of the assignment is to provide proposals for public support to EU SMEs from the construction industry in their efforts to internationalise their activities beyond the limits of the EU in 5 targeted geographical areas. These areas are: Africa-Caribbean-Pacific (ACP), Asia, Latin America, the Middle-East and, the Balkans.

The survey of EU construction SMEs' needs and expectations from the current state of play, and the analysis of the success-stories identified was the starting point for discussion with relevant stakeholders from the business community, EU member states and institutions, during the consultation phase.

The structure of this report is as follows:

- Chapter 2 presents the methodological approach for the study as a whole, showing where WP 1, WP 2, and WP 3 fit in the overall research plan.
- Chapter 3 sets out the overall problem and SME needs in the construction sector in detail.
- Chapter 4 contains an overview of existing public support and a gap analysis.
- Chapter 5 discusses the specificities of the construction sector, the identified value added of EU intervention, the intervention logic that underpins the proposed EU strategy and the associated roadmap.
- Chapter 6 summarises the key conclusions of the report

1.2 Study scope

The EU's construction industry is very large and highly diverse. There are also large parts of the industry that are local and immobile by nature and not prone to internationalisation. Therefore, the study will be focused on the more mobile sub-sectors that have been highlighted for special attention as set out below in the terms of reference:

- Transport infrastructures (road, railway, airport, waterway, port)
- Energy (production, distribution)
- Water (production, treatment, distribution)
- Waste (collection, treatment, management)
- Buildings (housing, public services, commercial and industrial)
- Communication networks
- Construction services (architecture, engineering, technical consultancies)
- Construction products and materials manufacturing and trading

From a geographical point of view the study covers all EU-28 countries in work package 1, 3 and 4 though there is a focus on the 12 success stories identified in work package 2.

Finally, the study is limited to SMEs, but it includes all size categories within the SME definition (micro, small and medium size enterprises). The selection of companies that fall within the study scope is based on the size categories spelled out in the SME definition as shown in the figure below.

Figure 4: SME definition

Company category	Staff headcount	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

Source: European Commission¹

1.3 Setting the context

In this section, we present an overview of the construction sector in the EU and set out relevant policy initiatives. Then we introduce the concept of internationalisation and we provide an initial overview of internationalisation in SMEs.

1.3.1 The construction sector in the EU

The construction value chain includes a wide range of economic activities, including the extraction of raw materials, the manufacturing and distribution of construction products, the design, construction, management, and control of construction works, their maintenance, renovation and demolition, as well as the recycling of construction and demolition waste.² When specifically looking at construction products, these in turn include a variety of different products. A recent analysis of the PRODCOM database at its most disaggregated level (8 digit product codes) identified 533 types of construction products,³ including:

- raw materials (e.g. aggregates, cement, stones)
- products used for structural purposes (e.g. structural steel, aluminium structures, wood cross-ties)
- finished products (e.g. doors, windows, prefabricated buildings or elements)
- finishing products (e.g. flooring, wall covering products)
- plants and systems (e.g. electric equipment, electrical systems, plumbing, heating and cooling, telecommunication systems)
- and construction machinery.

When considering the type of materials used and related value chains, the construction sector can be seen as composed of the following market product families:

- Metal products;
- Construction machineries and equipment;
- Plastic materials, excluding flooring;
- Electric materials and cables;
- Raw materials from mining;
- Flooring and other coatings;
- Cement and concrete;
- Heating and plumbing;

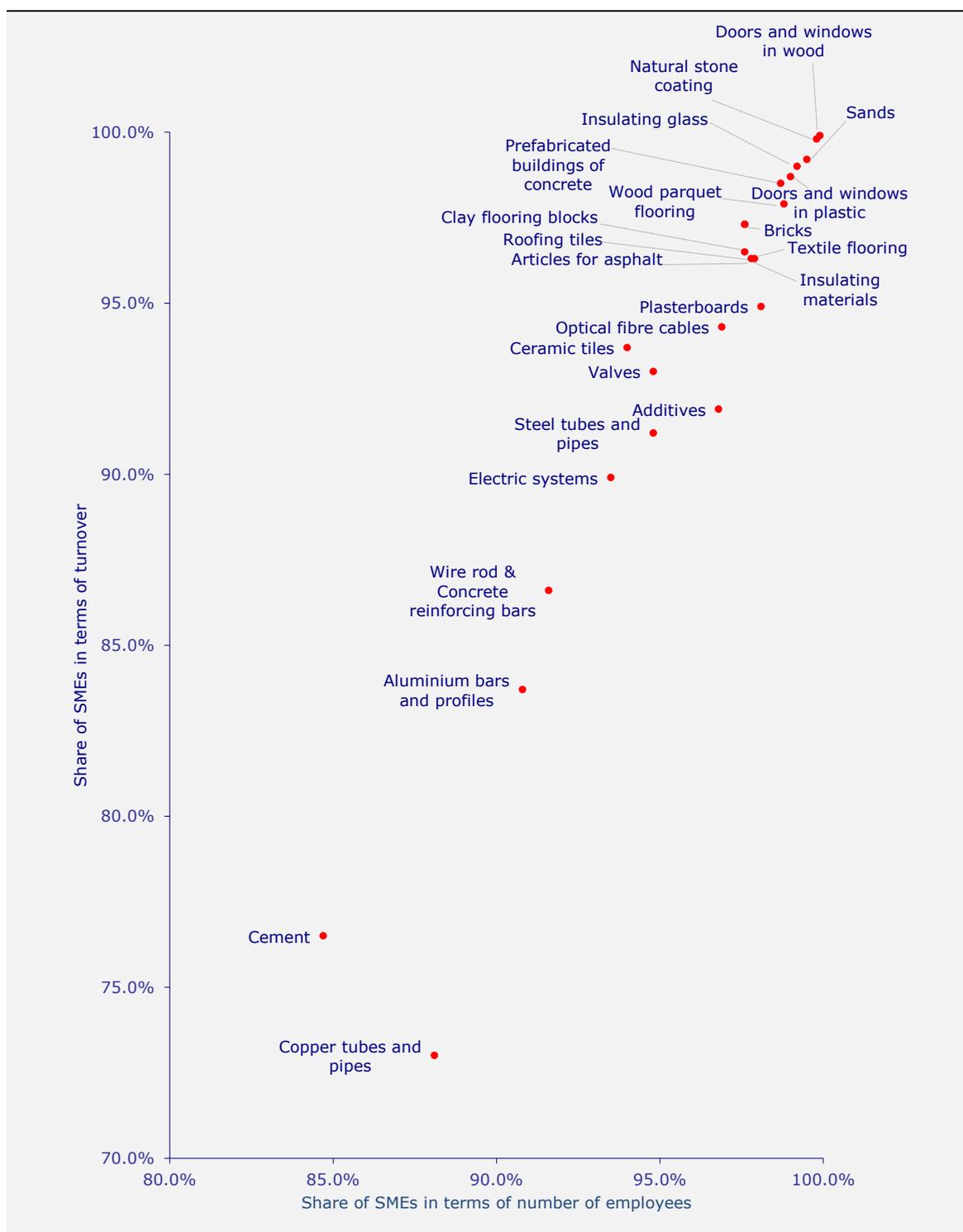
¹ The definition of SMEs referred to is that in EU Recommendation 2003/61. There is a guide to the use for the definition: User guide to the SME Definition http://ec.europa.eu/regional_policy/sources/conferences/state-aid/sme/smedefinitionguide_en.pdf.

² European Commission (2016), The European construction sector. A global partner, Internal Market, Industry, Entrepreneurship and SMEs Directorate General, Energy Directorate General, Joint Research Centre (JRC), p.3

³ European Commission (2017), Cross-border trade for construction products. Final report authored by CSIL for Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs, Directorate C: Industrial Transformation and Advanced Value Chains.

- Chemical products (paints and varnishes, synthetic adhesive, mastics);
- Bricks;
- Flooring and covering, doors and windows and other products made of wood;
- Ceramic products (tiles and sanitary wares);
- Glass products;
- Natural stone coatings;
- Other products: this is a residual group including for instance articles of asphalt, bituminous mixtures, chandeliers and other electric ceiling or wall lighting fittings (excluding those used for lighting public open spaces or thoroughfares), or composite materials like boards, sheets, panels, tiles and similar articles of plaster faced or reinforced with paper or paperboard.

Figure 5: Share of SMEs over total enterprises by construction product – 2007-2016 average



Source: European Commission (2017), Cross-border trade for construction products. Final report authored by CSIL for Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs, Directorate C: Industrial Transformation and Advanced Value Chains.

The construction market covers two main sectors, both falling within the scope of this study: i) residential and non-residential building and ii) civil engineering (for transport, energy, water and waste, and communication networks). On top of that are construction services (architecture, engineering and technical consultancies), which may be more or less specialised on buildings rather than civil engineering, or on both. Such variety implies very large variability of behaviours, demand and supply models, distribution and trade processes and actors involved (from the

individual entrepreneur to medium-sized enterprises or large industrial groups involved in big contract projects).

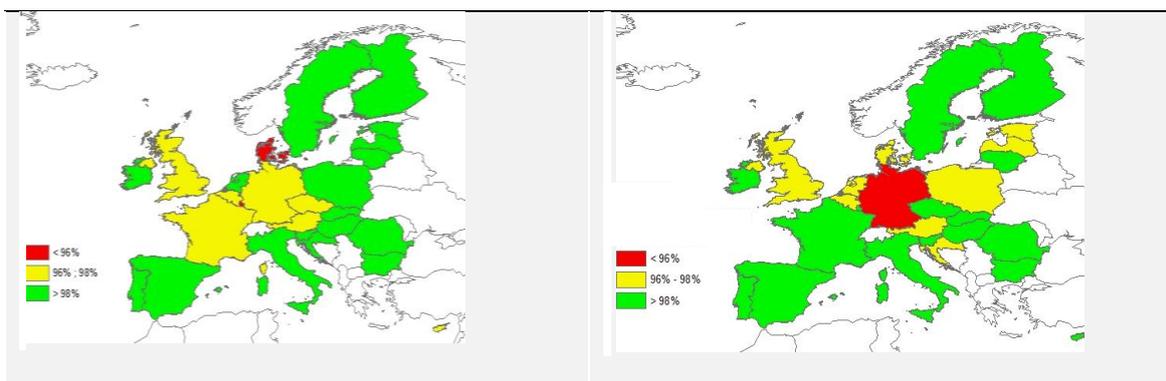
Construction generates about 9% of gross domestic product (GDP) in the European Union and provides 18 million direct jobs (according to Construction Products Europe 42 million in total). Up to 95% of construction, architecture and civil engineering firms are SMEs⁴. According to DG GROW data⁵, the total number of European construction enterprises operating in sectors F41 'Construction of building', F42 'Civil engineering' and F43 'Specialised construction activities' in the EU-28 amount to 3.28 million in 2015. Out of them, 99.9% have less than 250 employees and 93.9% are micro enterprises with less than 10 employees. In 2015 SMEs produce 82% of the total construction industry's output and employ 88% of the total workforce in the sector.

As such, the construction sector is key in the delivery of the European Union's 'Europe 2020' goals for smart, sustainable, and inclusive growth. It has a direct impact on the safety of workers and the quality of life. Buildings, infrastructure and construction products have an important impact on energy and resource efficiency, the fight against climate change and in the environment in general.

As would be expected given its size, the sector is very highly diverse, not only in terms of what it includes, but also in terms of its presence in different member states. For example, a recent study for the European Commission⁶ looked specifically at a small part of the sector (NACE F 41.2 – Construction of residential and non-residential buildings) in several member states (see table 3.3.1). It is clear there are wide differences in terms of firm size of enterprises between member states, with for example 63% of enterprises in the sector in Germany having 1-9 employees, whereas in Italy, Spain, and Slovakia the percentage is between 93-97%. At the other end of the SME scale, 3.7% of enterprises in Germany have 50-249 employees, whereas in Italy and Spain the percentages are some 0.3 to 0.4 per cent. This is of major importance from the point of view of this study as (as detailed below) size of the enterprise is a key driver of internationalisation. We expect similar differences to be found in other parts of the construction industry.

Figure 6: Share of SMEs (<250 employees) over total enterprises active in the construction sector by country – 2007-2016 average

Figure 7: Share of SMEs (<50 million EUR turnover) over total enterprises active in the construction sector by country – 2007-2016 average



Note: data is clustered following the Jenks natural breaks optimization method.

Source: CSIL elaboration of ORBIS data, published in European Commission (2017)

⁴ https://ec.europa.eu/growth/sectors/construction_it

⁵ SME Performance Review 2016 database.

⁶ Centre for Strategy and Evaluation Services (2015); Cost of the Cumulative Effects of Compliance with EU Law for SMEs (2015), Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs pp.48-62

The degree of involvement of SMEs in cross-border trade (including in third markets) also largely depends on the level of the value chain of construction products. SMEs are relatively less involved in the production of raw materials (cement, glass, metals) and semi-finished products, especially those used for structural purposes, such as steel and copper tubes, wire rod and aluminium bars). The production and initial transformation phases of these goods require big investment costs and large plants, which explain why their manufacture is in the hands of big industrial, often multinational, corporations. Since SMEs' propensity to export is generally lower than for large enterprises, the market strategies of large-size manufacturers drive cross-border trade flows. SMEs have a larger role to play in the production and trade of finished and finishing products, such as doors and windows, as well as flooring products (textile, wood-made or natural stones). Even if glass production is concentrated in few large companies, SMEs are more extensively involved in the production of the insulating glass semi-finished product. These patterns are confirmed by available data on 140,028 SMEs contained in the ORBIS database. The figure below shows the share of SMEs operating in the EU as manufacturers of a sample of 25 construction products.

1.3.2 Key EU and international policy initiatives

The study takes place in the context of a wide range of existing EU level policy initiatives in support of the construction sector. Some of these focus on the construction sector as such, while other focus on other matters with a strong bearing on the construction industry.

The **EU strategy for the sustainable competitiveness of the construction sector** was set out in 2012.⁷ The strategy identified the main issues facing the sector in the post-crisis context, but also from the longer-term perspective (the supply of skilled workers, lack of attraction to young workers, limited innovation and undeclared work). The sector faced some key challenges including the weak macro environment, fragmented value chains and the transition to a more resource efficient and low-carbon future as driven by a range of legislation relating to, for example, the Energy Performance of Buildings Directive (e.g. NZEBs), Ecodesign, and the Construction Products Directive. These were, in turn, linked to other EU-wide initiatives such as those pertaining to the Low-carbon Economy (2050) and the Energy Roadmap (2050). At the same time EU enterprises were facing competition from companies not so constrained by such commitments.

In this context, and relevant from the point of view of this study, the view was that "as European construction markets are expected to grow at a slower rate than the emerging markets, the sector will need to develop and maintain a stronger global perspective. It is important for EU construction companies that third countries open their markets for EU companies to compete on contracts".⁸

The implementation of the strategy focuses on five objectives: investments, jobs, resource efficiency, regulation, and particularly relevant from the point of view of this assignment, market access, where "The EU should strengthen its power to engage non-EU countries in negotiations to open up their commercial as well as procurement markets further, to investigate possible discriminatory procurement

⁷ "Strategy for the sustainable competitiveness of the construction sector and its enterprises" (COM (2012) 433 final)

⁸ "Strategy for the sustainable competitiveness of the construction sector and its enterprises" (COM (2012) 433 final), p.5

practices and to start consultations with the countries concerned to solve market-access disputes".⁹

In terms of market access, the initiatives for strengthening the global competitive position of EU construction companies would build on the increasingly ambitious range of international dialogues under way since 2006. This had already achieved some successes (e.g. intercontinental fora with Africa and Latin America on sustainable construction, and the EU-Africa partnership for transport infrastructure. The Commission set out five steps to support the competitive position of EU construction enterprises and invited Member States to act swiftly to adopt the newly proposed regulation on the access of third-country goods and services to the EU internal market in public procurement and procedures supporting negotiations on access of EU goods and services to the public procurement markets of third countries.

To develop and implement the strategy a High Level strategic forum was set up, as well as thematic groups including member states and sector interests to provide bottom-up guidance.

Beyond construction alone, '**Small Business, Big World – a new partnership to help SMEs seize global opportunities**'¹⁰ aimed at supporting the untapped potential in tradeable sectors for EU SMEs to internationalise. As such it supported the internationalisation element of the Small Business Act (rev).

The supporting study for this communication found that at the time there were over 300 schemes (with a budget of over €2 million) at EU and member state-level to assist business internationalisation¹¹ and identified a need for greater coordination and cost effectiveness among these schemes. It set out the main challenges as lack of awareness of support, lack of presence in foreign markets as well as the internal capabilities and constraints of SMEs.

The 'Small Business Big World' communication set out as priority for action on internationalisation support to SMES:

- Mapping the existing supply of support services to allow a more rational and coherent approach in the future;
- Creating a single virtual gateway to information for SMEs wishing to do business beyond the EU borders.;
- Making support schemes at EU level more consistent to raise their impact;
- Promoting clusters and networks for SME internationalisation;
- Orchestrating pan-European collaboration in priority markets to make the most of the public funds spent;
- Leveraging existing EU external policies to accelerate the international growth of European SMEs.

More recently, the communication on '**A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries**'¹²

⁹ Strategy for the sustainable competitiveness of the construction sector and its enterprises" (COM (2012) 433 final), p.5

¹⁰ EUROPEAN COMMISSION, Brussels, 9.11.2011 COM(2011) 702 final, COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS.

¹¹ EUROPEAN COMMISSION, Brussels, 9.11.2011 COM(2011) 702 final, COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS.

¹² EUROPEAN COMMISSION Brussels, 13.5.2014 COM(2014) 263 final COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

makes the point that the EU is a key player in supporting sustainable growth in developing countries and there is scope for a stronger presence of EU companies in those countries. An example of a concrete project that fits the objectives of this Communication includes the Lake Turkana Wind Farm in Kenya¹³.

Intervention would have to be based on sound principles to ensure positive outcomes at private, social, and environmental levels.¹⁴ There are examples mentioned in the document of successful initiatives (e.g. in Paraguay and Tunisia) and more could be done. Use of the EU's expertise in a wide range of areas could form the basis of such cooperation to the benefit of both the EU and the destination countries. One body is the EU-Africa Infrastructure Trust Fund, and there are opportunities to engage in a wide range of "green" sectors and promote business practices such as CSR where EU SMEs have many skills that could be implemented in developing country markets. There is also scope for promoting EU IPR standards and regulatory co-operation in international standards. Particularly interesting is the expertise the construction industry has developed in recent years in response to EU legislation relating to low energy and low-carbon emission buildings.

1.3.3 Internationalisation: definition and baseline

The term internationalization describes efforts and activities of enterprises to do business in one or more foreign countries – in this instance, countries in four target regions outside the EU. This can include activities such as importing and exporting, producing or supplying materials, components, goods, and services including R&D.¹⁵ Enterprises can do this through arm-length agreements with businesses abroad, by creating joint-ventures, technological exchange agreements (sub-licensing) or partnerships or other forms of collaboration (e.g. consortia) with other foreign strategic or financial investors, or with local partners to conduct business jointly, or by setting up their own businesses and subsidiaries through foreign direct investment such as sales offices, marketing satellites, focused factories, etc.¹⁶ In the context of this assignment the focus is on outward activities, rather than imports.

According to the Flash Eurobarometer 421¹⁷ more than a third (36%) of EU SMEs have imported from another country in the EU, and 30% have exported to another country in the EU (with about 10% of companies having been involved in other forms of internationalisation). By comparison, **between 19-20% have exported to or imported from countries outside the EU, and about 5% have been involved in other forms of internationalisation outside the EU.** These figures (though not construction sector specific) suggest that there are further market opportunities outside the union that are not currently being explored. This is even

¹³ For more information, please see here <https://ltwp.co.ke/>

¹⁴ As set out in EUROPEAN COMMISSION, Brussels, 9.11.2011 COM(2011) 702 final, COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS, pp. 14-15

¹⁵ EIM (2010); Internationalisation of European SMEs, for DG ENTR, European Commission, Brussels, , p.15

¹⁶ A typical "typology" of foreign direct investments includes, in terms of resource focus and level of value-added, resource extractors/ processors; cost-reducing "offshores" and source factories; market focused sales offices, local servers, focused suppliers, and mini-replicas; and, strategically focused lead factories and knowledge outposts. (Eden, L. (1993); "Bringing the firm back in: multinationals in International Political Economy" in Eden, L. and E.H.Potter (eds)(1993); Multinationals in the Global Political Economy, Macmillan, London.p.44, and Dunning, J.H. (1992), "The political economy of international production", in Buckley, P.J. and M. Casson (eds) (1992); Multinational Enterprises in the World Economy. Essays in honour of J.H. Dunning, Edward Elgar, Aldershot p.350

¹⁷ Internationalisation of Small and medium-sized Enterprises (2015), Summary, pp.5-7

more the case because European construction markets are expected to grow more slowly than emerging markets.¹⁸

These findings are overall confirmed by the recent study on cross-border trade of construction products (European Commission, 2017). SMEs operating in the construction sector are generally not highly involved in cross border trade, both within and outside the EU. The smaller the size of the enterprise, the smaller the probability it sells its products on the foreign market. Micro and small enterprises usually produce to serve their local market; medium and large enterprises are more export-oriented.

It is also worth mentioning that in the annual global location reports of leading global location services providers such as IBM Global Services (2016) and the FDI Report (2017), the construction industry as such does not feature as a sector as it is not considered "locationally mobile". However, construction products and services may of course be included in "manufacturing" or other services.

1.3.4 Theories of internationalisation

A very wide range of theories of internationalisation has developed, particularly since the second world war.¹⁹ One of the classical arguments for internationalisation is that of reaching and exploiting economies of scale. In their paper commenting on the existing literature, Lloyd-Reason and Mughan (2002) suggest that firms who succeed in internationalising their operations gain a number of advantages, such as low-cost production facilities, economies of scale in production, distribution marketing and management. These benefits allow for lower prices, and compete favourably in the market. It is also argued that (domestic) markets are increasingly becoming international as a result of a globalisation process – firms that do not internationalise still face competition from foreign businesses that enter into the formers' domestic market.

Theories of internationalisation have often tended to emphasise the role of specific factors such product cycles,²⁰ or the role of macroeconomic drivers as countries grow, industry level developments,²¹ firm-level drivers arising from strategic management decision-making²², increasing psychological commitments, sequential stages, play-offs between internalisation vs externalisation costs, and led to development explanation such as the Uppsala approach, and Dunning's Ownership-Location-Internalisation (OLI) Paradigm²³ which provided a synthesis of many approaches. One open-ended applied approach that seems particularly apposite for the case of SMEs is the networks approach developed by Johanson and Mattson²⁴.

¹⁸ COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL; Strategy for the sustainable competitiveness of the construction sector and its enterprises {SWD(2012) 236 final}, p.5

¹⁹ See Pitelis, C.N. and Sugden, (eds) (1991): *The Nature of the Transnational Firm*, Routledge, London and New York.

²⁰ Vernon's Product Cycle Hypotheses: Vernon, R. 'International Investment and International Trade in the Product Cycle', *The Quarterly Journal of Economics*, Vol. 80, No. 2 (May, 1966), pp. 190-207, Published by: The MIT Press Stable URL: <http://www.jstor.org/stable/1880689> and Vernon, R. (1979); "The Product Cycle Hypothesis in a New International Environment", *Oxford Bulletin of Economics and Statistics*, vol.41, part 4, pp.255–69.

²¹ The Hymer-Kindleberger-Caves approach: Hymer, S. (1976); *The International Operations of National Firms: A Study of Direct Foreign Investment*, MIT Press; Kindleberger, C.P.(ed)(1970); *The International Corporation. A Symposium*, MIT Press; and, Caves, R.E.(1982); *Multinational Enterprise and Economic Analysis*, Cambridge University Press, Cambridge.

²² Aharoni, Y. (1966a): *The Foreign Investment Decision Process*, Harvard University Press, Boston; Porter, M.E. (ed)(1986); *Competition in Global Industries*, Harvard Business School Press, Boston.

²³ Dunning, J.H. (2001); *The Eclectic (OLI) Paradigm of International Production: Past, Present and Future*, *Int. J. of the Economics of Business*, Vol. 8, No. 2, 2001, pp. 173-190

²⁴ "Internationalisation in industrial systems – a network approach" (1988) in Buckley, P.J. and Ghauri, P.N. (eds)(1993); *The Internationalisation of the Firm: A Reader*, Academic Press, London,

Research into relationships between members of a network of firms by Johanson and Mattson (p.301) found that the average relationship was thirteen years long and seven to eight people were involved per relationship. This approach is at odds with some conventional approaches which see internationalisation as a sequential process, or a rationalistic process determined by costs versus benefits in imperfect markets. A firm sees its network as a sunk cost and sequential investments are incremental in terms of the network, involving people and their perception of possibilities.

Johanson and Mattson developed their model of internationalisation in terms of the network approach where the core behavioural assumption is that the firm "estimates and develops positions in relation to counterparts in other networks" (p.309). In terms of this, it decides whether to enter new networks, develop or invest in existing networks abroad or to increase integration between positions in different national networks. The table below summarises possibilities open to the firm.

Figure 8: Internationalisation in networks

		Degree of internationalisation in the market	
		Low	High
Degree of internationalisation of the firm	Low	Early starter	Late starter
	High	Lonely international	International among others

Source: Johanson and Matson, p.310

Four generic positions exist:

- **The Early Starter:** like other firms in its network, it has few important relations/ contacts abroad and little knowledge. Size and resources are important. Small firms would start with an export agent because less knowledge `development is needed and less demands are placed on internal resource adjustment. A small firm may however be "born-global". A larger firm with more resources would probably be able to start off with an acquisition or greenfield investment right away — it buys into a network.
- **The Lonely International:** over time, if the home network does not internationalise while the firm establishes in new foreign networks, it becomes a "lonely international". It may lead the rest of the domestic network abroad in due course. To exploit its advantages, it needs to co-ordinate national networks.
- **The Late Starter:** is pulled abroad by other firms in the network that have already internationalised, for example to participate in big projects. This often means making a major commitment into a very competitive situation as a first step which may place heavy demands on resources. Small, specialised firms may need to establish a presence in host countries quickly (maybe jointly). Big firms may be at a disadvantage due to networks being linked to joint venture partners or competitors.

- **The International Among Others:** here both the firm and the environment are highly internationalised and further internationalisation is in the form of marginal/ incremental investments and integration. It can bridge into other networks for competitive purposes (e.g. defensive) if its relationships are strong. It can enter new markets/ countries quickly, co-ordinate production, undertake intra-firm international trade, adjust resources.

The network approach outlined here brings out the complexity and multidimensionality of internationalisation decisions. Human, technical, and financial factors are all deeply involved, in the context of strategic manoeuvres within and among networks in a changing environment. It is hard to generalise. Instances must be related to situations. However, the point needs to be reiterated that internationalisation is not an appropriate option for all SMEs.

1.3.5 Barriers to internationalisation

A large amount of research has been carried out on what the barriers to internationalisation for SMEs are. It is largely recognised²⁵ that the international markets constitute a complex environment. Lloyd-Reason and Mughan (2002) equally warn that international expansion takes the SME into a more complex, volatile and uncertain competitive environment. They also make the observation in their review of the literature that much of the analysis available is based on experiences by large firms rather than SMEs and it can therefore not be assumed that benefits falling to larger firms would also benefit SMEs (and vice versa).

This brings us to the important point of the vast heterogeneity of SMEs. Fernández and Nieto (2006), conducting a survey of Spanish SMEs, conclude that different types of ownership affect the operations of the firms, and this in turn will influence the internationalisation strategy adopted. As such, some types of SMEs (e.g. family driven businesses) may even be adverse to internationalisation. The Spring Singapore study (2011) makes a similar point in arguing that internationalisation barriers are both internal and external. Common internal barriers include a lack of organisational resources, capabilities, and management approach and external barriers refer to business environments of the current and potential overseas markets. Lloyd-Reason and Mughan (2002) argue that the “key to the successful internationalisation of business operations is the international orientation of the decision maker” (the SME management), who also need to be the starting point for policy support mechanisms.

Barriers to internationalisation of SMEs can be summarised as per the table below. Items identified as specific to the construction sector in the course of the research are listed in italics. Some comments specific to the construction industry are added after the table.

Figure 9: Company perceptions of barriers to SME internationalisation

Internal barriers	External barriers
Knowledge/ understanding of markets	Complex administrative procedures
Awareness of market opportunities	<i>Lack of access to public tendering</i>
	Identifying sound and reliable business

²⁵ See for example Lloyd-Reason and Mughan (2002), Spring Singapore (2011) Uyarra and Ramlogan (2012), OECD (2009), Lis et al (2012), Autio (2007)

Concerns about market entry costs:	partners abroad
- Product modifications	Cross-border payment systems
- Learning about operational and regulatory environments	Rules and regulations (e.g. labelling and marketing)
Concerns about remaining in the market:	Lack of awareness of markets and opportunities
- Delivery costs	<i>Competition in local markets</i>
- Dispute resolution	<i>Business culture</i>
- Issues with regulation such as taxation, product requirements and liability,	<i>Business environment</i>
- Exchange risk	<i>IP protection</i>
Cost: financial	<i>Tariffs</i>
Cost: availability of and reliance on staff with the required soft skills (language, intercultural) and hard skills (dealing with forex, legislation, compliance)	<i>Non-tariff barriers</i>
<i>Opportunity costs – emergence of local opportunities</i>	
Sources: Eurobarometer, 421, (2015) Internationalisation of Small and Medium-sized Enterprises – Summary, p.13; VVA/ CSES Survey	

In the context of the construction industry as such, allowing for the great diversity in the sector, there are some specific factors that are of key importance. The construction industry is also very often quite national or regional – even within the EU it has been a struggle to create a single market by establishing a common regulatory framework and harmonised product standards. In other countries, each has its own regulatory environment which may be quite daunting for a SME to come to grips with. In addition, the construction industry is often characterised by payment terms that can place a burden on cash flow. Payment for projects is often phased and linked to approval of specific deliverables which can cause delays in payments to contractors and sub-contractors, and lead to payment claims against prime contractors. In such instances, contractors would normally be able to revert to obtaining finance through well-established banking relationships in their domestic markets. However, in foreign markets such relationships may not be in place, potentially leading to situations of financial distress. In new markets payment practices may also differ.

In foreign markets there are also often complex public procurement requirements – not just technically but also in terms of competition, and third market countries may not always be open to EU enterprises. For example, one of the reasons given by the EIB for a lower than desired amount of investment in such markets in the energy sector is the preference given to domestic suppliers (public procurement is not open to foreign providers), which excludes the EIB from participating in such markets. The MADB (Market Access Database²⁶) tracks such constraints and they have an important impact on construction markets.

In this context the EU has been working toward ambitious market access agreements with trade partners to improve the global competitiveness of the

²⁶ <https://madb.europa.eu/madb/>

construction industry.²⁷ This includes setting up intercontinental fora and partnerships, and, through the “Small Business, Big World” initiative providing relevant information, advice and assistance to **small specialised contractors** to help them access international markets and to find potential business partners. The European Regional Development Fund (ERDF) also facilitates the development of new business models for SMEs, in particular for internationalisation. Furthermore, the JRC has found that there is considerable interest in the use of EN Eurocodes outside the EU by countries that want to replace or update their national standards based on technically advanced codes, or which are interested in trading with the European Union and European Free Trade Area (EFTA) Member States²⁸. The Commission undertook a series of actions in support of global competitiveness of EU construction enterprises.

Macroeconomic and political conditions in some extra-EU countries (including in the destination markets considered in this study) can also pose significant constraints to SME internationalisation. For instance, the unstable political situation in the Middle-East can constrain European companies from doing business there. Inconvenient exchange rates can be another adverse factor. For instance, the collapse of the Russian rouble and the financial crisis in Russia started in 2014 is making import from Finland less convenient. As a consequence, many Finnish companies which were used to trade with Russia are now shifting, at least partially, their trade towards the intra-EU market (European Commission, 2017). On the other side, national long-term strategies to attract Foreign Direct Investments (e.g. the Saudi Arabia’s Vision 2030) can stimulate European companies to go abroad.

1.3.6 Initiatives to address these challenges

These challenges already point in the direction of the type of support that might be useful for the sector, and many initiatives have been undertaken to these ends. Individual member states have also of course taken a wide range of actions in the field. A study of 2013 commissioned by DG Enterprise, aimed at creating an inventory of instruments, measures and services to support EU SMEs in their internationalisation efforts beyond the EU. The study identified 734 such instruments measures and services, in the EU, and concluded that there is an abundance of such support for SMEs.²⁹ Initiatives taken should not overlap those already undertaken and be designed to fill gaps and augment exiting measures that have been identified as being effective.

In addition to the above external and internal barriers, it should be pointed out that internationalisation is not a solution for all SMEs. The table below illustrates the pros and cons of policy support to SME internationalisation based on previous studies:

Figure 10: Pros and cons of policy support to SME internationalisation

Policy instrument	Evidence of positive elements	Evidence of challenges
Support to internationalisation	<p>Economies of scale</p> <ul style="list-style-type: none"> Lloyd-Reason and Mughan (2002) suggest that firms able to access the benefits of international markets, including low cost production facilities, economies of scale in production, distribution marketing and 	<p>Complexities of internationalisation</p> <ul style="list-style-type: none"> Lloyd-Reason and Mughan (2002) equally warn that international expansion takes the SME into a more complex,

²⁷ EUROPEAN COMMISSION, Brussels, 9.11.2011 COM(2011) 702 final, COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONSpp15-16

²⁸ See here for a map of countries that have expressed an interest: <https://eurocodes.jrc.ec.europa.eu/showpage.php?id=8>

²⁹ ECSIP Consortium (2013); Study on Support Services for SMEs in International Business, Final Report, DG Enterprise and Industry, Rotterdam, March 22, 2013

Policy instrument	Evidence of positive elements	Evidence of challenges
	<p>management and able to translate these benefits into lower prices, are able to decimate those enterprises still stuck in their old assumptions about the way in which the business world works.</p> <p>Globalisation forces competition</p> <ul style="list-style-type: none"> Up to 30% of European SMEs have had some sort of international business activities over the last few years and there are business support services that specialise in supporting SME internationalisation outside of the single market. Domestic markets are no longer the preserve of indigenous companies since the latter are under attack from overseas competitors. SMEs are not immune from this impact of the internationalisation of markets and are in turn faced with the need for a strategic response. <p>Supporting high-growth firms support employment and growth</p> <ul style="list-style-type: none"> Autio et al (2007) point out that several empirical studies confirm the importance of high-growth firms for job creation and economic growth. In order to promote economic growth, new jobs and new growing firms who actually generate employment, are needed. <p>Promotes innovative niche strategies</p> <ul style="list-style-type: none"> Simon, Hermann (1996, 2009) and Audretsch (2015) point out that by identifying and pursuing opportunities outside of the home country, European SMEs are able to develop and sustain an innovative advantage in product niches in global markets. The "Hidden Champions" identified across the EU and elsewhere dominate their product niches through a strategy involving product quality and innovation. 	<p>volatile and uncertain competitive environment (but which can be offset with the proper use of market and strategic intelligence).</p> <ul style="list-style-type: none"> Spring Singapore identifies internationalisation barriers as being internal and external where the former referred to the lack of organisational resources, capabilities and management approach, while the latter referred to business environments of the current and potential overseas markets. Lis et al (2012) list one major challenge of going international is to keep control of the activities, especially when having deployed a local management team that does not necessarily know the companies' and the founders' culture. <p>Heterogeneity of SMEs</p> <ul style="list-style-type: none"> Fernández and Nieto (2006) conclude that different types of ownership affect firms, and this in turn will influence the internationalisation strategy adopted. Their results show that internationalisation is negatively related to family ownership and positively related to corporate ownership. <p>Support to internationalisation requires good coordination</p> <ul style="list-style-type: none"> Spring Singapore raise a number of key issues needed to be taken into account when supporting internationalisation <ul style="list-style-type: none"> Financing-related challenges pose the foremost threat to firms who wish to internationalise Effective utilisation of ICT is a major internationalisation enabler Aspiring and active SMEs require differing areas of assistance Internationalisation requires the pooling of knowledge and networks <p>Despite its popular appeal, support to high-growth SMEs is often flawed</p> <ul style="list-style-type: none"> Support for high-growth SMEs is often misdirected as public policy largely neglects the real needs of high growth businesses.
Access to finance	<p>Access to finance is a basic need for SMEs</p> <ul style="list-style-type: none"> It is broadly recognised that SMEs have difficulties in accessing finance and have to 	<p>Contradictory evidence on effectiveness</p> <ul style="list-style-type: none"> There is, according to Ramlogan and Rigby's (2012) evidence

Policy instrument	Evidence of positive elements	Evidence of challenges
	<p>pay more than their larger counterparts (EIB, OECD 2015) Empirical research analysed by CSES (2011) shows that access to finance is still one of the major constraints SMEs. As a concrete example, access to credit through the EU's Entrepreneurship and Innovation Programme has been assessed to have made a significant consideration in the current difficult circumstances for SMEs. About two thirds of the beneficiaries of High Growth and Innovative SME facility, set up under the EIP, indicated that they would not have set up the business or made a particular investment without the financial support received.</p> <p>Access to finance may contribute to SME innovation</p> <p>KPMG and ENSR, 2003 say there are important links between the use of financial instruments and innovation, as these are instruments that are generally deployed to support niche SMEs, such as start-ups, innovation or technologically-oriented enterprises, or female entrepreneurship.</p>	<p>review limited evidence on innovation related results from financial instrument support to SMEs.</p> <p>Contradictory evidence on effectiveness of general support</p> <ul style="list-style-type: none"> • There are many studies which find zero or even negative evidence of firm-level investment support. <ul style="list-style-type: none"> ◦ Bergström (2000) finds no significant effect of firm-level investment support on total factor productivity in Sweden. ◦ Harris and Robinson (2004) find that firm-level investment support in the UK had no effect on productivity by comparing the supported firms to similar firms within the supported area.
Support for improving capacities	<p>Tailored advice to firm support growth and employment creation</p> <ul style="list-style-type: none"> • Ramboll, 2010 suggests that tailored assistance to enterprises is particularly effective, in particular in creating jobs and increasing turnover of supported firms. • Mole et al (2008) found that support services which took into account market segmentation allowed for more intensive assistance to be targeted on younger firms and those with limited liability status. This in turn led to positive and significant employment growth effects. • Ramboll 2010 also noted that providing a range of business support services, notably combining information and advice with grants and the use of grants, was perceived to be an important explanatory factor of job creation. <p>Support services lead to more effective and efficient firm operations</p> <ul style="list-style-type: none"> • According to Shapira and Youtie's evidence review innovation support services provide positive – albeit relatively modest – benefits for participating firms: reductions in costs, improved quality, reduced waste and improved environmental performance, higher productivity, and new product development and innovation. • As a concrete example, an evaluation of the EU's Entrepreneurship and Innovation Programme (EIP) indicated that the Community programme for the reduction of administrative costs, supported under the EIP, is expected to lead to a reduction in administrative burdens for European businesses valued at € 40.7 billion. <p>Training strengthens SME innovation and management</p> <ul style="list-style-type: none"> • Jones and Grimshaw (2012) point out that there appears to be a positive association 	<p>Generalisation of SME advice support give weak effects instrument</p> <ul style="list-style-type: none"> • The Mole et al (2008) study found no significant employment effects on growth from general assistance from business support organisations. • According to Shapira and Youtie's evidence controlled studies generally tend to show lower net effects of provided innovation support services. • If there is policy pressure to serve as many firms as possible, this may lead to service assistance is less intense than may be desirable and subsequently have less impact. <p>Designing effective training interventions is difficult</p> <p>Policy interventions face a number of challenges as training and skills policies are usually part of a wider policy effort that seeks to improve economic growth and employment participation. According to Jones and Grimshaw (2012), although linkages between skills and innovation can be identified in principle, the mechanisms through which they interact in the real-world economy remain somewhat opaque.</p>

Policy instrument	Evidence of positive elements	Evidence of challenges
	<p>between innovative firms and the level of expenditures on formal and informal training compared to non-innovative firms.</p> <ul style="list-style-type: none"> Secondly, firms benefit from a significant positive effect by developing their 'knowledge pool', particularly with respect to the organisation's legacy of past innovations and the technical competences of SME owner-managers. 	

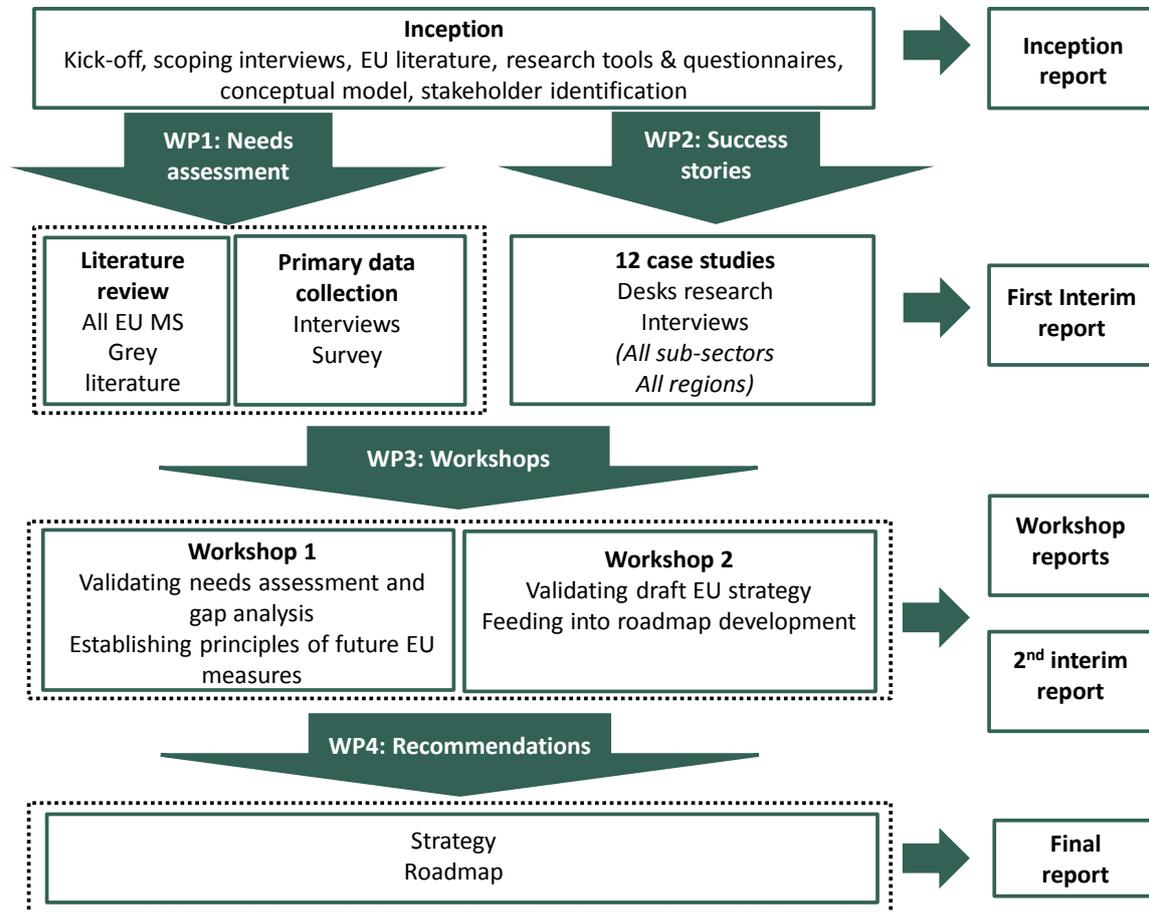
Source: European Commission (2015), Support to SMEs - Increasing Research and Innovation in SMEs and SME Development, Work Package 2. First Intermediate Report authored by CSIL and CSES for DG REGIO. The table is based on Reason and Mughan (2002), Uyarra and Ramlogan (2012) (*Compendium of Evidence on the Effectiveness of Innovation Policy Intervention*), OECD (2009), Lis et al (2012), Spring Singapore (2011), Fernández and Nieto (2006), Autio et al (2007), J.M.P. de Kok et al (2013), Brown et al (2014), Simon, Hermann (1996, 2009), Audretsch (2015)-, KPMG and ENSR (2003), Harris and Trainor (2005), OECD (2015), EIB (2015), Brandsma et al (2011), CSES (2011), Ramboll (2010), Mole et al (2008), Shapira and Youtie (2013) (*Compendium of Evidence on the Effectiveness of Innovation Policy Intervention*), EIM Business & Policy Research et al (2011), Jones and Grimshaw (2012) (*Compendium of Evidence on the Effectiveness of Innovation Policy Intervention*), CSES (2011)

This study takes the above contextual information as a starting point to engage directly with construction SMES across Europe, their representatives, public support providers and other relevant stakeholders to identify whether, and to what extent, the EU could play a role in fostering internationalisation efforts of construction SMEs.

2. RESEARCH METHODOLOGY

The following figure presents the overall framework of the study:

Figure 11: Overall framework of the study



As the figure shows, the study is based on a combination of primary and secondary research including:

- A Computer Aided Telephone Interview (CATI) survey of construction sector SMEs (n=113) that have exported, including to destinations outside the EU targeted by this study,
- Interviews with industry associations and other representatives (e.g. clusters), companies in the affected sectors and public authorities,
- 12 case studies (success stories)

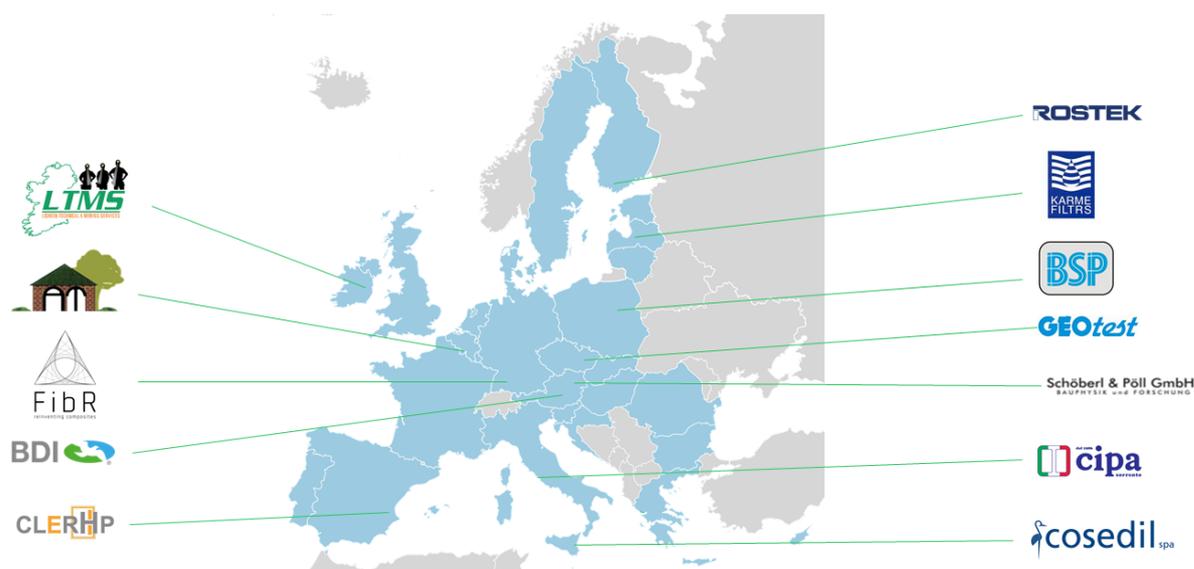
The following table presents a breakdown of the stakeholder interviews.

Figure 12: Interviews carried out

Stakeholders	Interviews
EU-level industry associations	10
EU-level support organisations	10
Industry associations (national)	24
MS-level export support organisations	18
Regional support organisations	10
Investment promotion agencies	5
Cluster organisations	20
SME interviews	30
Large international contractors	5
Success stories	12
Totals	144

The case studies covered the following companies based on a long-list of 56 initial companies.

Figure 13: Selected case studies



All primary research tools, a bibliography and a comprehensive survey analysis are included in the annexes to this report.

The objective of this study is to provide policymakers with a view of issues to be considered in supporting SMEs that want to internationalise. Thus the research effort was aimed at drawing a picture of the current situation in terms of the needs of the heterogeneous group of SMEs in the construction sector (as defined for the purposes of this project), developing an overview of the different types of support that exist already, enriched by in-depth examples of SMEs that managed to internationalise successfully (with or without public support). Based on this qualitative information and stakeholder perceptions, the study develops an analysis of the support gaps identified before narrowing this down to those areas where a more active role could be played.

3. CONSTRUCTION SME NEEDS

This chapter reports the needs of construction SMEs that want to internationalise, as identified through interviews, survey, literature reviews and case studies. The second part of the chapter summarises what the key success factors for internationalisation are.

These needs are identified in the course of considering the factors driving them to internationalise, the ways (modes) in which they internationalise, and the internal and external challenges they face in the process.

The majority of SMEs, not to mention construction SMEs, do not pursue internationalisation as a business aim. It is also worth noting that different EU countries' SMEs have different propensities to internationalise.³⁰ Flash Eurobarometer 421³¹ indicates that very few of those SMEs (overall) not actively exporting intend to do so, and 74% that have not exported in the last three years think they will never do so. Furthermore, the recent study on cross-border trade of construction products³² found that SMEs operating in the sector are generally not highly involved in cross border trade, both within and outside the EU.

3.1 Drivers of internationalisation³³

Construction SMEs do internationalise for a number of reasons – or drivers – and these drivers determine what their needs are while going through the internationalisation process. In the course of our research (desk research, literature review, interviews) the following drivers for internationalisation were identified: international construction cycles, domestic business cycles/ conditions, following existing clients, requests from new foreign clients, the need for business growth, being 'born global' – specialist niche suppliers, and serendipity.

In addition, the survey responses indicate that the strongest drivers for internationalisation (multiple responses allowed) were responding to being alerted to an opportunity (61.1%), the need for revenue/ profit (53.1%), and following a customer (47.8%). Of course, the internationalisation decision is complex and more than one of these factors would more than likely have played a role. These will now be discussed in turn, based on survey responses and interview feedback.

³⁰ See BPI France, British Business Bank, Cassa Depositi e Prestiti SpA (CDP), Instituto de Crédito Oficial (ICO) and KfW Bankengruppe (KfW) (2018); France, Germany, Italy, Spain and the United Kingdom: Internationalisation of European SMEs – Taking Stock and Moving Ahead

³¹ Internationalisation of Small and Medium-sized Enterprises (2015)

³² European Commission, DG GROW (2017); Cross-border trade for construction products, Brussels

³³ For a review of literature on drivers of internationalisation, see Ares (2014) 31681470 26/09/2914; Background Report on EU Competitiveness Report: Drivers of SME internationalisation: Implications for Growth and Competitiveness, p.14

Figure 14: Drivers of internationalisation

Drivers for internationalisation	N°
Alerted to an opportunity	69
Need for revenue/ profit	60
Followed a customer	54
A new internal initiative	42
Domestic business cycle downswing	34
Followed competitors	29
Other	16

Source: CATI³⁴ survey (N=113) conducted for this study (see section 2 p.35 and Annex 2)

The underlying business needs in question are not the same for all these drivers, so each will be looked at in turn to identify specific issues.

▪ **Alerted to an opportunity: requests from new foreign clients**

Once a product or service becomes known in a domestic or regional market and gets a reputation for being competitive, it can generate international interest (e.g. after being presented at a trade show). As a result, commercial representatives or clients might approach the company with a view to either acquiring it directly or to represent the company in its territories through a marketing agreement of some nature (e.g. as an agent, distributor, stockist, local service provider, or manufacture under licence).

One success story company (Rostek) illustrates this situation very well. Rostek developed equipment for cleaning the exterior of modern high-rise buildings for its domestic market and then as it looked further abroad its reputation spread and gradually clients and intermediaries from markets came looking for its products and either wanted to use them or wanted to market them in their territory. The challenge became one of selecting the best and most appropriate offers in view of the company's objectives. Other instances of companies following up on requests from abroad for their products/ services as a route to internationalising include Schöberl & Pöll GmbH or LTMS Limited.

The survey results (61.1%) indicate that this is the major driver for internationalisation among companies that responded to being alerted to such opportunities. While it does appear that this is a very good way to internationalise, in reality some very basic issues still remain. Difficult decisions need to be taken: is the market really of interest or is this an opportunistic initiative that will distract from longer term plans and waste company resources? Should other markets or regions not be prioritised? Or will it be a useful market entry or learning experience? Is the person/ organisation approaching the company the most suitable? Are there not better people or organisations to work with? If the market grows, does the business have the capacity to supply? In addition, a host of other questions may arise relating to IP protection, taxation, liability, etc. that need to be considered before decisions can be made.

So clearly, while it is a useful initial piece of intelligence – that there is a demand for the product or service – the enterprise still has a need to find out a great deal more before it decides to follow this route.

³⁴ CATI – computer aided telephone interview

▪ The need for revenue/ profit

There are instances when there is a major need for revenue and profitability. While in a sense this is a general driver of for any profit-oriented enterprise, there are also instances when this this is of particular importance from the point of view of offensive or defensive strategies. From a defensive point of view this could be for example to maintain the business's independence; from an offensive point of view it could mean the need for revenue growth to support investment expenditures.

As a specific instance of the need for business growth, it is worth highlighting the case of 'born global' businesses. Some businesses are very highly specialised, and their domestic markets will not be able to provide enough revenue to ensure survival, growth and development. Businesses may be based on single products, such as, by way of example, 'sleeping pods' for passengers at airports with long waits between flights or with flight delays,³⁵ or providers of very high value-added planning services where even a large economy such as Germany on its own cannot provide enough business. For such companies with strong products or brands, international franchising is also an option. But internationalisation is an imperative for them.

Quite a few of the success stories provide instances of such businesses. These include Appro-Techno, whose products are particularly designed for use in Africa; based in Austria, BDI-BioEnergy International GmbH needed to expand as the Austrian market was not large enough for it to survive in that market alone; FibR GmbH is a highly specialised start-up producing that needs a larger market than exists just in Germany; and, LTMS Limited was born in the ashes of a domestic market closure and internationalising was the only imperative.

▪ Followed a customer

Following clients is a generally tried and tested way of 'soft' internationalisation. Survey responses indicate that this has been a driver for nearly half of the respondents (47.8%). Typical instances of this route include the following:

- Some SMEs follow the tenders financed by the bilateral development agencies, such as AFD or KfW, or multilateral development agencies, such as the World Bank, regional development banks or the EIB. One respondent indicated that while generally it is unusual for SMEs to internationalise - there has been a certain level of interest in the past linked to this route, but that this now seems to be declining.
- The case of GEOtest, a Czech-based company illustrates that despite having world-class technology, for a range of reasons related to bidding processes for international (non-EU) projects, as set out more detail in the case study, it is increasingly difficult for SMEs like them to compete successfully in this market as independents.
- SMEs may also become part of a large contractor's supply chain. This would probably be based on providing specialist services such as for example earthquake resistant foundations for hospitals, or pumping stations for dams. In some instances, the SME and the contractor would have developed a long term strategic relationship, working together on supply chain initiatives such as cost reduction or technology development. An example is where a SME provides high quality exclusive interiors for shops or apartment buildings to a globally branded supplier who wants to take the SME with

³⁵ <https://gosleep.fi/>

them when venturing abroad to ensure consistency of the brand in terms of appearance and quality. In other instances, the relationship may be purely transactional, for a one-off project. As one survey respondent put it: "Our German customer has internationalised and accordingly we are following. In principle, one can say that we would not have come to the contacts if that would not have been so desired and forced by our German customers".

- One regional support organisation said that for companies from his region to go abroad it would almost certainly have to be on request of a customer that knows their high value product/ service (in terms of niche and quality) and wants it, as they will not be price competitive in open bids in other parts of the world.

This route has advantages and disadvantages for the SME. Advantages are that it provides a 'cocoon' or umbrella that protects the SME from many of the challenges of working abroad in unfamiliar environments. Large enterprises can carry most of the risk – such as for example for liability insurance for dams, bridges or power stations - much more than SMEs can. The large enterprise customer will usually also take care of administrative issues such as helping with residence permits, recruiting local staff, accommodation, regulatory compliance, taxes, and getting paid. The large enterprise can also act as a barrier to local business practices that are incompatible with OECD norms (e.g. bribery) if necessary. Also, it will reduce the price sensitivity of the project.

On the other hand, it may provide a false sense of security and mean that the SME does not learn about and interact with the local market directly, which means that if there was an intention to remain behind and continue with its presence in that market, those barriers would still have to be breached. It can be very hard to become part of a domestic value chain, and unless time was used to develop linkages with local partners through which it can transfer special capabilities or niche outputs, the SME can find itself ejected by local competitors and in a situation where it must start from scratch. Lack of understanding of the local business culture can also mean entering into contracts that create major problems.

▪ A new internal initiative

A SME may be providing a good product or service in its domestic market and then decide that for further growth it needs to access new foreign markets. This usually requires development of a robust strategy and implementation plan. In reality, developing a systematic, structured plan of this type and then keeping to it is quite a challenging exercise for smaller enterprises.

Generally, the SME will first approach markets that are closest in terms of culture and ways of doing business and present most interesting business opportunities. This is a low risk incremental approach. However, once the most obvious candidate markets have been entered, more distant and higher risk markets need to be approached. Some 37.2% of survey respondents identified this as a driver for their internationalisation activities.

SMEs may also base their market selection on unique capabilities, such as being able to access 'difficult' markets, for example, through long standing contacts with buyers in former Soviet territories such as Uzbekistan and Kazakhstan, based also on familiarity with doing business in such areas where other EU suppliers would be less likely to venture. *This was a factor in the success of Karne Filtrs.*

In some instances this type of strategy would be driven by a senior manager, or a management group or the board, but in others it may be very much the result of the commitment of an individual, often the owner, to specific markets, and not necessarily always related to 'economic' factors. These could be, for example, family related, or a deep personal interest in some regions in the world. This is also a factor in the selection of markets that are not more than 1.5 hours' flight away for the SME internationalisation initiatives of ANCE, so as to minimise time lost by key individuals in travel.

In the case of micro and small enterprises, the initiative may be quite high risk as it is often dependent on the presence, skills, capabilities, and commitment of one individual.

▪ Domestic business cycle downswings.

From a domestic point of view, the construction industry is a leading indicator of change in economic activity. During the years following the crisis of 2008 and its subsequent unfolding, one of the construction industry's responses was to look increasingly to non-EU markets. Some 30.1% of survey respondents indicated that this was in fact a driver for them to seek markets outside the EU. Some countries' construction sectors have been highly successful in this respect. However, in recent years, there has been an upswing in EU construction activity reflecting the improvement in economic conditions in some EU countries. As a result, rather than looking outside the EU, many interviewees have indicated that the main concerns for their domestic construction sector lie in the shortage of trained staff and construction materials to meet existing and expected future domestic demand levels. Of course, this is not true to the same extent in all EU countries, and for many businesses those foreign markets – including those that are the subject of this study, are still very important. This type of response does however pose a challenge for those designing internationalisation support instruments if it means that some way through the implementation of a programme interest may fall away due to improved domestic conditions with lower risks and more certain returns.

With regard to the impact of domestic business conditions, while the survey suggested that they had a not insignificant impact among respondents as a driver to internationalise, the interviews suggested that they did not always provide an opportunity to intervene. Thus, while most Member State governments actively encourage and support construction SME internationalisation initiatives, especially if they are scaleable, a few examples illustrate the reluctance of SMEs to move internationally in pursuit of market opportunities, even in a weak economic climate, and suggest the scope of the challenge faced by the public sector in encouraging and supporting SMEs to internationalise outside of the EU in response to weak domestic markets.

- In a minority of countries the view was held that the focus of policy should not be on internationalisation, but rather on strengthening the domestic industry and supply chain, as opposed to venturing to high risk 'exotic' markets.
- As far as enterprises are concerned, there are examples of reluctance to move abroad even within low-risk EU markets. For example, one French cluster organisation organised contacts between companies in Northern France and the Greater London Area due to strong demand for construction in Greater London as there was an opportunity for bringing in companies (SMEs) from France rather than further afield in South Eastern Europe. But the French companies that were part of the cluster were not interested in following up on those opportunities and suppliers were obtained from South and Eastern Europe as before. The cluster manager said they were not even interested in "low hanging fruit".

- In Austria two construction industry organisations interviewed indicated they had either no export support unit or closed their export support unit due to lack of demand for support for projects outside the EU, and refer any enquiries that may occur to the Foreign Chamber (WKO). Bulgarian enterprises tend to focus on local/ Balkan activities, but if they do look outside the EU, they tend to build on relationships developed during the Soviet era. In Denmark the focus of the industry is domestic, and if international activities are undertaken, that is usually on request of a client based in near proximity e.g. Germany, seeking a highly specialised product or service. One cluster manager suggested that for SMEs, internationalisation is often a 'plan B': if the company is not very successful domestically – or internationalisation only becomes an option if the company has grown sufficiently so that scaling up is the next logical step in growth.
- Some data relating to architects' views on working outside their domestic market demonstrate variations within the profession between countries (see the box below).³⁶ Among consulting engineers, 95% have 10-20 employees, and they tend to be very country focused, with little ambition to go abroad.

Figure 15: Orientation to internationalisation among Architects in Europe

Some 70% of architectural enterprises are single person businesses, and 96% employ less than 50 people. There are some significant national differences in orientation towards internationalisation within the profession. For example, according to the 2016 edition of the *Architects Profession in Europe*, a survey found that among concerns about working in another country, the greatest concerns related to practical, relocation or personal issues (average score for the EU in 2016 was 46), with Denmark registering the highest score on the issue at 72, followed by Italy at 68.³⁷ The lowest levels were registered by Lithuania (18) and Spain (25). Other key issues included insufficient knowledge of planning and building regulations, with an EU average score of 38 (ranging from 61 for Czechs to 16 for Swedes), and insufficient language skills at 36 for the EU average. There were also wide variations in the shares of revenue derived from EU and non-EU sources, with the highest non-EU sources from Bulgaria (13.5%), Portugal (11.5%) and Cyprus (11.4%), compared to 0% for Estonia and Malta, 0.1% for Poland and 0.3% for Slovakia.

However, despite having raised the provisos above, the survey found that a substantial share of respondents did see internationalisation as a way to escape from local or domestic markets which have problems. We have also identified several such instances in this study in the course of interviews with SMEs from Ireland, Portugal, Spain and Italy. Usually in such instances companies will target those markets that offer opportunity but are closest in terms of cultural proximity, which explains why for example Spanish and Portuguese construction companies have targeted Latin America.

In addition, even when they can speak the language there are often major business challenges, and throughout a continent as vast as South America there are often major differences between countries bordering each other. SMEs that have internationalised successfully have told us about their experiences with differences that can relate to building regulations, tariffs on imported machinery (e.g. new as opposed to used), ease of obtaining residence permits for key staff, double taxation

³⁶ Architects Council of Europe (2017): *Architects Profession in Europe*

³⁷ Architects Council of Europe (2017): *Architects Profession in Europe*, tables 3.6 and 3.7

agreements, repatriation of profits, getting currency, etc. Thus, for companies with a high cost base and no other competitive advantages compared to domestic providers in the destination markets, it is unlikely that internationalisation of this type will be successful or sustainable in the longer term.

One company provides an example of how, despite all the challenges involved, the drive to escape local economic conditions was successfully carried out. In the case of CLERHP ESTRUCTURAS, the goal to internationalise was defined at the set-up of the company. Most of the people active in the setup of CLERHP previously worked for companies that closed because of the crisis. Therefore, the aim was to expand business outside of the EU. The Latin American market offered multiple opportunities for the company. Others that were similarly driven abroad by domestic circumstances were CIPA and Cosedil.

Lessons have been learnt also in terms making too rapid and opportunistic decisions to enter such markets in an attempt to get away from weak domestic economic circumstances. For instance, some companies have reported major losses due to inexperience of contracting with foreign public sector organisations. Unwise decisions to internationalise with a view to escaping a weak domestic market may lead to the ultimate demise of an enterprise.

When circumstances change in the domestic economy, it may also mean that international markets or efforts to establish in such markets are neglected as a result, and they may ultimately be abandoned.

▪ Following competitors

Following competitors was the least mentioned driver for internationalisation in the survey at 25.7%. It was not mentioned specifically during the interview programme either.

However, it is not surprising that it is so low in one respect, which is that in oligopolistic industries dominated by a few major companies following competitors plays a an important part for those large firms. Clearly SMEs don't watch their rivals as closely, although in some niche markets that may be the case.

▪ International business and construction cycles and opportunities³⁸

Internationalisation initiatives are often allied to swings in economic cycles abroad. An often-quoted example from the international arena is the case of the waves of building and re-building in the oil-rich Arab countries where there was a petrol-price related boom in construction during the 1970's, then another boom during the 1990's to rebuild, and after 2000 a further boom in demand for increasingly sophisticated construction goods and services as those economies matured. There have also been construction booms related to developments in China, Russia, ups and downs in Latin America and post-war reconstruction in the Balkans and other countries affected by war such as Iraq.

One of the success stories (Rostek, see Annex A.4) illustrates such an instance and its unexpected impact. The original trigger for them to expand outside Finland was the economic crisis in the early 1990s that widely affected the Nordic countries. When their main supplier from Norway struggled due to financial pressures, and

³⁸ The importance of international cycles in the construction industry only became clear after after the survey had been launched and was well under way. However, even though it was not included as an option in the survey, it was considered of sufficient importance to mention it separately as a driver of internationalisation for construction SMEs.

could no longer supply them, Rostek started to manufacture their supplier's products locally in Finland and then through existing contacts successfully established a business partnership with an enterprise in Germany, which launched their export growth path.

▪ Other

The role of chance, coincidence or luck, was quite often mentioned during the interviews with SMEs. One such an example was of a playground construction company that impressed the wife of a diplomat (whose children played at the playground) from an Arab state based in the country so much that she insisted the business also sets up in her country when the posting ended, and helped the business to develop and grow there. While this can be considered a form of soft internationalisation, enterprises still need to think if their original market would be put in the second place before accepting such proposals. For example, the owner of the business mentioned had, for practical purposes, to live there for some years before the business was soundly established.

The success stories – drivers for internationalisation

When comparing the drivers for the internationalisation of the 12 success-stories, some general trends become obvious:

- An (unfavourable) economic domestic situation triggered the internationalisation of four of the success-stories. While for Rostek this was the Nordic economic crisis in the early 1990s, it was the economic crisis starting in 2008 that triggered the internationalisation of the Spanish and Italian success-stories.
- Some other companies were "born global", meaning that they focused on internationalisation since their establishment, either because their product/service was tailored to a specific third market (Appro-techno), because they were established in view of working with a specific client in a third country (LTMS) or because their product needed the global market to be competitive (BDI-BioEnergy). The FibR GmbH is another example of this kind of internationaliser.
- The other companies first established in their domestic market and later internationalised, following opportunities in third markets (BSP, GEOtest, Karme Filtrs, Schöberl & Pöll).

Despite different drivers for internationalisation, all companies have in common that they had not developed a fully-fledged internationalisation strategy at the beginning of their internationalisation process nor was following a competitor.

The table below summarises SME needs identified in the previous paragraphs.

Figure 16: Challenges for different internationalisation drivers

Driver	Challenges
Alerted to an opportunity	Which should be followed up on? How should they be prioritised – what are the criteria for selection based on the capabilities of the SME and the risks/ potential in the market?

Driver	Challenges
The need for revenue/ profit	Is the SME ready (staff, management, finances) for taking this next step? How does it prepare itself, identify and select and access opportunities – and engage with those markets in the long term for long term growth and returns?
Followed a customer	What are the risks involved for the SME? How can risks be identified and minimised? How can this become a platform for future international growth?
A new internal initiative	How well prepared is the SME as a whole – is it dependent on one employee for this initiative, or the owner-manager? What are the opportunity costs? The risks? Is the SME ready (staff, management, finances) for taking this next step? How does it prepare itself, identify and select and access opportunities – and engage with those markets in the long term for long term growth and returns?
Domestic business cycle downswing.	Does the SME have the financial and human resources strength required to pursue opportunities in foreign markets – even if the local/ domestic market improves? If not, how can it be improved (if at all)? Which countries/ markets should be pursued? How can those markets be accessed?
International construction cycles and opportunities	Which markets are realistically most worth pursuing? When will the cycles come to an end? What is required for the SME to able to pursue opportunities in those markets – with a realistic prospect of a positive return? What are the operational specificities of those markets that have to be considered?
Following competitors	Are there specific circumstances in the market that would also be relevant for another enterprise – is there room in the market? What kind of competitive response might be expected?
Other	Should the opportunity be followed up? Is the enterprise in a position to exploit the opportunity?

3.2 Modes of internationalisation

How SMEs internationalise is also an indicator of their needs. The range of modes of internationalisation is listed in figure 17.³⁹ Each of these modes reflects a different level of commitment by the SME to the market in question and has advantages and disadvantages. The selection of modes will vary and evolve with the changing dynamics of the markets. A given SME could at a given moment have several modes in operation in different countries, as is the case for example at Rostek and Bracket Systems Polska.

Different modes of internationalisation have different implications for the type of support required by companies wishing to internationalise successfully. For those using export direct to customers, a full range of support may be needed: from identifying customers, to understanding the markets, the way of doing business, rules, regulations, export documentation, shipping or insurance, etc. In such a

³⁹ Based on EIM (2015) Internationalisation of European SMEs, Final Report, European Commission, Directorate-General for Enterprise and Industry, Annex IV and figure 2.1

situation the company takes a large part of the export value chain under its control and has to learn how to deal with those customers in the specific markets in question.

If the enterprise uses a local agent or partner, the agent or partner can provide substantial support in the market, in for example dealing with local rules and regulations, and also in finding new customers. However, the EU company may still require some specific in-country support related to for example, legal issues, where it wants independent advice. Cosedil for example makes a point of using the Italian Embassy for such support.

As soon as the mode moves over to a higher level of commitment such as local set-up of an office, local manufacture or direct investment and joint ventures, it is usually the case that public sector organisations in the destination country, such as inward investment promotion agencies, could provide establishment support as then the business would be seen as an inward investor. India has, for example, recently changed its approach to attracting inward investment in the construction industry which should make that market easier to access by EU enterprises. A key factor in driving setting up a local manufacturing presence might be transport costs, where it is expensive to ship heavy or bulky products. Other factors might be tariffs, duties, or local content requirements, or the requirement to partner with a domestic enterprise. It is in the interest of the EU to also provide advice to its enterprises venturing abroad about the pros and cons of such arrangements.

A further mode not specifically mentioned, and possibly unique to the construction industry, was identified in the course of the interview program. This might be called "cross-border order processing", or service exports, as it includes both the export of services and products. Construction SMEs often do not sell just a product, but may also provide assembly services as well. It is this expertise which is also exported. In such instances it is rare for a company to set up a local office or co-operate with a local firm through a joint venture. In this instance, the company would receive an order, send its staff to complete the order, and they return when the project is completed. As mentioned in 3.1, the success stories provide several instances of such internationalisation, for example Cosedil S.p.A. when it moved into the markets of Albania and Kosovo or Schöberl & Pöll GmbH when it started operating in China.

Survey responses (see figure 8) indicate the high prevalence of the use of exporting and local agents/ partners as modes for internationalisation. This often requires extensive search and relationship building to identify a trustworthy partner with compatible business goals. However, the risks are less than in the case of setting up local offices, local manufacture, joint ventures and other forms of foreign direct investment which can be costly and by committing capital lead to reduced flexibility in the event of changes in markets. These are not usually realistic options for small and micro enterprises, and a low share usually ends up doing that.

Figure 17: What mode(s) of internationalisation have you adopted?

Modes	Nº
Export	81
Use of a local agent/ partner	56
Local office set-up	26
Local manufacturer	18
Joint ventures	15
Foreign direct investment	12
Equity/ non-equity arrangements	6
Other	11

Source: CATI survey (N=113) conducted for this study (see section 2 p.35 and Annex 2).

Modes of internationalisation – the success stories

The most popular mode of internationalisation chosen by the success-stories was the use of local agents or local partners. Some companies, mostly those with more than 50 employees, also set-up local offices in third countries whereas the micro and small success-stories more often chose to work with experienced partners.

Some of the success-stories were already highly specialised in a niche market before they started internationalising (e.g. CIPA, Cosedil Spa, Schöberl & Pöll). In the case of Schöberl & Pöll, the company was proactively approached by its later business partner in China, which was looking for a European specialist and had noticed Schöberl & Pöll's previous work in Europe.

Figure 18: Support needs for different modes of internationalisation

Mode	Types of support
Export	Identify opportunities/ target country, agent/ distributor, enforcement of contracts, payment, IP protection, etc.
Use of a local agent/ partner	Identify local partners, enforcement of contracts, payment terms, IP protection, etc.
Local office set-up	Find space, recruit staff, understand regulations, need for local support, etc.
Local manufacture	Find space, recruit staff, understand regulations, need for local support, etc.
Joint ventures	Identify JV partner, find space, recruit staff, understand regulations, need for local support, etc.
Foreign direct investment	Find space, recruit staff, understand regulations, need for local support, etc.
Equity/ non-equity arrangements	Manufacture under licence – find partner, agree royalties, monitor payment, etc.

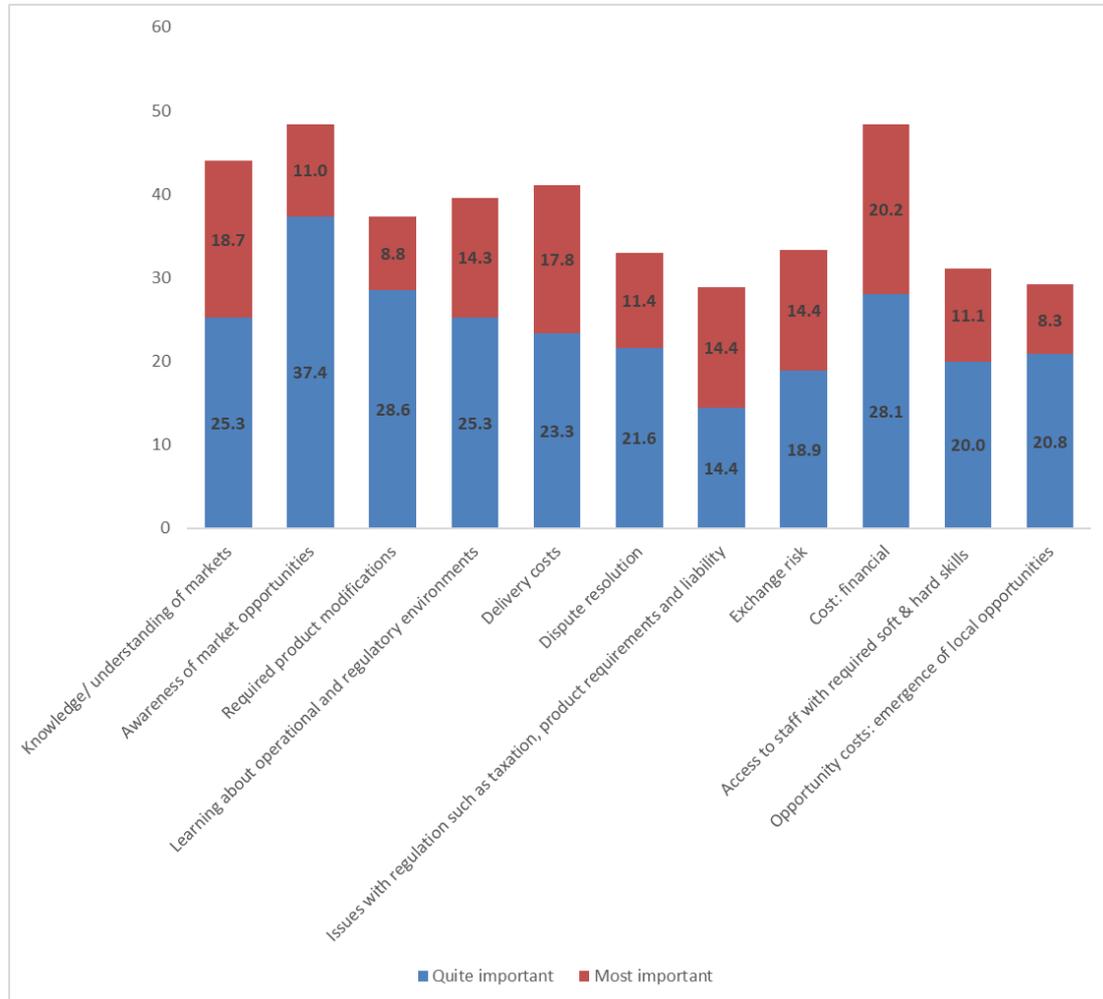
3.3 Challenges of internationalisation

Once enterprises decide to internationalise, they can be confronted by a range of internal (within the enterprise) and external (in the enterprise's environment) challenges. The specific challenges vary in terms of the subsectors involved and the drivers and modes of internationalisation in question.

Internal challenges

The online survey listed a wide range of challenges, and asked respondents to rate these in terms of most serious (1) to least serious (5)

Figure 19: Share of respondents who indicated that they faced specific internal challenges during the internationalisation process? (% saying each challenge was either “quite important” or “most important”)



Source: CATI survey (N=113) conducted for this study (see section 2 p.35 and Annex 2).

Challenges are widely spread across a broad range of issues. A key point is that the variation between the various challenges is not great. The reality is that these SMEs are challenged on a wide front when it comes to exporting and other forms of internationalisation. These challenges do not differ materially from those identified in generic (non-sector specific) surveys of SMEs.⁴⁰ However it needs to be cautioned against making too direct comparisons between different surveys as they are not usually directly comparable. For example, most surveys tend to focus on exports, whereas this survey also included other modes for internationalisation.

⁴⁰ Flash Eurobarometer 421, internationalisation of SMEs, p.13 although it should be noted that the Eurobarometer data refer specifically to exporting. See also the results in BPI France, British Business Bank, Cassa Depositi e Prestiti SpA (CDP), Instituto de Crédito Oficial (ICO) and KfW Bankengruppe (KfW) (2018); France, Germany, Italy, Spain and the United Kingdom: Internationalisation of European SMEs – Taking Stock and Moving Ahead, where results are provided on a country basis, p.22, 36, 47, 56, 63 and 72, although again these deal with exports.

Also, none of the generic SME surveys identified included a question about opportunity costs that may arise from pursuing export markets while local opportunities may come to the fore is raised. This reflects the situation in the EU economy at the time of the survey as the EU economy was moving into an upswing after some years of subdued activity. Other important internal barriers/ challenges include awareness of market opportunities, understanding of markets, and various costs (delivery, financial – such as debt).

During the consultations and interviews the following issues were highlighted as important internal barriers:

- Lack of awareness of opportunities
- Costs related to market entry and establishing in the market
- High risks with uncertain rewards
- Orientation of employees (preparedness) to work in foreign countries
- Suitable (knowledgeable) marketing staff
- Capacity to supply foreign markets
- Opportunity costs (in terms of using resources in the local/ domestic market)

These issues are particularly acute for smaller enterprises. Support providers often pointed out that in many instances the SMEs 'don't know what they don't know' e.g. regarding intellectual property (IP - loss of, and theft), taxes due and timing of payment (e.g. on arrival, or if kept in-bond), ability to repatriate earnings, and availability of foreign exchange even if it is possible to repatriate earnings, etc.

Challenges faced by success story companies

Although the success-stories have operated in different third country markets, the challenges they have been faced with are very comparable. These challenges can be sub-divided into internal (with the enterprise) and external (in the enterprise's environment) ones.

The major **internal challenges** these twelve companies faced when internationalising were a lack of awareness of business opportunities and the costs related to market entry and establishing in the market. For example, FibR GmbH indicated that it is very cumbersome for a small and young company to constantly look for new business opportunities in third markets. The costs related to market entry are especially a challenge if projects need to be planned over a long-time horizon with many uncertainties included. If an SME is not experienced in international projects, this becomes an even more significant challenge. A further key challenge was the question of senior management/ owner time in micro- and small firms. The severe time pressure faced by such people is what led the ANCE support program (see below) to limit target countries to those that can be accessed through a 1.5 hour flight so that they market can be visited (there and back) in a day.

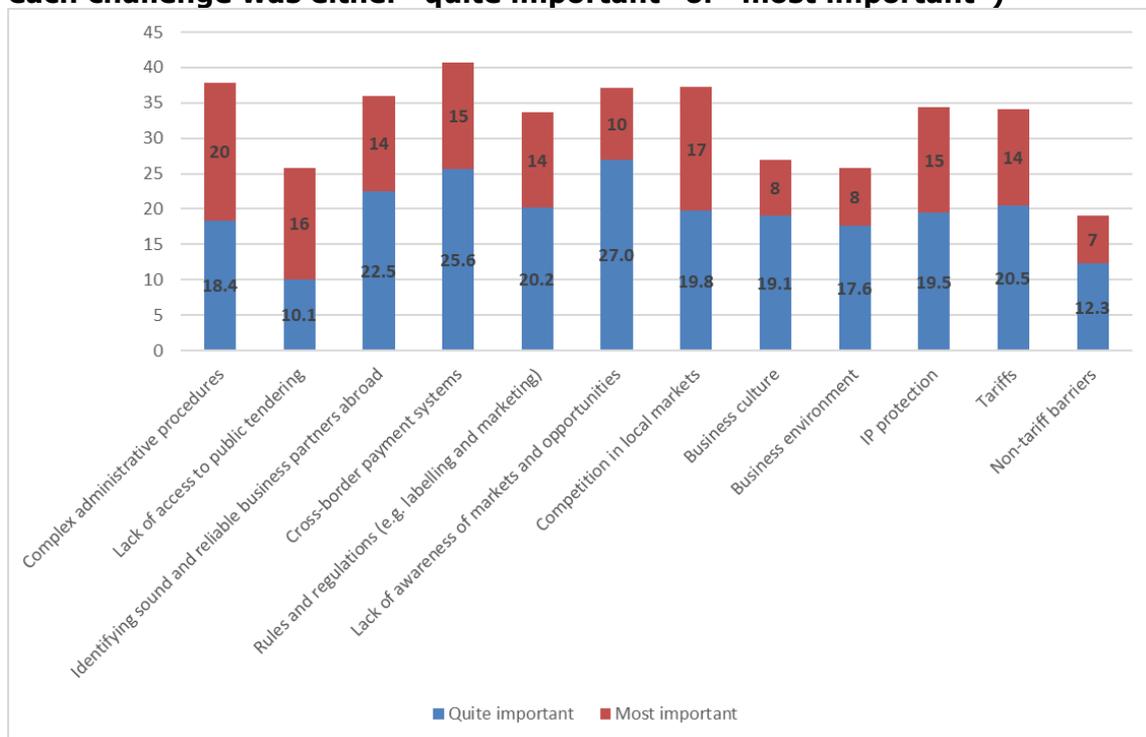
However, most challenges mentioned by success-stories were **external challenges**. The most frequently mentioned challenge was the regulatory framework, which created additional barriers for instance to set up local offices or to bring foreign workforce into the country. Different business cultures and the language barrier were mentioned as significant challenges as well. Another major challenge was access to financing, especially if it is not directly project-related, but serves rather to conduct market research or to make long-term investments. The access to public tendering was also challenging for some companies who argued that the existing public tendering system often favours local and multinational companies. Other challenges reported were the establishment of local networks/partners and the competition with companies from other non-EU

countries, notably from China and India. Companies indicated that the different business culture becomes less of a challenge the more experienced companies are in these countries

External challenges

The survey results regarding external challenges to internationalisation, as in the case of internal challenges, fall in quite a narrow range and do not point at any specific issue that dominates. The findings also correspond broadly to the results of generic SMEs surveys. It needs to be pointed out though that in none of the generic SME surveys identified the question about the strength of local competition is asked. As in the case of internal challenges, the conclusion is that SMEs are confronted by a plethora of challenges, all of which impact the SME's ability to internationalise.

Figure 20: Share of respondents who indicated that they faced specific external challenges during the internationalisation process? (% saying each challenge was either "quite important" or "most important")



Source: CATI survey (N=113) conducted for this study (see section 2 p.35 and Annex 2).

External challenges could also be grouped in terms of those identified as relating to the region in question, and specific horizontal issues. Regarding the regions in question, interviewees have pointed out the following challenging factors, with the proviso that there are differences between individual countries within regions. Some recurring themes are listed and discussed below. However, it must be pointed out that this is based on perceptions and anecdotal evidence, not robust data.

Figure 21: Perceptions of main challenges in different destination markets

Latin America	Asia	Mid-East	ACP	Balkans
Business culture	Business culture	Corruption	Business culture	Business culture
Corruption	Corruption	Business culture	Corruption	Corruption
Language/culture	Chinese competition	Need for a partner/sponsor	Chinese competition	Staff skills
Regulations	IP	Security	Security	
	Market access (China)	Timing of remuneration		

The effect of these factors could impact SMEs from EU countries differently. Some discussion of the challenges and what they could mean for the construction businesses in question follows.

Business cultures differ widely between areas, and one risk reducing option companies follow given the importance of **language and culture** is to orient their activities towards countries with the culture closest to theirs. This has an important effect on internationalisation choices (unless driven by unique product or service characteristics). For example, French companies tend towards North and West Africa (e.g. Appro-techno) and the Far East, those from the Iberian Peninsula towards Latin America (e.g. CLERHP Estructuras), and Italian and German companies prioritise closer areas such as the Balkans (e.g. Cipa S.p.A and Cosedil S.p.A) and English-speaking countries. Large enterprises can afford to buy a local business and obtain a footprint almost anywhere.

However internationalising enterprises often find that although there might be linguistic and cultural similarities between their culture and that of a linguistically close country, the way of doing business can differ markedly. Therefore there is usually the need for a local person, on the spot, to answer questions and deal with issues. This can involve for example making sense of local planning law, dealing with legislation on importation of machinery, or appointment/ recruiting of local contractors and staff.

One factor that is rather common to all these regions relates to practices described in the EU/ OECD countries as **corrupt**: buying access to decision-makers and winning bids by such preferential treatment, rather than the inherent value of the bids in question and includes bribery, facilitation payments to expedite projects,

embezzlement, kickbacks and fraud.⁴¹ This may also involve having to make payments after a contract has been awarded to ensure its continuation. This practice can create major hurdles for EU SMEs when competitors are not constrained by EU/ OECD codes of practice.

Dealing with issues related to remuneration is a recurring theme in most regions. However, in some areas it was considered a major issue. For example, there was anecdotal evidence that contractors must insist on large up-front payments from clients in the expectation that they would never get the full price. In some countries, even if the client pays, there may be hold-ups related to currency rationing. All these factors can materially influence the cash-flow in construction and construction-related products.

Access to public tendering can be difficult for independent foreign SMEs. Invariably this needs to be done through a local partner who also understands the language and bidding/ contracting procedures. Contracting can also be complex, possibly binding the parent EU company to onerous commitments and penalties.

Finding a **local partner and establishing local networks** can be very challenging. Having the right local partner, whether a commission agent, a dealer, a local value-added partner, a joint venture partner or for making a foreign direct investment, is a critical success factor. There needs to be a very high level of mutual trust between the parties involved, they need to share similar business philosophy and ethics, in addition to a joint business plan. The local partner needs to act as a guide to the EU business regarding business culture, open doors, and introduce them to services suppliers, access to markets, practical sources of advice such as when tax needs to be paid, and relating to import processes, recruitment, residence permits, etc. in addition to helping with marketing and sales. And of course, the larger the role of the partner, the greater the share of profits they will expect. Then there is also the threat that a local partner will develop the business and then walk away with it. This is not an unusual occurrence. Mutual trust is essential for establishing a solid sustainable partnership. This requires shared business ethics.

A **wide range** of other specific challenges exists at all levels of business activity. These include charge out rates for work done by EU-based professionals, where the hourly rate for example for an architect in Denmark cannot compare with that for work carried out in Mozambique. If an architectural firm wins an international competition, they might not want to get involved in carrying out the work on the location. SMEs are often not aware of the IP threats that they are facing in these target market areas. This includes patents but also design and copyright, where companies have been known to have had to create a whole new corporate identity as theirs has been stolen by a competitor in the target market. It is often the case that they don't know what they don't know and IP advisors at regional and national level need to take them through a thorough training process.

Regulations are complex and vary between countries, and within countries and even between municipalities. Often, they are only available in the national language and there is not a ready guide to their interpretation. For example, where sharia law exists, precedent or common law does not figure, creating challenges for UK and Irish companies. Regulations vary between sectors and countries. For example,

⁴¹ See for example: Control Risks (2016); International Business Attitudes to Corruption. Survey 2015/2016, Control Risks, London <http://rai-see.org/wp-content/uploads/2016/01/corruption-survey-2016.pdf>; and, OECD (2016); 2016 OECD Recommendation of the Council for Development Co-operation Actors on Managing the Risk of Corruption, <https://www.oecd.org/corruption/anti-bribery/Recommendation-Development-Cooperation-Corruption.pdf>

in some countries it is possible to import used mining/ construction machinery for projects, whereas in others it must be new. In some countries obtaining residence permits for key staff is straightforward whereas in others it is very difficult.

For exports of goods, **transport cost** is a critical success factor: the value per product volume must be quite high, otherwise the chances of making a profit are low. Tariffs and import duties (for example on construction machinery) can have a major impact in such flows.

Also related to import of goods and services is the nature of any **trade agreement** or **free trade agreement (FTA)** the EU might have signed with the country in question, or whether trade is governed by World Trade Organisation (WTO) rules. FTAs are often considered helpful, and architects for example benefit from mutual recognition of qualifications such as in the case of the Canada-EU FTA. If an EU or bilateral FTA is not in force, movement of goods will be governed by WTO rates and services by the four modes for services exports in the WTO. EU SMEs used to operating in a relatively open EU environment within the Single Market are often not aware of what these factors mean for them, but EU construction companies are often excluded from direct operations in such markets under WTO regulations.

Many interviewees also commented on the **changing competitive situation** in the regions in question. As indicated above, according to the survey, competition in local markets is considered an important external challenge faced by construction SMEs internationalising. In many of the countries within those regions industry has developed that is of an import substituting nature, with local skills and capabilities at much higher levels than they were 20-30 years ago. Countries are also putting in place measures aimed at favouring local/ domestic construction companies.

For example, **throughout SADC** (South African Development Community) markets there are national initiatives to bolster the development of the domestic construction industry (as in the case of for example the **Construction Industry Council (CIC)⁴² of the Kingdom of Eswatini**). A key aspect of such initiatives is that foreign companies who want to bid for infrastructure projects need to be reviewed and approved before they can do so. Contractors must register before they can carry out works. They are then graded and categorised in terms of their capabilities. This determines what type of work they can bid for and do. The aim is to stimulate the local construction industry, to make it less dependent on foreign construction companies. Categories include electricians, civil engineers, engineering consultants, etc. Attention is also paid to IP matters, as their qualifications are assessed to determine what they can register for (e.g. for some categories a qualified engineer is required to be in the company). In grading, matters such as turnover, completed projects, capital, etc. are considered. Public purchasers contact those that can bid based on the grades.

Competition with domestic enterprises is therefore much keener and collaboration with local suppliers becomes more important.

In Africa and parts of Asia the entry of low-cost Chinese contractors (often financed by soft loans from the Chinese government) has drastically intensified price competition. The presence of Turkish price-based competition has also become increasingly important.

⁴² <https://www.cic.co.sz/aboutus/index.php>

3.4 Key success factors – needs for successful internationalisation

As the preceding sub-sections have argued, SMEs with different drivers for internationalisation and circumstances will face different challenges and respond by adopting different modes of internationalisation and developing and changing these modes as circumstances change. Underlying all is a certain risk appetite and desire for risk reduction. Risk tends to be greater the further the business moves from its existing core business space.

Typical moves to reduce risk that enterprises make in this context are to orient towards culturally known environments such as former colonies; developing links with international contractors; establishing a reputation as a leading global supplier and only competing under favourable conditions with high value-added services or products.

Below some open-ended responses from the on-line survey provide examples of ways in which companies dealt with the challenges.

On-line survey responses – what is needed to succeed

- You have to study the market well trying to rely on more people in order to have a chance to penetrate the market more.
- We got used to it, learned about it, learnt the hard way. Language barriers I would deal with. Logistics is still a huge issue.
- Working with external agents who know the culture, the ways of proceeding, the customs. Internal resources developed with training, motivation.
- Tried to get a lot of information and tried to talk with people who have experience. Research, mostly from conferences, about finding a partner with knowledge.
- Get as much knowledge as we can from our supply base, the transport company looks after a large amount of paperwork
- For regulations we work with agents and lawyers to decrypt the contracts (because we do not have the expertise internally). We carry out research (translations for example) for the calls for tender. Sometimes we need translators.
- Knowledge of markets/ choice of the correct partner/understanding of local legislation (eg. approval / homologation required on components)

The case studies of successful internationalisation also present some **useful guides for success**

Appro-Techno and FibR GmbH: for small born-global companies linking with key public (e.g. development organisations) and private (e.g. large multinational contractors) sector organisations can be particularly helpful. Use of academic networks and public support for R&D and then to innovate (Marie Curie / H2020) can be very important.

The experience of another a born-global company like **BDI-BioEnergy International GmbH** suggests that public support is more important for internationalising outside Europe, given the larger (business) cultural differences a European company faces there. The company used different kinds of public support at different stages of its internationalisation process: first to gain information/knowledge, and then to participate in trade missions and access financial support.

Bracket Systems Polonia demonstrates that use of a range of supporting measures can be used to deal with issues surrounding market entry through partnerships with local companies, and that investment in a know-how, certification and standardisation is important for international expansion.

Cipa's experience demonstrates that their successful internationalisation process has to be implemented in small steps, and that it needed to be very cautious as having to establish a local presence it could potentially face major losses. They are highly supportive of the approach adopted by ANCE (see below in section 4). It needs to be done based on a long-term vision and only attempted if the company's products and services are competitive.

The case of **CLERHP** also demonstrates the importance of a step-by-step approach. In addition, it shows clearly the advantages of working where there are less cultural and language barriers, and the importance of personal relationships and patience. Financing is a core barrier of entry for SMEs.

For **Cosedil S.p.A.** it is key that the selection of a third market has to be made not only based on economic indicators but also geographical and cultural proximity. For Cosedil a further key success factor is to use joint ventures and partnerships.

The success of **GEotest** in the internationalisation process demonstrates the importance of developing local networks and building know-how in the selected markets. Additionally, it is crucial for SMEs to collect national references through participating in projects together with experienced partners. In the long run, SMEs in the construction sector should aim to gain access to framework contracts to broaden their international opportunities and increase chances in the tendering selection process.

According to **Karme Filtrs** the main lessons for internationalisation are that one needs to be patient, persistent and expect different markets to develop at their own pace. Internationalisation can't be outsourced. Working with a good cluster organisation like CLEANTECH LATVIA can make a major difference.

LTMS points out that the key lessons from their experience are: do as much preparation as possible, engage with other companies from the sector operating in the market to learn from them, and to engage with a trusted local company. Working with a former owner/client as a launch customer for internationalisation is invaluable.

Rostek first developed a network of business partners in Europe before responding to the opportunities in third countries that arose through those business partners. Their strategy is based on exporting their product and allowing local dealers to take over the installation process in the destination markets. Financial support from national organisations very important in its expansion.

Schöberl & Pöll GmbH demonstrates how support measures can be integrated very effectively to support internationalisation (knowledge and funding).

In sum, in order to succeed, SMEs need to be **aware of what is happening in their target market, and understand their options in terms of modes available for internationalising**, and the pros and cons of each mode, what to do to implement those modes and to proceed accordingly. They need to compete based on their **competitive advantages**. During the interview programme, respondents identified some **examples of areas where EU SMEs have strong competitive positions** in non-EU markets that are the subject of this study. These are listed in the table below.

Figure 22: Areas where EU companies typically may have competitive advantages in non-EU markets

- Whenever health and safety matters are paramount
- Where specialised know-how is required, in for example construction of interiors, or facades, earthquake resistant floors, tunnels, railways, etc.
- Housing technology, domotics
- Smart urbanisation, clean tech
- Eco-friendly design
- Circular economy/ construction
- Energy efficiency
- Low carbon
- Eco-materials
- Short-cycle construction
- Product areas where exports should be high are floor tiles, roofing products, glass, small steel products (beams, profiles)
- Emergency alarms
- HVAC
- Digital building management systems

One issue for SMEs when having such areas of expertise is the concern that larger enterprises might acquire them.

In terms of **key success factors needed for successful internationalisation**, interviewees emphasised the importance of two key points:

1. **Extensive and in-depth preparation** to get to know the market. This should cover all the 'challenges' set out above.
2. Selecting the **right business partner**

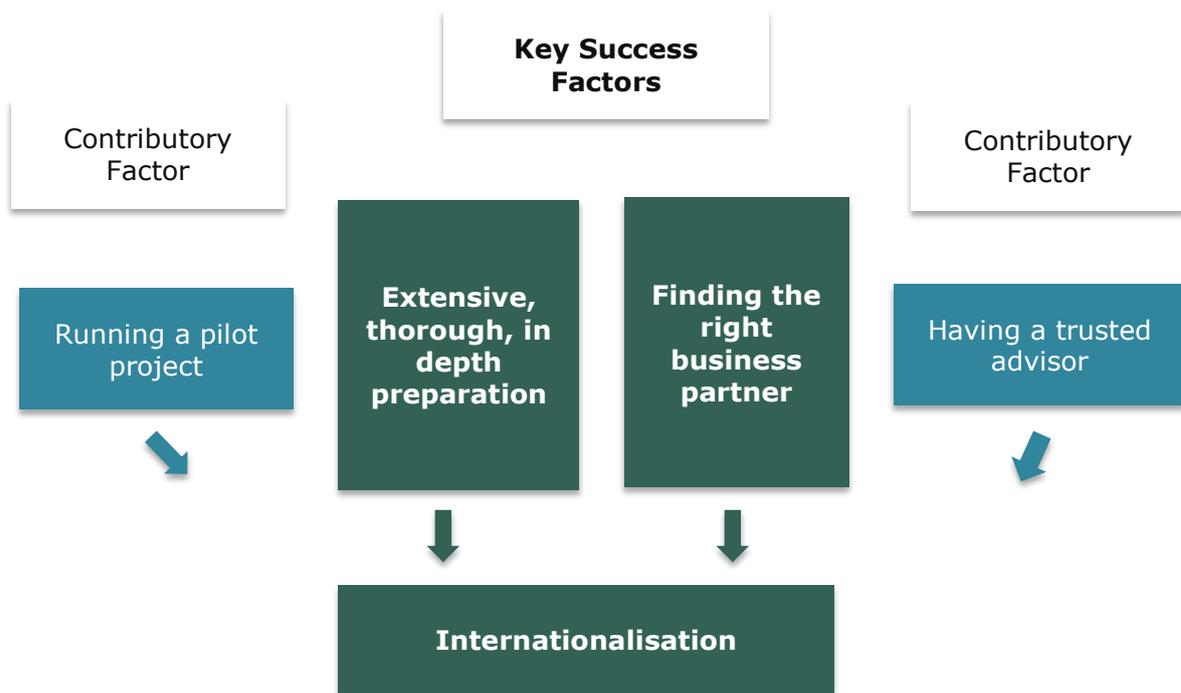
These two factors are, of course, not unrelated.

In addition, the presence of a **trusted advisor** (who might be the business partner or another person) and the need to be able to do a **pilot plant or run** to test the market before making a full commitment were mentioned as very important in interviews.

The key point made was that SMEs should not rush into these markets unprepared. **This is particularly the case with parts of the construction sector where companies work on the spot and often have to rely on local staff, materials and work to local regulations.** The consensus was that foreign markets can be a useful source of profit if the SME gets it right. If not, they can lose a lot, and there are many such stories, which might be as instructive to repeat as success stories.

The chart below summarises the key needs of construction SMEs when internationalising.

Figure 23: Key success factors for internationalisation



4. OVERVIEW OF AVAILABLE SUPPORT AND GAP ANALYSIS

This section provides an overview of support available to construction SMEs. In view of the extensive support available, it is not aimed at proving complete coverage of all such support. Rather, it focuses on main types of support provided and some examples of good practices in those areas. First this chapter covers support provided by industry organisations, then public sector support and finally through cluster organisations (that often combine public and private support). After that some conclusions on support are drawn and the types of support used by the 12 success story companies is assessed. Finally there is an analysis of the gap between construction SME internationalisation needs and the support services provided.

4.1 Industry Support

4.1.1 EU-level industry support

EU-level associations usually emphasise that the largest share of their company membership consists of micro – small enterprises. Small size is usually a disincentive to internationalise, but in addition associations emphasise that the construction industry tends to work locally, or at most regionally, with very little incentive to internationalise. In addition, some cultures are less open to internationalising than others (see above).

EU-level associations do not generally have a great deal of direct contact with member companies, so consult through their member organisations and most initiatives related to internationalisation are launched through the national organisations, or where there are strong regional governments, through the regional organisations. Exceptions that can be mentioned are the attempt by the European Federation of Engineering Consultancy Associations (EFCA) to set up a platform to support internationalisation, which was abandoned as it did not have the desired results; and initiatives by Architects' Council of Europe(ACE) around developing a publication entitled "Why work with European architects" and providing export training.

Key support needs identified by the associations consulted are: awareness of opportunities; support in making personal contacts and developing personal

relationships with potential business partners and clients in target markets to learn to understand the business culture, rules and regulations (conformity), tendering procedures and competition; support for SMEs to develop consortia including members who have experience in exporting; helping potential exporters to identify their risks (e.g. IP); foreign language support; help with staff training; various forms of cover such as, export credit guarantees, anti-corruption cover, insurance cover, repatriation of earnings, expropriation, etc. In this context, Strategy International, a private sector support organisation that provides export development support, was referred to favourably. EFCA has argued that recent changes in the management of development aid are making access to tenders too administratively onerous and discouraging SMEs from working in that market and contributing to concentration in the industry as larger firms buy up smaller specialist suppliers who have trouble accessing large international markets. This has been very much reflected in the experience of challenges faced by one of the case studies of successful internationalisation, namely GEOTest from the Czech Republic.

Generally speaking access to construction industry markets – the services aspect – is **a major issue under international trade regulations**. ACE pointed out the usefulness of including mutual recognition of architectural qualifications in FTAs that are negotiated at EU level (for example in the recent FTA with Canada), and it was suggested by several EU-level industry associations that similar agreements should be actively pursued for other construction industry services sectors.

The EU Market Access Database bears testimony to the large range of practices (including non-tariff barriers) that restrict access of EU construction sector to global markets.⁴³

Eurochambres (as an EU-level industry support organisation) is somewhat different to other EU-level chambers of trade and industry in that it delivers actively a range of internationalisation programmes, and many of these are focused on third countries. However, **these are not sector-specific**. There is extensive collaboration between Eurochambres, clusters and industry organisations. For example, in September 2017 there was a Latin America Business Day in Ljubljana attended by the Construction Cluster of Slovenia, which was organized by Chamber of Commerce and Industry of Slovenia in cooperation with the ELAN network. Opportunities and challenges in the Latin American countries, networks and support for small and medium-sized enterprises entering the Latin American markets were presented. In the framework of bilateral meetings, the event was also promoted through the European Circular Construction Alliance (ECCA), and ECCA met representatives of ELANBiz, ELAN network, the Balkan-Latin America Chamber of Commerce, representatives of Brazil and Peru, and discussed opportunities for development and business cooperation. The Construction Cluster of Slovenia also joined the ELAN network which supports development cooperation between the EU and Latin America.

Eurochambres has run a **series of initiatives supporting internationalisation**. These include:⁴⁴ ACTS- Anti-Corruption toolkit for SMEs, the AL-INVEST program of international cooperation programs from the European Commission in Latin America; Business Beyond Borders, a European Commission-funded initiative to help businesses, in particular SMEs and Clusters, to operate internationally, with the ultimate goal of increasing economic growth within and outside Europe; the EU-Indonesia Business Network (EIBN), a partnership project between five European bilateral chambers of commerce in Indonesia and two counterparts in Europe; Paving avenues for Europe-India clean technology collaborations, the European

⁴³ <https://madb.europa.eu/madb/>

⁴⁴ http://www.eurochambres.eu/Content/default.asp?pagename=Trade_and_Investment

Business technology centre (EBTC) India, which supports governments, businesses and researchers on both sides, offering hands-on support through a toolbox of services; the European and Latin American Business Services and Innovation programme (ELAN) is a European Union (EU) initiative that seeks to increase and diversify the EU economic presence in Latin America by meeting the Latin American demand for knowledge and innovative technology and aims to boost the opportunities that both markets offer for European and Latin American SMEs; the Eurochile Business Foundation, a private, non-profit organization created by the State of Chile and the European Union in 1992; the EU-SME Centre; Eurocham Myanmar; the IPR-SME Helpdesk; the Africa-EU Renewable Energy Cooperation Programme (RECP), a multi-donor programme that supports the development of markets for renewable energy in Africa; "Ready2Go", a pilot project launched by the European Commission and EASME to support European SMEs to internationalise and become active in five target Third-Country markets and several others. However, due to restrictions related to data privacy and data ownership, it has not been possible to consolidate the data obtained from the different programmes and build additional specific programmes that might be country or sector specific.

There is also the **EU Gateway Business Avenues** programme, an initiative funded by the European Union helping European companies to establish long-lasting business collaborations in Asia, which is also delivered through arrange of industry organisations. Selected European companies meeting the eligibility criteria get the opportunity to participate in a one-week business mission focused on a specific sector in Korea, South East Asia, China and Japan. Companies benefit from a range of business support services, which include coaching, logistical, and financial support. Several of the sectors this programme targets are relevant for the construction sector.

A **key issue** when considering new internationalisation support activities for the construction industry at EU-level, especially if based in-market in Third countries, is that **trade promotion is a national competence**, and any activity envisaged would have to demonstrate that there is EU-value added and not a duplication of or conflict with national-level provision.

4.1.2 Industry - national

The role of national-level construction industry associations in internationalisation varies throughout the member states. On the one hand, some associations that have set up national initiatives have closed them down again, as was the case in Austria (see above, 3.2.1), due to lack of interest and they refer all enquiries to the national export promotion organisation the Austrian Economic Chambers (WKO). At the other extreme there are associations such as the Associazione Nazionale Costruttori Edili (ANCE) in Italy that have developed extensive and sophisticated support measures in collaboration with other public sector organisations providing effective support. Then there are approaches that combine regional (federal) initiatives with national initiatives as is the case in Germany.

In the text boxes below, we provide the examples of ANCE (the Italian system) and the Spanish Tecniberia approaches as exemplars of good practice.

Figure 24: Construction SME internationalisation support in Italy

Construction is a key sector in the Italian economy, accounting for 8% of GDP. When considering the whole construction value chain, it accounts for 22% of the Italian GDP. Internationalisation has been of increasing importance since 2008. Between 2004 and 2017, revenues from foreign activities in the construction sector increased by 363.9%, from EUR 3.1 billion to EUR 14.4 billion, while domestic revenues fell by 25.8%, from EUR 6.8 billion to EUR 5.0 billion in 2017. Thus,

foreign revenues represented 74.1% of the total revenues of the industry in 2017, compared to 31.4% in 2004.

In terms of markets, 14.9% of the total value of the global portfolio of ongoing construction projects (EUR 82.2 billion) originates from projects in the Middle East (and particularly Saudi Arabia, Qatar, Kuwait and Israel), followed by South America (14.2%), Sub-Saharan Africa (13.6%) and North Africa (7.8%)

In terms of the type of works, in 2017 road infrastructure accounted for 22.9% of the total value, subway infrastructures accounted for 18.3% of the total value, railway infrastructure accounted for 14% of the total value of the global portfolio of ongoing projects. Hydraulic infrastructure works accounted for 5.6% of the total. Residential and non-residential construction represented 11.7% of the global portfolio, with projects in construction of healthcare facilities, business centres, hotels research infrastructure and other social infrastructures. However, the growth in foreign revenues is generally mostly applicable to the largest players, whereas for construction SMEs with a turnover below EUR 100 million, foreign revenues account for about 27% of the total.

Integrated support for internationalisation of the sector is provided by the Associazione Nazionale Costruttori Edili (the Italian Construction Federation - ANCE), the Istituto per il Commercio Estero (ICE - Italian Trade Agency) and the Ministero degli Affari Esteri e della Cooperazione Internazionale (MAECI - Ministry of Foreign Affairs and Cooperation). ICE is closely linked with the Ministero dello Sviluppo Economico (MSE - Ministry of Economic Development).

MAECI provides market intelligence through its embassies and feeds a portal with data on open tenders and country opportunities and organises events in Rome and abroad (with ICE, ANCE and Confindustria), missions to target markets, EU-level round tables, and missions to Brussels to meet with Commission officials.

ICE carries out an annual targeting exercise with its institutional partners such as MISE, MAECI, Confindustria, ANCE, and Made in Italy and sets priorities. At present, priorities are the Balkans and the Middle East, which will be targets for trade fairs, visits, tailor made trips, etc. Support for missions abroad for construction firms in foreign markets include the SME funding for participation in fairs in non-EU markets through a scheme that covers up to 100% of the costs incurred (e.g. renting of space, promotional activities, logistics, etc.), up to a maximum of EUR 100,000.

ANCE represents the industry and has an International Department which does scouting, matchmaking, and provides support to firms that have already internationalised. ANCE uses a targeting matrix with the following criteria: the markets should not be more than 1.5 hours' flight away, infrastructure demand should be greater than supply, it should be an accession country, and have a stable financial environment. There is a strong interest in the Balkan countries - Macedonia, Serbia, Montenegro and Bosnia-Herzegovina. A major constraint for SME internationalisation lies in the fact that the entrepreneur must move to the site and cannot effectively deputise domestic or foreign operations due to small firm size - absence of appropriate managers or staff. (This links to the structural aspect of the Italian construction sector - the preponderance of very small firms limits SME internationalisation, in contrast with, for example, the case in Germany where average firm sizes are larger).

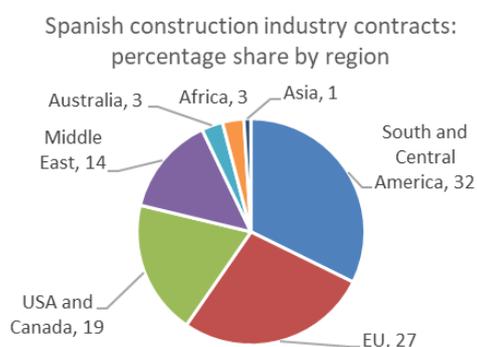
The two Italian success stories, **CIPA and Cosedil**, both used and spoke highly of ANCE support, especially the fact-finding missions (2-3 day missions in a foreign market to attend workshops with national institutions (e.g. Ministry of Infrastructure, State agencies, contracting authorities), local partners/clients

(through B2B and B2C marketing activities) and the national construction authorities. Thanks to the participation in these missions, CIPA says it greatly boosted its understanding of intra- and extra-EU public procurement regulations (including related risks and opportunities). Furthermore, ANCE promoted the meeting of CIPA with EIC (the European International Contractors federation) – the industry association representing the interests of internationally active European contractors towards the EU, international organisations, financing institutions and society at large.

Cosedil Spa began exploring foreign markets, through the missions sponsored by ANCE (the National Association of Building Contractors) and used the “user manual” for companies entitled *The Internationalisation of Italian Construction SMEs* published by ANCE.

Figure 25: Construction SME internationalisation support in Spain

The Spanish construction industry’s international activity is very significant as the pie chart below illustrates. It is mainly led by large enterprises, but SMEs working in specialised areas also contribute.



In the international arena, the industry has diversified into concessions, urban services, the water cycle, airport handling services, energy and logistics.

The industry association, Confederación Nacional de la Construcción (CNC) works closely with España Exportación e Inversiones (ICEX, Spanish Institute for Foreign Trade), as well as EU-level organisations (FIECE and EBC)

TECNIBERIA, the industry organisation for companies in specialised engineering presents an example of good practice for how such an organisation could go about supporting the internationalisation of its members, of which some 80% are SMEs. Some 80% of members’ turnover is from international markets (especially Latin America and the USA). Some members already have 30-40 years’ experience of operating in international markets, while others have targeted such markets only in the last 7-8 years.

The international department does presentations of the association members to public and private sector organisations to raise and maintain awareness; develops joint programmes with, for example, ICEX; carries out conferences, seminars, and workshops; and leads and participates in missions.

Mostly their members internationalise through projects with bi- and multilateral development banks, and they work closely with ICEX to do prospecting trips abroad. They usually work through partners abroad or in consortia. Support through ICEX and the Chamber of Commerce works well, and financial support is through COFIDES. The association indicated there is little awareness of EU measures and the nature and effect of the EIP is still unclear, and more could be done on double taxation agreements and providing support through financial institutions.

The feedback from Spanish success story CLERHP Estructuras however suggests that there is more work that can be done especially with regard to financial support for internationalisation from a range of organisations as their experience was that they found that they would only get the support once they had succeeded. They found that the most useful programme for them was a Dutch Private Sector

Investment programme through the RVO/ NEA which provided finance from the start of the project.

4.2 Public sector support at EU, national, regional levels

Supporting exports has been a core area for public sector intervention for many years. Tools and approaches have become increasingly sophisticated, efficient and targeted – recently adjusting to and reflecting the digitally interconnected world. In recent years support of exports has also evolved into support for internationalisation more broadly, to include technology exchange and establishment of offices abroad if that improves the competitiveness of the domestic enterprise in question. In addition, it has been realised for some time that given the circumstances of SMEs, different kind of support is required for them as compared to larger enterprises.

A study for DG Enterprise on Support Services for SMEs in International Business (2013) throughout the EU (including support for EU businesses based in Third Countries) concluded that “For the supply side, it can be concluded that there is an abundance of support services for SMEs in all countries covered by this mapping exercise”,⁴⁵ albeit it was found that there was, overall, little focus on sectors and stage of company development. Generally, there is such ample provision that, as one interviewee put it, there are so many schemes, and often they are so complex, that one person can’t know them all, and specialists are required to signpost the different schemes to each other.

Data collected for this study tends to confirm the view that there is an ample supply of SME support schemes in general, with the proviso that in many instances there is generally good co-ordination between support programmes at national and regional level, and often also with industry programmes, although national and EU levels are not always as integrated. From the point of view of sector-targeting, the emphasis tends to be on support for emerging industries, rather than construction as such. However, many of the emerging industries do have relevance for construction as well, for example in terms of renewable construction materials, digital building management, energy efficient design, smart urbanisation, water management and waste systems, etc. For example, in the case of the Danish Trade Council, teams exist at embassies that are specialised in sectors where Danish firms have expertise that is well suited for potential export, e.g. Design, Energy, Technology, Environment & Water, Health, Foodstuffs, Urban Solutions. While ‘Construction’ as such no longer figures on their list of specialised teams, it could conceivably feature under several of the above thematic headings.

Below we provide some examples of regional, national and EU support schemes, including public funded cluster programmes (which may also benefit from industry support).

4.2.1. Public sector - national governments

The following national-level programs are presented as examples of SME support that may have construction elements included: the United Kingdom, the Netherlands, Germany and Portugal.

The United Kingdom

⁴⁵ ECSIP Consortium (2013); Study on Support Services for SMEs in International Business, Final Report, DG Enterprise and Industry, Rotterdam, March 22, 2013 p.13

There are different pathways through which a SME can access UK support. One route involves going online to the <https://www.great.gov.uk/> (the Department for International Trade - DIT) which provides an overview, videos, and examples of support delivered. The SME provides details online about his or her company and will then be called by a support provider based in the region of the SME in question. This person provides general advice and further assesses the needs of the SME and signposts that SME to relevant resources. This could, for example, be a regional provider of support through the Enterprise Europe Network (EEN) who can then in turn provide linkages to other members of, for example, the sustainable construction network in the area, to DIT missions to, for example China, organised by InnovateUK,⁴⁶ or act as a channel for applications for funding through the SME Instrument or H2020 programmes. Alternatively, the SME might have accessed the network through a referral from the local chamber of commerce, or an advertisement or a colleague or member of the industry.

In the process, the SME could obtain advice on IP protection, market information, learn about missions going abroad to find markets and partners. There are also specialised units within the DIT dealing with sectors such as construction (<https://www.gov.uk/government/collections/construction-sector-export-help>).

In this way, the SME is steered through regional and national networks to support providers that are as closely as possible suited to its needs. However, links to opportunities through international development (Department for International Development – DfID) were not apparent. In addition to links with the EEN, H2020 and the SME Instrument, there was use made of EU-level support through for example the China IPR helpdesk (and others when appropriate).

The Netherlands

In the Netherlands, the Netherlands Enterprise Agency (NEA/ RVO) is responsible for providing internationalisation support to Dutch enterprises. Support is through a full suite of services including market awareness, matchmaking, overseas missions, etc., and extends to financial support for foreign investment or capacity creation to enable supply to foreign markets. A significant share of support is explicitly targeted at markets outside the EU.

NEA programmes support sustainable economic growth in developing countries and emerging markets. They focus on innovative investment projects, transfer of technology, knowledge and skills in social and economic sectors. Programmes support Dutch development policy's three key themes: water, food and energy. Examples of programmes listed are:

- Starters International Business (SIB): to help entrepreneurs move into foreign markets.
- Subsidy scheme for demonstration projects, feasibility studies and investment preparation studies (DHI): for Dutch enterprises that want to invest in or execute a project in emerging markets or developing countries
- Develop2Build (D2B): a Government-to-Government programme with governments in 37 developing countries and emerging markets offering

⁴⁶ For example: 'Join the Future Cities mission to China'. When: 26 - 30 November 2018. Where: Shenzhen, The Greater Bay Area, China. Application Deadline: 17 August 2018 Innovate UK is inviting the UK's advanced urban innovators to join the Future Cities Mission to China.

direct assistance in setting up infrastructural projects with positive impact on people, the environment and society.

- Development Related Infrastructure Investment Vehicle (DRIVE): DRIVE facilitates investments in infrastructural projects that contribute towards a good business climate and entrepreneurship in areas covering: water, climate, food security, and sexual and reproductive health and rights.
- Matchmaking Facility (MMF): entrepreneurs from developing countries and emerging markets can look for a Dutch entrepreneur as business partner through the MMF.

Finance for projects can be provided through the Dutch Trade & Investment Fund and the Dutch Good Growth Fund.

The routes for accessing services are similar to those in the UK: the website has a phone number for general enquiries which steer enquirers to the correct person for providing support. There is also a contact address for the Dutch Chambers of Commerce who provide support. Alternatively, enquirers can look at characteristics of a wide range of programmes details of which are provided on the NEA website and decide for themselves which seem most relevant and then contact the relevant person identified with the programme. The Dutch regional support networks can also direct SMEs to the national level resources. Based in the NEA there is a contact for the EEN Sustainable Construction network.

Germany

In Germany the network of German Chambers of Commerce Abroad (AHK) was identified as the main provider of support at national level, together with the Federal Ministry of Economics which runs the programme "market development programme" for SMEs. It does not provide direct financial support but project financing, which covers various sectors. Each year, about 100 projects are funded. These projects are world-wide, do not target a specific country and cover many sectors, including the construction sector, but excluding energy and agriculture.

The support programme was created in 2012 and consists of 5 modules. These are:

1. Information events in Germany.
2. Market discovery trips (in case information events show that SMEs have a particular interest in a third market). 10-20 SMEs participate in such a trip. They learn about the actual conditions in the target market and visit companies there.
3. Initial business contact trips: sector-specific trips (also organised for the construction sector) with 8-12 SMEs for which potential clients in the third market are identified. These trips are organised in close collaboration with national partners and industry associations.
4. Information trips: Foreign clients come to Germany and meet German SMEs. If possible, these meetings are organised as part of international trade fairs in Germany.
5. Showcase.

In 2018, the market development programme included the following modules related to the construction sector and targeting the five target regions of this study:

- Armenia (information event): water and waste/recycling industry
- India (initial business contact trip): train and railway construction sector
- Myanmar (market discovery trip): water and water waste management sector
- Singapore (information event): water industry

- Taiwan (initial business contact trip): construction industry
- China (initial business contact trip): waste, recycling and water industry
- Brazil (information trip): water industry
- Ghana (initial business contact trip): water industry
- Kenya (initial business contact trip): water industry
- Zambia (market discovery trip): water industry
- Tunisia (initial business contact trip): Waste/recycling industry
- Bahrain/UAE (information trip): waste/recycling industry
- Iran (initial business contact trip): waste/recycling industry
- Iran (information trip): water industry

There is therefore some coverage of the regions that are the focus of this study.

Portugal Global - Trade & Investment Agency (AICEP)

AICEP is the Portuguese national support agency focused on encouraging foreign companies to invest in Portugal and Portuguese companies abroad in their internationalisation processes or export activities. Among other activities, it provides access to a wide range of support measures - examples are listed below:⁴⁷

- *Credit Lines*: the entity in charge is CGD (the National Bank; www.cgd.pt) which provides credit lines to target countries: BRIC's (Brazil, Russia, India and China); and developing countries; with financing of up to 85% of the value of the deal; and a scope including machinery and equipment, naval and aeronautical, civil construction;
- *Subsidised interest rates* are provided for companies internationalizing in Angola through IAPMEI (Government; www.iapmei.pt) which provides short and medium term loans (limit of €1,5mn) for civil construction (among many others)
- *Credit Insurance* is provided through COSEC (www.cosec.pt/en) for:
 - a) Exports: credit insurance policies so that the exporter can cover the risks associated to the foreign importer (commercial and country/political risks).
 - b) Portuguese investment in foreign countries: insurance (with Government Guarantee) to cover country/political risks.
 - c) Portugal – Angola Convention: covering of credit risks associated with exports (goods and services) to Angola (Machines and Equipments, naval and aeronautical, civil construction)
- *Mutual Guarantee* – through 4 Mutual Guarantee companies: Lisgarant (www.lisgarante.pt); Norgarante (www.norgarante.pt); Garval (www.garval.pt); Agrogarante (www.agrogarante.pt) which provide various types of guarantees (Financial, Incentives, Loans, etc.) and other services that allow SMEs to have access to credit in the money and capital markets.
- *Venture Capital* – through Venture Capital Companies to strengthen the financial structure of enterprises
- *SOFID* - <http://www.sofid.pt/en/> focuses its effort on financing solid internationalization projects that bring benefits to the recipient economies. SOFID's support complements commercial banks' financing and services offered by other internationalisation instruments. SOFID is particularly focused on: Africa: Angola, Cape Verde, Guinea-Bissau, Mozambique, St.

⁴⁷ Other similar national support organisations also provide such wide ranging support – usually as a gateway to support. This extended example of Portugal is provided as an illustration of just how wide-ranging support can be.

Tome and Principe, South Africa, Algeria, Morocco and Tunisia; Asia: China, India and East Timor; America: Brazil and Venezuela. Concerning activity sectors, SOFID is mainly involved in the manufacturing, infrastructure (including renewable energy), tourism and financial sectors. SOFID's financial instruments include: Loans, Guarantees and Equities (<http://www.sofid.pt/en/produtos-en>)

- *Multilateral Financing* is provided through AICEP (www.aicep.pt) and GPEARI (<http://www.gpeari.gov.pt/>)

The business opportunities for companies at the level of the *International Financial Institutions* (IFI) comprise: the procurement market (public bidding for the acquisition of goods and services); private Sector (Investment Projects Financing); and Trust Funds.

There are various *cooperation protocols with (private) banks (in Portugal)* – for forms of support in various countries including financial and training support.

The "Portugal 2020" programme which has two main intervention scopes - Competitiveness and Internationalization - and three investment typologies: a) Business Innovation, b) Qualification and internationalization of SMEs, c) Technological Research and development, is co-financed by the European Regional Development Fund (ERDF) and the European Social Fund (ESF). The operations eligible are from all economic activities especially those who want to produce goods and services that are internationally tradable.

Integrated use of national support measures: the case of Rostek

National level financial support measures were crucial for Rostek's internationalisation success. A small family business it does not have financial and human resources to conduct a thorough market research and dealer search in a foreign market and risk investing in such operations. Rostek received financial support for some of their R&D and technical projects in the early stages of internationalisation from KTM, the Ministry of Trade in Finland. Since early 2000, Finnvera became a major source of financial support for Rostek. Over the years, Finnvera (an official export credit agency for Finland under the Finnish Ministry of Employment and the Economy) provided Rostek with numerous credit guarantees to cover the need for working capital arising from exports. By cooperation between Finnvera and Finnish banks in risk sharing, Rostek received low interest rate credits that enabled them to solve working capital issues and successfully export their products abroad - helping them throughout the entire process of going to a foreign market. Furthermore, Rostek received support from Business Finland which operates as a funding agency for research and technology development, with support towards SMEs and their internationalisation as one of their objectives. Business Finland assisted Rostek to identify viable business opportunities in foreign markets via market analysis, identifying business partners and dealers in the initial phase of planning. Their R&D funding was also helpful to Rostek for product development.

4.2.2. Public sector: regional governments

Regional support networks are also found in most countries. Three examples are provided below: Hessen Trade and Investment GmbH, - L'Agence wallonne à l'Exportation et aux Investissements étrangers, and ACCIÓ

Hessen Trade & Invest GmbH (HTAI)

The regional growth promotion agency for Hessen provides a range of internationalisation services including organising incoming and outgoing foreign delegation visits, seminars and workshops, 1:1 advice, attendance at international

trade fairs, co-operation, and match-making. The agency also provides linkages to the EEN and a range of EU programmes. Most used instruments are co-operation and brokerage (finding partners) and they work closely with the region's promotional bank and with the KfW.

L'Agence wallonne à l'Exportation et aux Investissements étrangers (AWEX)

AWEX is a public regional development agency that provides classic export promotion and internationalisation services. It has links with and provides support to the ECO Construction cluster. In several instances the point was made that some of the procedures required for accessing public support are too bureaucratic and not suited to SME requirements.

One of the success story case studies, **Appro-Techno** benefited largely from the support offered by the Wallonia Export-Investment Agency (AWEX), whose services are provided free of charge. AWEX developed as a strategic network of partners through Belgian diplomatic missions in key African countries. Therefore, the organisation can be seen as a facilitator of dialogue between Belgian companies and local African partners. This helps them understand local market needs and identify opportunities. The AWEX missions consist of two components: providing information (on sectors having a strong growth potential) and organising B2B meetings between partners. Since 2001, Appro-Techno has participated in between 20-30 AWEX missions to Africa, each of them financed up to EUR 950 (lump-sum). The mission meetings regroup various partners such as local enterprises, representatives of governments, chambers of commerce, representatives of the World Bank and of diplomatic missions etc. AWEX offers financial support for business internationalisation in various forms: business exploratory trips; participation in fairs; support provided for opening business activity in the third country; 2-3 months of market analysis of special markets; and marketing assistance.

ACCIÓ – Support agency for Catalan companies (regional provider of support) Generalidad de Cataluña, Spain

ACCIÓ is the support agency for Catalan companies, focusing on start-ups, financing, innovation and internationalization (providing support to 1,831 internationalization projects in the most recent year), mainly for SMES. The Internationalization unit is divided into three divisions:

- Offices abroad which carry out individual projects with companies, or missions, etc.
- Sector internationalization teams that focus on 7 priority sectors: mobility, food industry, industrial systems, fashion-habit-design, experience industries (e.g. tourism, sports, audiovisual), chemistry-energy-resources. The construction sector is not specifically mentioned, but construction subsectors are included in some of the above sectors. Civil works and construction companies are not included.
- An International Public Procurement Internationalisation Unit to promote the internationalization of Catalan companies through access to international tenders. They work with any company whose client at some point is a public sector organisation. Many of the companies in the construction sector go through this Unit (approximately 20%).

According to Acció⁴⁸, one of the main barriers is the lack of opportunities suitable for SMEs. When they search for opportunities, many of the projects are designated for construction companies, but the SMEs themselves indicate that it is not for them, but for large companies because of the type of project and its size, due to lack of capacity.

Country/ market knowledge is critical. According to Accio, it often happens that companies are in a country they have accessed through a project that they have won, but at the end of the project lack enough knowledge of the market to have a long-term strategy and presence. That is, once the project is finished, they have no way to continue, perhaps due to lack of knowledge or time to know how the market functions (having worked with multilateral organizations that are initiating projects, ministries, executing agencies, etc.). Sometimes, these opportunities remain in the hands of the local partner, who cannot always be trusted.

4.2.3. Public sector: national and regional

These selected illustrations of national and regional programs demonstrate the scope of support available. It would appear, based on interview feedback, while there is overall a dense network of support available, that the extent of construction-specific support is related to the scale of the construction industry (and/ or its subsectors) in the country or region in question. In some instances, there is very close collaboration between national and industry driven initiatives (for example, see above, Italy). At the other end of the scale, as in the case of for example Denmark or Latvia, construction is broken down into other elements and supported through initiatives dealing with, for example, clean tech, urbanisation, or sustainable development.

Some of the 'generic' support providers at regional level also can provide very intense support to construction businesses, as demonstrated in the case of AWEX, and if ACCIO does not focus on construction, there is the Spanish national agency that does provide support.

In addition, there are many cluster organisations (see below) that also often provide construction, or construction industry-related internationalisation support.

It is of course not possible to cover all eventualities for all situations for all time. But certainly the support available from Member States for internationalisation of the construction industry is extensive and intensive.

4.2.4. Public sector: EU-level

As set out in a recently compiled *Overview of EU instruments contributing to the internationalisation of EU business*⁴⁹, the EU is active in a wide range of support areas, many of which are relevant in the regions that are the subject of this study. Some of these instruments are focused directly on SME internationalisation, whereas in other instances there is an economic development aspect in which SME internationalisation is potentially a contributory factor. Some of these programmes are delivered through third parties in collaboration with local enterprises in for example cluster organisations and others through a network of financial intermediaries (e.g. the EIB and the EIP).

There are more than 100 individual programmes, and it is beyond the scope of this study to review or evaluate each of them. Rather, the approach taken has been to

⁴⁸ <http://catalonia.com/about-accio.jsp>

⁴⁹ DG GROW, A4 International Affairs: <https://ec.europa.eu/docsroom/documents/32501>

identify some that are relatively high-profile and recently launched (e.g. the EIP), some that are well known and established (e.g. the cluster internationalisation programmes), some services delivered through Eurochambres and the EEN and look at these specifically; and, other than that, to ask regional and national support providers, internationalised SMEs and large enterprises in the construction sector, if they are aware of EU programmes, which ones and how they see them. The cluster collaboration programmes will be dealt with under the heading of “clusters” below.

The Enterprise Europe network (EEN) – Sustainable Construction⁵⁰

The EEN helps businesses innovate and grow on an international scale. It provides international partnerships, advice for international growth and support for business innovation that leads to international success. EEN has some 600 partners and a network of 3500-400 organisations as a whole. In COSME countries they get a support grant, but in non-COSME countries partners need to be self-financing. There is usually one consortium within a country and the performance of the consortium and individual partners of the consortium is monitored. In non-COSME countries partners need to meet robust financial viability tests. Regarding the regions that are the focus of this study, there are gaps in the presence of the EEN in Africa as there are not enough applicants that meet EEN requirements. However, this weakness in capabilities may in fact indicate a greater need and a stronger case for having a presence, rather than a reason for not having one.

Based on the interview programme and the survey responses, the EEN is the most visible and most widely used of the EU internationalisation instruments identified by construction industry stakeholders. The Sustainable Construction Sector Group is the Network's centre of knowledge and expertise for sustainable construction, pooling the knowledge of more than 25 Network branches with a view to increasing research & development, innovation, driving up industry standards, sharing good practice. The overall aim is to help SMEs innovate and grow internationally. Although generally well known, SME interviewees in several countries (e.g. Norway, the Czech Republic) said that they had never heard of the EEN or the Sustainable Construction group within the EEN, although this is not necessarily an issue as the EEN role is not always visible in services delivered.

Depending on the priorities within the COSME programme or its successor, the Single Market Programme, there may be an opportunity explore the development of a **pilot presence** in one of the target markets for this study with the EEN based on collaboration between the private sector/ industry association and the EEN, if it can be shown what the EU added value of such an establishment would be.

The External Investment Plan (EIP)

The EIP sets out a coherent and integrated framework to improve investment in Africa and the European neighbourhood in order to promote decent job creation and inclusive and sustainable development, and tackle some of the root causes of migration. It will also encourage an enabling investment climate and business environment, including through promotion of structured dialogue with the private sector.

The EIP will support a broad range of sectors, including sustainable energy, water, transport, information and communication technologies, environmental protection, the sustainable use of natural resources, sustainable agriculture and the green and blue economy, social infrastructure, health, and investments in human capital in order to improve the socio-economic environment. In particular, the EIP will focus

⁵⁰ <https://www.enterprise-europe.co.uk/>

on micro, small and medium-sized enterprises (MSMEs) and private-sector development, while promoting gender equality and the empowerment of women and young people. The scope of the EIP therefore indicates potential for construction SMEs to participate in the Plan.

Through the EIP, the EU will support its partner countries in their efforts to meet the UN 2030 Sustainable Development Goals (SDGs)⁵¹ with which the EIP shows a strong correspondence in terms of target sectors. The EIP ensures an integrated approach to boosting investments in Africa and in the European neighbourhood. In September 2017, the EU adopted the European Fund for Sustainable Development (EFSD), as one of the centrepieces of the EIP that will provide some EUR 4.1 billion.⁵²

Interviewees and survey respondents were asked whether they were aware of the EIP and if yes, what their views on it were. None of the SMEs interviewed had heard of the EIP. Two pan-EU industry associations had heard of it, as had one large contractor. The relative lack of awareness is not surprising given the recentness of the announcement of the EIP but it suggests that there is scope for an awareness raising action that can be undertaken among target enterprises. Among SMEs surveyed, the results in the table below were obtained. Here also the data suggest that an awareness-raising might be of value.

Figure 26: Are you aware of the European External Investment Plan?

Options	N°
Yes	6
No	85
No response	22
Total	113

Source: CATI survey (N=113) conducted for this study (see section 2 p.35 and Annex 2).

The European Federation of Engineering Consultancy Associations (EFCA) has developed a response to the EIP in relation to its potential as a source of opportunities for EU business.⁵³ The key points of the response are that industry requires transparency to access appropriate and timely information to be able to put forward good projects to participate in EIP initiatives. Industry does not have an issue with increased blending⁵⁴ to encourage private sector investment through the EIP into the SDG areas. But EFCA is of the view that the EIP does not match the

⁵¹ <https://sustainabledevelopment.un.org/?menu=1300>

⁵² It is estimated that meeting the SDGs at global level will require investments of USD 3.3 to 4.5 trillion a year. Given the current level of public and private investment (USD 1.4 trillion), the average funding shortfall is estimated at around USD 2.5 trillion a year globally over the period 2015 to 2030. Recent estimates indicate that the African continent will require between an incremental USD 200 billion and USD 1.2 trillion per year for the SDGs to be achieved. The EFSD combines the new EFSD Guarantee, for a total of EUR 1.5 billion, with two regional investment platforms – the Africa Investment Platform and the Neighbourhood Investment Platform with EUR 2.6 billion corresponding to blending operations, currently under the two investment facilities. The EFSD Guarantee will be managed by the Commission, in close cooperation with the European investment bank (EIB). See: European Commission, (2017); Your guide to the EU External Investment Plan, Release No 1.

⁵³ See 'Voice of EFCA', July 2018. EFCA is the sole association representing professional engineering consultancy and related services in Europe. EFCA has member associations in 26 countries, and its member companies employ one million staff, the majority of whom are highly skilled in a breadth of disciplines. Engineering consultancies provide €150 billion engineering consulting services per year for about €1,300 billion investments in buildings, infrastructure and industrial complexes. <http://www.efcanet.org/>

⁵⁴ Blending finance is the strategic use of development finance for the mobilisation of additional finance (e.g. from the private sector, or a range of sources) towards sustainable development in developing countries.

needs of SMEs. This is because the presence of an increasing number of accredited agencies at national level (especially Germany and France) for management of development funds makes it more difficult for SMEs to access those funds because there are more institutions to track, tendering is less homogenous, and bidding processes are less transparent. In addition, there are issues with language (requiring translations), all of which makes it more costly for SMEs, inhibiting them from bidding for projects. EFCA cited the case of Spain, where there has been a massive loss of international work, as an example in this respect. It is expected that the landscape will become more challenging to navigate as the use of blending increases from 4% to a target of 10% and delegation of management of funds is expected to increase.

Some SMEs active in the area of international development have indicated that it is increasingly difficult to identify tenders. It is also harder to get on joint EU consortia to bid for Framework Contracts to bid for development work as only large businesses can afford to track tenders and participate in the processes involved. As SMEs are then excluded from consortia they cannot participate in larger multinational projects, which in turn excludes them from bidding for development projects with multinational donors as they do not have the required multi-country project credentials. Not having multi-country credentials means in turn that it is harder to join consortia. This has in fact been the experience of GEOTest, one of the success story companies.

4.3 Cluster organisations

Cluster organisations have become an integral element of the European economic development landscape. Clusters are local/ regional, national and pan-EU (including COSME countries). While few construction-specific clusters have been identified, many exist that incorporate elements of the construction value chain, such as lighting, clean tech, water, urbanisation, etc.

4.3.1. National and regional cluster organisations

The orientation of individual clusters to internationalisation activities varies significantly, as does their success in doing it. Some, such as the Wooden Housing cluster of Latvia, are internationally oriented, but only focus on markets nearby (due to the weight/ volume ratio of their products and customers' buying behaviour). By contrast, Clean Tech Latvia has led some successful forays to former Soviet Union countries, achieving notable successes for its members, and collaborating successfully with clusters from neighbouring Finland. Others such as Cluster Lumière in France have members with extensive activities in markets in the Arab Peninsula and Africa, whereas others had set up internationalisation initiatives but found they were not successful so stepped back and let it all revert to Business France (the French national internationalisation agency) and the Confédération Générale des Petites et Moyennes Entreprises (CPME). There are also vertical levels of collaboration within cluster groups, as is the case of, for example, water, where a local cluster can link with a regional one, with a national, a pan-EU and even a global cluster organisation. In such instances there are often good opportunities for SMEs to network and internationalise.

The challenge within many cluster organisations, even when they have a construction element, is that most of their membership is usually made up of small and micro enterprises, which may also often be start-ups, with only a few medium or larger enterprises that may have the capabilities to lead well-resourced internationalisation ventures, especially to third country destinations. Such national or region-based clusters may not have the necessary business culture/ linguistic know-how of their target markets, even when they have suitable products or services. Hence the suggestion for more permanent collaboration between clusters from different member states was put forward by some cluster managers.

Karme Filtrs and Cleantech Latvia

Karme Filtrs, a success story from Latvia, made extensive use of Cleantech Latvia's activities in Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan) and Northwest Russia to penetrate those markets. Within Cleantech Latvia there is a "Clean Technology Cluster", of which role is to identify new export markets and to promote Cluster partner's services, products and expertise to target markets. The company made contact with the Clean Technology Cluster early on to help gain information about the markets, and also later to travel to the markets pursuing very well defined objectives. Karme Filtrs joined as they realised that they are too small to be independent players in internationalisation. In 2016 Karme participated in two trade missions and in 2017 in 15 events organised by Cleantech Latvia (7 in outgoing missions, 8 in incoming missions).

This has led to huge savings for Karme Filtrs, in market research costs but also in terms of travel and visiting costs, as they could join well-organised visits with ministers or other business people (small, focused groups providing targeted support and less paperwork). Support for Karme was focused on meeting partners, information about tenders and obtaining representation. Benefits gained were support in obtaining access to finance and being able to access the trade support initiatives (e.g. trade visits to markets). Export guarantees have recently become available - they are useful and could be expanded.

4.3.2. EU supported clusters

The European Circular Construction Alliance (ECCA)

The ECCA (aimed at adopting the Circular Economy for internationalization and global competitiveness of European SMEs in Building and Construction) is one of 24 "European Strategic Cluster Partnerships – Going International" selected from the COSME call "Cluster Go International". The European Strategic Cluster Partnerships for Going International (ESCP-4i) aimed to develop and implement joint internationalisation strategies to support SME internationalisation towards third countries. They contribute to developing common actions (i.e. business missions, cooperation agreements, gateway services, export consortia, etc.) strengthening European SMEs access to specific third markets and initiating a long-term cooperation agenda with strategic partners in third countries.

The ECCA cluster manager advises that the key challenges faced by cluster members when trying to internationalise are that it is a long-term process which requires a sustained commitment of resources; issues surrounding linguistic and cultural proximity, which make it easier for, for example, Spanish enterprises to establish in Latin America than ones from Slovenia; and the need to identify a business partner and establish a network. At the same time, a Slovenian company like Varis might find it easier to work in Germany than a Spanish company would. Generally, there is very little activity outside the EU. The ECCA does promotion and missions, such as supporting EU business missions to China and the Philippines, during September and November 2018. ECCA (working with Construction Cluster Slovenia) aimed to support the joint presentation of a group of companies from different EU countries, addressing circular construction and other advanced construction solutions. The rationale is that with more participants under one brand (ECCA), under the "Made in EU" brand, the impact will be stronger, and the costs will be lower. The ECCA can also support follow-up activities which are in many cases more important than the first meeting.

The European Cluster Collaboration Platform (ECCP)

The ECCP is an action of the Cluster Internationalisation Programme for SMEs funded under COSME and launched by DG GROW in 2016. The ECCP provides networking and information support for clusters and their members aiming to improve their performance and increase their competitiveness through transnational and international cooperation.

A typical example is the EU-Korea Cluster Matchmaking Event within the context of the European Utility Week on 6-8 November 2018 with a delegation from Korea to the EU. There are also opportunities for Intra-European matchmaking. The aim is to allow cluster organisations to do information exchange and carry out networking opportunities with counterparts from Korea and in parallel to present a platform for exchange among European cluster organisations. The European Cluster Delegation will be selected on the basis of their interest in engaging in cluster collaboration with Korea in industry sectors such as: energy, cleantech, smart city, transport (electric mobility), and enabling technologies (used to develop innovations in clean energy products, services and solutions, such as light weighting, composites, additive manufacturing, nanotechnology, ICT). While the term "Construction Industry" does not feature, clearly, the sectors are closely linked to construction.

The Korean Delegation visit to the EU and matchmaking event seeks to support cluster cooperation for strategic business partnerships building upon the Administrative Arrangement signed on Cluster Cooperation by the Korean Ministry of Trade, Industry and Energy and the Korea Industrial Complex Corporation of the Republic of Korea and DG GROW in May 2018.

4.4 Support used by the success story companies

All 12 success-stories benefitted from some kind of public support throughout their internationalisation process. Regarding non-financial support, the most important kind of support used was the organisation of trade missions and matchmaking events that success-stories participated in.

In addition, the identification of market opportunities, especially at the beginning of the internationalisation process, was a service that some of the success-stories benefited from, be it as part of seminars or through individual consultancy by support organisations. A few companies also used public support to help with the identification of potential clients, as in the case of Rostek which received this kind of support from Business Finland.

The majority of the success-stories also used some kind of financial support throughout their internationalisation process. These were mostly subsidies or grants, which:

- Provided general financial support for entering foreign markets/exporting, including market research;
- Allowed companies to participate in missions and reimbursed travel costs; and
- Funded innovation and technological developments (e.g. through H2020) and improved the working capital situation of the businesses.

This financial support was provided through EU organisations (e.g. BSP used the EU funding scheme "Passport to export"), through national organisations (e.g. Schöberl & Pöll benefited from funding by the Austrian Ministry for Transport, Innovation and Technology) and regional bodies (e.g. CLERHP Estructuras uses a funding programme by the Institute of Development of the Region of Murcia). Some few success-stories also used credit guarantee schemes, such as BDI-BioEnergy, which used federal export guarantees provided by the Austrian OeKB Group.

Overall, the extent to which the 12 success-stories used these support measures differed:

- One group of companies' use can be characterised as *light users* as they only used few support measures, notably by participating in trade missions organised by public support providers (e.g. Karme Filtrs).
- Another group of companies made *extensive, deep use* of public support measures, integrating them into their business processes, often provided by different support organisations, combining financial and non-financial support (e.g. Rostek).

4.5 Conclusions regarding support

From the industry point of view, with a few exceptions, support is delivered through national and regional level organisations – often in collaboration with public sector provided internationalisation support. Some programmes, such as those managed by ANCE in Italy and Tecniberia in Spain, have developed a good reputation for the way they work with industry.

The extent to which public sector initiatives focus on the construction industry tends to reflect the economic importance of the sector in the national economy. Where there is a large sector, like the UK and Italy, there are more construction-specific programmes than in economies where the industry is seen more as a contributor to sustainability or environmental factors, as is the case in Denmark and the Netherlands.

EU programmes complement and add value to national programmes (e.g. by combining the presence of European companies under a strong brand) or target specific areas not covered, such as markets that are not readily accessible. Cluster organisations provide linkages, co-ordination and support.

On the whole, it can be concluded from the overview of examples of support from the different sources that delivery of internationalisation support for construction SMEs available through these channels is well-integrated.

However, in the course of the survey and interviews some specific areas where challenges exist have been identified. These are looked at in 4.6 below.

4.6 Gap analysis

Despite the very wide and extensive support that has been presented as being available in the preceding paragraphs, replies to the survey indicate potential gaps. These are discussed below, as well as potential measures to deal with them.

The gaps identified are of two kinds: awareness and gaps in specific provision of support (direct e.g. financial and indirect e.g. networking).

4.6.1. Awareness

One of the important findings of the interview programme and the survey was the relatively low level of awareness of support programmes among SMEs that *had* internationalised. The result from survey responses is provided below.

Figure 27: Are you aware of internationalisation support measures available at regional/ national/ EU levels?

Options	Nº
Yes	18
No	57
Some	11
No response	27
Total	113

Source: CATI survey (N=113) conducted for this study (see section 2 p.35 and Annex 2). One explanation for this low level of awareness may be related to the finding of the survey (also confirmed in many of the interviews) that most internationalisation takes place in response to companies being approached by interested buyers from abroad, rather than targeted internationalisation strategies.

These findings may also be the basis for a hypothesis that more awareness raising needs to be done, because if more enterprises were aware of opportunities and the existing support available, they might be interested in investigating internationalisation opportunities outside the EU in the market areas that are the focus of this study. Such a hypothesis needs to be thoroughly considered before adopting it as valid. The research informing this study suggests that generally speaking, the smaller an enterprise, the greater the challenges it faces to internationalise and the more reluctant it would be to do so. Experience gained from awareness raising campaigns has also demonstrated that it can be very difficult to identify and reach those few enterprises that are good candidates for and open to a discussion on internationalisation.

However, the success stories do demonstrate the importance of awareness of support as in all cases they made use such support.

4.6.2. Gaps in specific provision of support

During the course of the research, on the basis of feedback from the interviews, the survey and desk research, specific areas where support services could be provided/ improved were identified. These are summarised below. It should be noted that not all should necessarily be addressed through EU action – nor are all of these limited to the construction sector. Chapter 5 provides an analysis of those gaps where aggregated action at the EU level can add most value.

Figure 28. Overview of construction industry support needs

Nature of the need	Relevant Organisation	Description
Lack of targeted outreach to promising SMEs	National/ regional trade promotion organisations/ cluster organisations	Given the number of SMEs in the construction sector, it is not possible or desirable to approach all of them – how can those potentially of interest be identified and approached?
Low awareness of available support	Potentially competitive construction SME	Many of the SMEs interviewed and surveyed (including those that successfully internationalised) were not aware of the support available. More can be done to improve awareness.
	National/ regional trade promotion organisations/ cluster organisations	Public sector support organisations interviewed indicated that they were not fully aware of all the support at regional/ national and EU level. Mapping of support available ensuring that support organisations are aware of what is

Nature of the need	Relevant Organisation	Description
		available for SMEs would be of value.
Barriers in access to public tenders	Wide range of construction SMEs	<p>SME engineering companies bidding for participation in large projects funded by development institutions state that it is difficult to identify tenders as these are increasingly decentralised; it is also difficult to meet the project exclusion criteria and as a result their opportunities for participation in non-EU projects are small. Small specialists are being bought up by larger enterprises.</p> <p>Challenges in identifying tenders in countries from the target areas, and language issues when working with such tenders.</p>
Barriers in access to markets	Construction industry professionals/construction (services) businesses Construction SMEs	<p>Construction industry professionals and businesses are confronted with various non-tariff entry/ market access barriers, e.g. ability to operate and requirements for participation in public tenders. This is an EU Trade Policy issue to be followed up in the appropriate fora.</p> <p>Increased longer-term in-country support related to identifying opportunities, finding business partners, setting up local operations and developing operations, and providing updates on legislation, opportunities and relevant developments provided by construction industry professionals</p>
Lack of financial support	SMEs	More specifically tailored support (in terms of loans, guarantees, insurances), especially for: the process of carrying out in-country search for business partners, which may be demanding and time-consuming; developing pilot projects; and, growth and expansion once established.
Collaboration between Member States trade promotion organisations, EU-level support & industry	Construction-related support organisations	To identify, design and implement co-ordinated collaboration programmes for construction SME internationalisation.
Need for more SMEs to collaborate with large construction enterprises	Construction enterprises	Develop ways to integrate more SMEs into international supply chains of major industry players.
Lack of a construction industry internationalisation platform or 1-stop shop	Industry-wide, EU level	Develop a pan-EU platform or 1-stop shop for construction industry internationalisation to work at developing and co-ordinating programmes and act as a driver for continued internationalisation in the industry
Lack of skills	Construction SMEs	Human resources in SMEs are often tied up in local opportunities and they may not have the skills / profile to support the company in internationalising beyond the EU. Furthermore, sending EU staff to target markets for prolonged periods of time may be impeded by significant

Nature of the need	Relevant Organisation	Description
		regulatory barriers. At the same time, suitable human resources that are local to the target market are difficult to identify.

When looking at the above list of needs, the first priority should be to set up a 1-stop shop for **construction SME Internationalisation**. This organisation would plan internationalisation initiatives, co-ordinate and integrate information, drive awareness initiatives, etc. It should be possible to do this relatively quickly through collaboration between industry stakeholders and public sector organisations such as the Trade Promotion Organisations. This organisation would develop and ensure the implementation of an EU construction SME internationalisation agenda. It would provide continuity, co-ordination and a central focus for initiatives. The organisation would have a membership from a wide range of associations and other stakeholders.

Promoting ways to **increase collaboration between large international contractors and EU SMEs** is an action that can be quite readily launched through existing institutions and can be considered a second high priority action, but depends on industry being willing to take up the challenge.

Facilitating access to public tenders (including access to information) with EU and national development institutions to work internationally is also a high priority as through this channel existing SMEs already aware of and involved in internationalisation can be supported. Often these are 'ready to go' but just can't access the tenders or get on to approved suppliers lists or framework contacts. Integration and co-ordination at the level of funding for those already aware of and able to service opportunities could provide useful results.

Dealing with the issue of **low awareness of support available** is related to identifying **ways in which to more effectively target SMEs** that have the best internationalisation possibilities. This is an area where TPOs and industry bodies can share knowledge.

5 CONCLUSIONS & RECOMMENDATIONS

This chapter describes the potential application of the results in Chapters 3 and 4 to support for construction SMEs that wish to internationalise in third markets. The chapter uses the results of the research in Chapters 3 and 4 as building blocks for understanding where we are today (status quo), what changes would be required (needs and objectives) and what the main intervention domains are where an integrated approach could make a difference in delivering these changes.

5.1 *Is there a case for specific support for construction sector SMEs that want to internationalise?*

The definition of the construction sector used in this study (see Chapter 1) covers quite a wide range but the key point is that it includes both products and services, and in some instances products and services are provided as an integrated deliverable to clients.

In the case of SMEs in the generic sense it is widely accepted throughout the European institutions that there is an argument for support targeted at SMEs as a group in a wide range of activities, including for example access to finance, innovation, intellectual property, dealing with regulation, financial reporting, and

internationalisation – both within the EU and in Third Country markets. A wide range of support instruments has been created to help SMEs.

Identified factors that distinguish some construction industry SMEs from SMEs in the generic sense can merit specific support to deal with their particular situation. While the evidence base collected in this study did not aim to quantify the specificity of the sector, the qualitative results collected through survey, interviews and case studies build a reliable picture of the way in which SMEs in the sector internationalise (or not) and what support they have access to and what else they would need.

The determinants of internationalisation are set out below, with references to some of the success stories that provide illustrations of how they work in practice:

- The construction industry includes a very **diverse range of products and services**: including door-handles, floor tiles, civil engineering know-how, architecture, town planning and project management skills, etc. In many instances, products and services are integrated, as for example, when a company with world leading specialised skills in earthquake resistant hospital floors designs such floors but also has to go and install them, or a company might be specialised in design and erection of branded facades, or playgrounds, etc. The success story of CIPA, specialised in subterranean engineering, provides one such example (see Annex A.4 for a full description of each success story). We do not see there to be justification for separate treatment of construction goods or machinery and equipment as these markets operate in a similar manner to non-construction markets.

Indeed, the mode of market entry that seems quite construction industry-specific (“cross-border order processing”) includes both the export of products and of services. Construction SMEs almost never sell only a product but provide assembling services as well. It is this expertise that is also exported. The success story of BDI-BioEnergy International GmbH is a good example of this (see Annex A.4). It is very rare that construction SMEs set up a local office or co-operate through a joint venture. Another internationalisation mode for SMEs (usually specialist suppliers) is through integration in the value chains of large enterprises, as that is a way to reduce transaction costs. The success story of FibR GmbH, a ‘born-global’ start-up is an illustration of this approach (See Annex A.4).

- The **time scales of construction projects** and related **payment schedules** can also create problems for internationalising SMEs. Where a local EU based bank might provide short term credit for a local SME with whom it has a long term banking relationship while the SME is waiting for large staged payments by customers, such short-terms credit might not be as readily forthcoming in foreign markets. If such payments are further affected by delays related to exchange rates and currency availability, it can have very negative cash flow consequences for otherwise profitable projects. BDI-BioEnergy International GmbH also illustrates these challenges very well.

All of these factors contribute to increased **transaction costs, uncertainty, and risks in a cumulative manner**. As such it can be argued that there is a case for separate treatment of relevant parts of the construction industry, as compared to generic SME support, especially when it comes to construction services, whether provided standalone or integrated with a construction product.

5.2 What are the needs of SMEs in the construction sector that want to internationalise?

The results of the study indicate that there is already a lot of support available and internationalisation is not appropriate for all SMEs in the construction sector. In

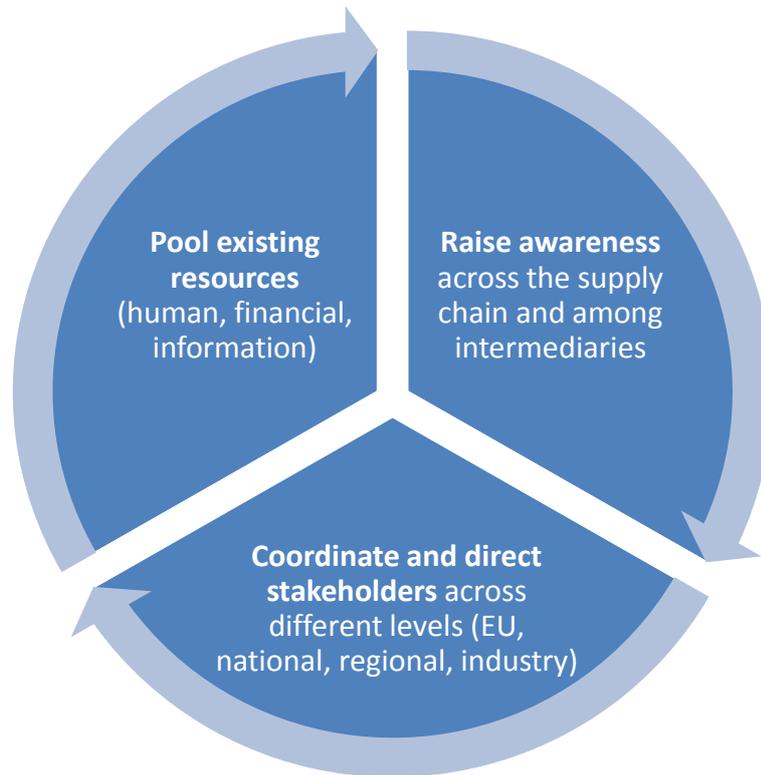
addition, **trade promotion is a national competence**, and any activity envisaged would have to demonstrate that there is EU-value added and not a duplication of or conflict with national-level provision.

Notwithstanding these caveats, to address the gaps identified in the report, there is an opportunity to act at the level of intermediaries to have a more holistic approach to internationalisation of SMEs in the construction sector.

1. Following the gap analysis (see Chapter 4), there is a need for **better awareness and outreach** towards SMEs (e.g. about available market opportunities and available support), on the side of intermediaries (e.g. about the specific needs of construction SMEs that want to internationalise especially in relation to timing and payment terms) and on the side of public support providers who have trouble reaching relevant SMEs with relevant information about their support instruments. A positive example of such an activity is the Deutscher Auslandsbauverband for instance which provides market information, contacts with project partners, preparatory support, mediation and problem solving and support with international tenders to its members.
2. The gap analysis also indicated a need for **improved collaboration and linkages** among stakeholders who provide support to construction SMEs. This is valid for public support providers who are not always aware of other support schemes at different levels of governance (EU, national, regional) but it also refers to Member State trade promotion organisations and EU-level support & industry where additional linkages could help identify, design and implement co-ordinated collaboration programmes for construction SME internationalisation. Finally, greater collaboration between companies including SMEs and larger companies (e.g. through clusters focused on internationalisation such as the ESCP-4i) could help overcome the size and resource limitations that prevent smaller players from accessing some international opportunities at present. RResearch has indicated that– in some cases – there is additional leverage in pooling existing support and resources that is now spread across Member States and across a wide range of stakeholders. Addressing this could take the form of:
 - a. in-country support provision related to identifying opportunities, finding business partners, setting up local operations and developing operations, and providing updates of legislation, opportunities and relevant developments provided by construction industry professionals
 - b. a pan-European platform (such as a cluster partnership) that can act as a central contact point and driver for internationalisation of construction SMEs. A positive example of such an initiative could be the European circular construction alliance (ECCA).

In the research for this study, these three facets were cited as most important across different stakeholder groups. Addressing these needs does not require additional financial resources to be made available on a large scale, nor does it necessarily need to differentiate between sub-sectors within the construction industry. Rather, it will enable existing support mechanisms to be used in a more effective manner, irrespective of the specificity of the construction sector.

Figure 29: Key aspects for a more holistic approach to SME internationalisation in the construction sector



Source: own analysis based on stakeholder perceptions

5.2.1. Improving information (availability and outreach)

As the study has shown there are a large number of initiatives providing information on existing market opportunities across EU MS. The aim of coordinated support is to provide a single access point for such information, both on the side of project opportunities and support initiatives. The immediate target audience for such information is not the companies themselves but intermediaries, such as trade or SME associations or clusters which can then filter the information and relay it to their members.

Under this action area, promoting and raising awareness of existing opportunities and support are the key priorities, as well as the provision of more and more relevant information about available funding for SME internationalisation, and initiatives and assistance in navigating application processes (see e.g. the four specific suggestions below).

This requires a partnership between different stakeholders who can exchange information about their relevant activities and who could explore an exchange of services that could, for instance, include promoting one another's services.

Ideas for improving information availability and outreach included:

1. the use of **clusters** to help translate the technical jargon of sector specialists for policymakers and vice versa and to pool technology and information for SMEs in each Member State and matches this at international level through international counterparts. Here the EU could play a role in supporting the establishment of relevant clusters e.g. through European Strategic Cluster Partnerships for internationalisation (ESCP -4i). The clusters and cluster partnerships themselves should be run locally through experienced cluster organisations.

2. **national chambers of commerce and trade organisations** including architects' associations, engineering associations could receive information about the European Development Fund (EDF) which allows them to find appropriate projects for their members.
3. the know-how of **larger companies** already operating in the target market should be built upon and the EU could play a role in connecting such larger companies with stakeholders representing the wider industry and SME associations.
4. a better **IT tool** to exchange information between relevant stakeholders (e.g. TPOs). The tool could take the form of an online platform which enables exchange of good practices, the development of a European network of intermediaries in the field internationalisation of construction SMEs and facilitates outreach.. It is important that the tool is flexible enough to be tailored to the needs of intermediaries (clusters, trade and sector associations) in Europe who can use it to filter relevant information to their members / stakeholders.

5.2.2. Coordinating stakeholders

Given the amount of existing information, it should be a priority to ensure better coordination and information sharing between different governance levels, starting from already existing programmes and initiatives.

This could involve using clusters and other intermediaries (chambers of commerce, business associations, etc) to bring together the relevant stakeholders and to ensure that SME level inputs on internationalisation in the construction sector are actively sought out. For instance, this could involve a series of workshops (similar to those run in the context of this study) to delve deeper into some of the challenges highlighted in this report and to develop joint solutions (e.g. in relation to information access and outreach) that will work for small companies.

It could also mean support for helping local information and trustworthy partners in third country markets through the coordination of a network of "tested experts" in specific markets. These expert networks could be set up with the help of EU delegations, with the support of European industry representatives and Member States and/or they could be integrated into the EEN's Business Cooperation Centres in third countries or the EU SME centre.

5.2.3. Pooling existing resources

Related to the previous two aspects, the pooling of existing resources can also play an important role in delivering a more holistic approach to internationalisation of SMEs in the construction sector. Such pooling of national, regional, local, or value chain level, can lead to overall cost savings by reducing duplication, it can create network effects, help achieve critical mass and maximise impact. Good examples where such effects have materialised include the Enterprise Europe Network (which brings together different types of organisations with a mission to help businesses innovate and grow on an international scale) or clusters such as the European circular construction alliance (ECCA).

Indeed, one of the priorities is the need to boost international cluster collaboration (such as international ESCP-4i), in collaboration with Governments/Agencies supporting clustering/internationalisation in the target third country. In addition to support for construction focused participation in existing schemes this could also take the form of a European International Construction SME Cluster.

Clusters can play an important role at European, national and regional level in making the required connections, feeding information effectively between industry and policymakers and translating the needs of industry into actionable policy. The European Commission already promotes significant EU level initiatives on clusters and it would be important to link any cluster based initiative in the construction sector to this existing work of the European cluster observatory (EOCIC), the European cluster collaboration platform (ECCP), European strategic cluster partnerships (ESCP), in particular those focused on internationalisation (ESCP-4i) or Innovation Support actions (Innosup).

5.3 Summary of proposed actions

The figure below summarises the key conclusions of this chapter. The key objectives of potential EU action in the field of internationalisation of construction SMEs pertain to improving awareness and outreach to SMEs, greater collaboration and linkages among SMEs, and improved leveraging on existing support and resources. This translates into three potential action areas where the report makes specific suggestions to address existing gaps. The aim of these interventions is to improve participation of EU construction SMEs in international project opportunities, through better take-up of existing public support (including any financial support), improved identification of relevant market opportunities and reduced transaction costs when working abroad.

Figure 30: High level intervention logic



The report has shown that, while there is insufficient evidence for a full construction specific strategy on SME internationalisation, there is scope for increased collaboration and integration at sectoral level. This could consider how existing support could be coordinated to deliver a more holistic approach to SME internationalisation in the construction sector. In addition there is room to explore specific initiatives, developed through collaboration between TPOs from Member States, the banking community and business associations, which address areas such as mapping of available support, and the key challenges identified in this report including in particular financial support (e.g. measures to support cash flow) and human resources (e.g. skills).

ANNEX

A.1 Literature

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Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions	Entrepreneurship 2020 Action Plan, Reigniting the entrepreneurial spirit in Europe	9th January 2013
The European Competitiveness and Sustainable Industrial Policy Consortium (ECSIP Consortium)	Study on Support Services for SMEs in International Business	22nd March 2013
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Author	Document	Date
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ECORYS SCS Group for the European Commission	FWC Sector Competitiveness Studies N° B1/ENTR/06/054 – Sustainable Competitiveness of the Construction Sector, Final report	2011
IBM Global Business Services	Global Location Trends, 2016 report, Facts & Figures	August 2016
Orengo, Karen L., School of Business Administration Faculty of Business Administration, University of Puerto Rico	Internationalization and Entrepreneurial Orientation, A Network perspective: Four Cases of Puerto Rican SMEs	October 2012
Murat Ali DULUPÇU and Onur DEMİREL, Isparta	Socrates Comenius 2.1, Module: Globalization and Internationalization	
Eurostat, Methodologies and Working papers	NACE Rev. 2, Statistical classification of economic activities in the European Community, ISSN 1977-0375	2008
FDI Intelligence	The fDi Report 2017	2017
BPI France, British Business Bank, Cassa Depositi e Prestiti SpA (CDP), Instituto de Crédito Oficial (ICO) and KfW Bankengruppe (KfW)	France, Germany, Italy, Spain and the United Kingdom: Internationalisation of European SMEs – Taking Stock and Moving Ahead	2018

A.2 Questionnaire and full survey analysis

Questionnaire

VVA, the Centre for Strategy & Evaluation Services (CSES) and CSIL have been appointed by the European Commission's DG GROW to carry this study.

The objective is to develop tailor-made proposals for public support at EU level to European SMEs^[1] from the construction industry to internationalise beyond the EU, focusing on 1) the Africa-Caribbean-Pacific (ACP) 2) Asia 3) Latin America, 4) the Middle-East and 5) the Balkans.

The definition of the construction industry for the purposes of this assignment includes:

- Transport infrastructures (road, railway, airport, waterway, port)
- Energy (production, distribution)
- Water (production, treatment, distribution)
- Waste (collection, treatment, management)
- Buildings (housing, public services, commercial and industrial)
- Communication networks
- Construction services (architecture, engineering, technical consultancies)
- Construction products and materials manufacturing
- Trading in construction services and products
- Data protection

Any information provided is confidential and will be dealt with accordingly. The results presented will be aggregated and will not be individuated by company. VVA and CSES aim to comply with the Data Protection Directive (95/46/EC), as implemented in the UK under the Data Protection Act 1998 and with EC Regulation No 45/2001 (which is currently under revision) concerning the protection of individuals regarding the processing of personal data by EU institutions. CSES and VVA are compliant with the GDPR (General Data Protection Regulation (GDPR) (EU) 2016/679).

The survey deadline is 3rd August 2018. Completing the survey should take no longer than 15-20 minutes.

[1] The definition of SMEs referred to is that in EU Recommendation 2003/61. There is a guide to the use for the definition: User guide to the SME Definition http://ec.europa.eu/regional_policy/sources/conferences/state-aid/sme/smedefinitionguide_en.pdf accessed 28/10/2017

Basic data

Please provide following information:

1. What is the business's name?
2. What is your position/ role in the business?
3. When (what year) was the business established?
4. What products/ services does the business supply?
5. In which EU country is it located (main office)?

- | | |
|---|---|
| <input type="checkbox"/> Austria
<input type="checkbox"/> Belgium
<input type="checkbox"/> Bulgaria
<input type="checkbox"/> Croatia
<input type="checkbox"/> Cyprus
<input type="checkbox"/> Czech Republic
<input type="checkbox"/> Denmark
<input type="checkbox"/> Estonia
<input type="checkbox"/> Finland
<input type="checkbox"/> France
<input type="checkbox"/> Germany
<input type="checkbox"/> Greece
<input type="checkbox"/> Hungary | <input type="checkbox"/> Italy
<input type="checkbox"/> Latvia
<input type="checkbox"/> Lithuania
<input type="checkbox"/> Luxembourg
<input type="checkbox"/> Malta
<input type="checkbox"/> Netherlands
<input type="checkbox"/> Poland
<input type="checkbox"/> Portugal
<input type="checkbox"/> Romania
<input type="checkbox"/> Slovakia
<input type="checkbox"/> Slovenia
<input type="checkbox"/> Spain
<input type="checkbox"/> Sweden |
|---|---|

Ireland

United Kingdom

6. If the head office is outside the EU, in which country is that?

7. Are there establishments in other EU countries? Yes/ no

8. Are there establishments outside the EU? Yes/ No

If yes, please state where:

Please state:

9. What size is the business; employment (global) – actual number:

- 1-9
- 10 to 49
- 50 to 249
- 250+

Are any of these employed outside the EU? If yes, how many?

10. What share of turnover % originates from outside the EU?

- 1-10%
- 11-20%
- 21-40%
- 41-60%
- >60%

11. Which are the top 3 countries that the above share (q10) originates from?

Internationalisation

12. What were the main drivers in your business internationalising?

- domestic business cycle downswing;
- need for revenue/ profit;
- alerted to an opportunity;
- followed competitors;
- followed a customer;
- a new internal initiative;
- other

Please comment:

13. What were the stages of your initial internationalisation journey? (E.g. select a country/ which of your products/ steps you took/ who did you contact/ how long did it take/?)

Please provide a short description:

14. Did you undertake any subsequent expansion?

- Yes
- No
- Don't know

15. If you answered yes to the above question, what was that?

- To other countries
- Within the same country (more products or services/ or new products or services)

Please comment:

16. What mode(s) of internationalisation have you adopted?

- Export
- Joint ventures
- Equity/ non-equity arrangements
- Local office set-up
- Use of a local agent/ partner
- Local manufacturer
- Foreign direct investment
- Other

Please comment

What has been the outcome (Increased revenue

- Profitability
- Employment
- Long terms sustainability of the enterprise
- Position
- Branding
- Other

Please comment:

17. If you are not present/ represented in 1) the Africa-Caribbean-Pacific 2) Asia 3) Latin America and 4) the Middle-East, (5) the Balkans - why is that?

Please comment:

Barriers

18. Which internal challenges did you face during the internationalisation process?

Challenges/ barriers: please rank 1- 5 with 1 as most important.

Internal barriers	Rank
• Knowledge/ understanding of markets	
• Awareness of market opportunities	
• Concerns about market entry costs: <ul style="list-style-type: none"> • Product modifications • Learning about operational and regulatory environments 	
• Concerns about remaining in the market: <ul style="list-style-type: none"> ▪ Delivery costs ▪ Dispute resolution ▪ Issues with regulation such as taxation, product requirements and liability, ▪ Exchange risk 	
Cost: financial	
Cost: availability of and reliance on staff with the required soft	

skills (language, inter-cultural) and hard skills (dealing with forex, legislation, compliance)	
Opportunity costs – emergence of local opportunities	

If other, please specify:

19. Which external challenges did you face during the internationalisation process?

Challenges/ barriers: please rank 1- 5 with 1 as most important.

External barriers	Rank
Complex administrative procedures	
Lack of access to public tendering	
Identifying sound and reliable business partners abroad	
Cross-border payment systems	
Rules and regulations (e.g. labelling and marketing)	
Lack of awareness of markets and opportunities	
Lack of awareness of markets and opportunities	
Competition in local markets	
Business culture	
Business environment	
IP protection	
Tariffs	
Non-tariff barriers	

If other, please specify:

20. What are the three main barriers/ challenges (internal & external)?

Please comment:

21. How did you deal with these challenges?

Please comment:

22. Were any of these challenges specific to the construction sector?

- Yes
- No
- Don't know

If yes, which challenges and how important were these overall? Please comment:

23. Are there any specific challenges related to the 1) the Africa-Caribbean-Pacific 2) Asia 3) Latin America, 4) the Middle-East and, 5) the Balkan areas?

Please comment:

Support measures and initiatives for SMEs

24. Are you aware of internationalisation support measures available at regional/ national/ EU levels (e.g. through COSME or the External Investment Plan).?

- Yes
- No
- Some

If you answered 'no', why is that or 'some', / which measures are you aware of?

25. Have you made use of any support provided through national industry/ cluster/ government (national/ EU) in your internationalisation journey?

- Yes
- No
- Don't know

26. If yes, which **non-financial support** measure (s) did you use?

Non-financial support	Provider
Seminars and workshops	
Staff training	
Trade missions, trade fairs, and matchmaking events	
Information on rules and regulations	
Information on market opportunities	
Identifying and arranging meetings with potential clients	
Advice and consultancy	
Business co-operation and networking	
International framework/collaboration agreements	
Linkages with national/ EU programmes (which?)	

Please indicate, for the support measures used who the providers were (national industry/ cluster/ government (national/ EU)):

27. If yes, which **financial support** measure (s) did you use?

Financial support	Provider
Credit guarantee schemes	
Subsidies and grants	
Tax incentives	
Low interest rate credit	
Other insurance services	
International programmes	

Please indicate, for the support measures used who the providers were (national industry/ cluster/ government (national/ EU)):

28. If not, why not? (E.g. unaware, time pressures, too administrative/ bureaucratic, scepticism, used other channels, other).

Please comment:

29. If you used more than one measure (or more than one measure was available), please comment on the following:

- which was the most useful?
- Provision of which measure(s) should d be expanded?
- how did the different measures complement each other?
- Were there any areas of overlap?

30. Are you aware of the European External Investment Plan?

- Yes
- No

If yes, what do you expect the role of the EIP to be in your internationalisation efforts?

31. How would you assess the overall efficiency, effectiveness and impact of these support

measures?

Please comment:

Possible future support measures for micro and small construction firms (at national and EU levels)

32. Are there any gaps in the current provision of SME support measures, schemes or initiatives to support the internationalisation of construction SMEs in Third countries (specifically in the five areas in question)?

- Yes
- No
- Don't know

If yes, please indicate what should be done to improve support:

33. In your view, do the support needs to facilitate the internationalisation of European construction SMEs differ depending on the size of firm (i.e. micro firms with 1-9 employees, small firms with 10 – 249 employees or medium firms with >250 staff)?

- Yes
- No
- Don't know

Please comment:

34. May we, if necessary, contact you to clarify (if necessary) or discuss your response in more detail? If yes, please provide your name and contact details.

- Yes
- No

If agreed, please provide contact details.

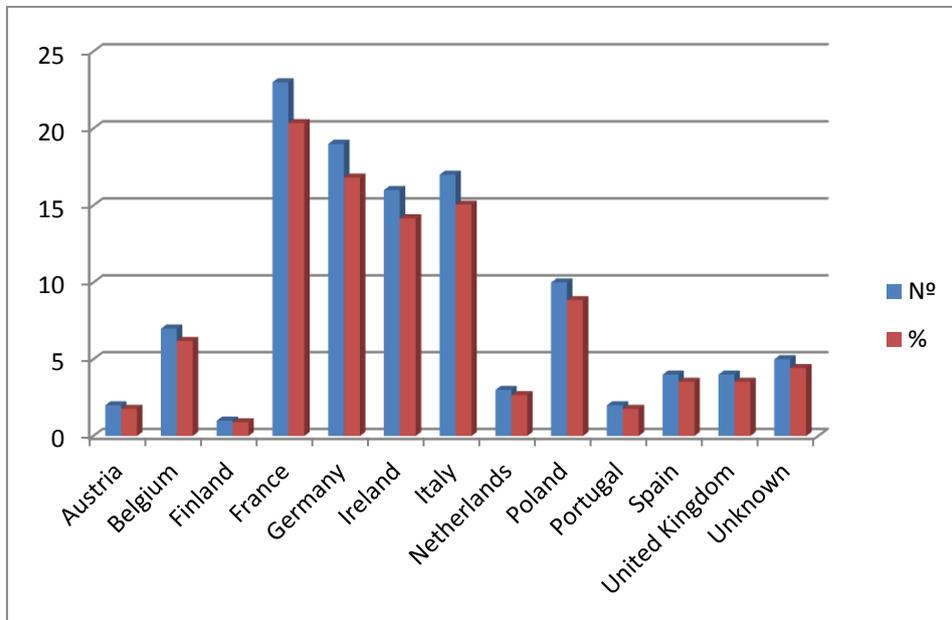
THANK YOU FOR TAKING PART IN THE STUDY AND FOR YOUR INPUT.

Analysis

A total of 113 responses were received at the close of the survey.

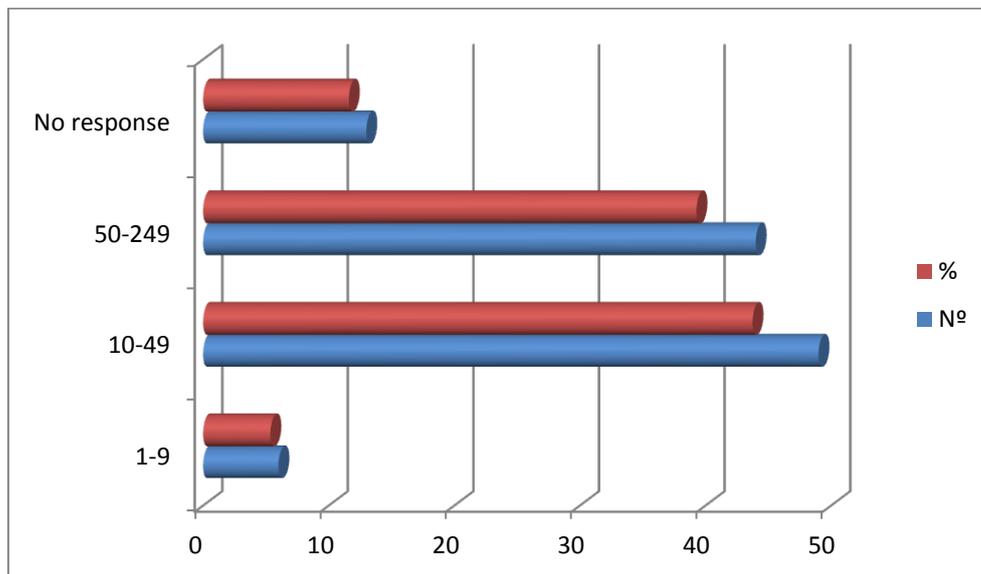
Although most responses are complete or almost complete not many respondents have made use of the open comment responses.

In which EU country is your main office located? N=113



Nearly a fifth of respondents indicated that they have establishments in other EU countries, and a sixth that they have establishments outside the EU.

What size is the business - employment (global)? N=113



Are there establishments in other EU countries?

Options	Nº	%
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Yes	22	19.5
No	76	67.3
No response	15	13.3
Total	113	100.0

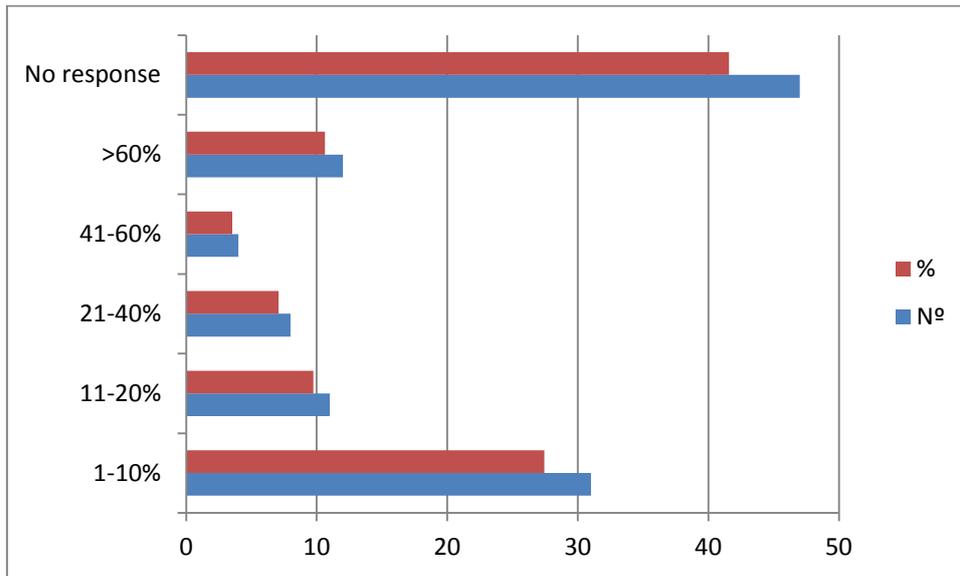
Are there establishments outside the EU?

Options	N°	%
Yes	18	15.9
No	86	76.1
No response	9	8.0
Total	113	100.0

The question as to which 'products/ services the business supplies' was open-ended and we have received a range of responses, presented in the box below.

Products/ services the business supplies	
<ul style="list-style-type: none"> • CCTV and Smart Screens for transport and passenger industry • Steel Tanks • Cast iron components • Steel Structures • Legal advice • Machinery • Soldering Wire, casting alloy, tin and lead • Fire Protection • Traffic Controllers • Flooring for warehouses • Insulation • Design services, aluminium systems • Aluminium castings • Construction of vertical machines for packaging • Production of die-cast aluminium items 	<ul style="list-style-type: none"> • Climate installation • Die casting of non-ferrous metals • Auxiliary press machines and repairs thereof • Cement products, coatings and adhesives • Sale and rental of tents and removable structures • Machinery for des-salting and water purification. • Metallic structures and stairs • Metallurgy industry • Industry in the metal sector • Iron and steel castings. • Castings; Goods of iron, cast steel. • Finished parts made of concrete and plaster • Industrial automation services, engineering consultancy

What share of turnover (%) originates from outside the EU?



Respondents were asked which the top 3 countries were from where the above share originates. Responses to this question included:

- New Zealand
- USA, Ukraine, Russia
- USA
- Turkey
- Saudi Arabia, Kazakhstan, Ukraine
- Ukraine, Russia
- New Zealand, Nigeria
- China
- Switzerland and Chile.
- Kazakhstan, China and the United Kingdom.
- Mexico, Brazil and Morocco.
- Mexico. We only have one.
- Algeria, Morocco and Japan.
- Algeria, Australia and Thailand
- Dominican Republic, Morocco and Oman.
- United States, Singapore and Hong Kong.
- Thailand, USA, Italy.
- Thailand, USA, Italy.
- China, Morocco and Turkey
- Taiwan, Senegal and Ukraine
- Switzerland and Turkey
- Turkey
- Malaysia, Canada and Norway
- Greece and Spain
- USA, Philippines and Switzerland
- Scandinavian countries, Germany, Russia
- South Africa, Latin America, Europe
- Saudi Arabia, Europe, France

What were the main drivers in your business internationalising?

Drivers for internationalisation	N°	%
Domestic business cycle downswing	34	30.1
Need for revenue/ profit	60	53.1
Alerted to an opportunity	69	61.1
Followed competitors	29	25.7
Followed a customer	54	47.8
A new internal initiative	42	37.2
Other	16	14.2

Source: On-line survey

With **reference to drivers of internationalisation**, 'other' drivers included (open-ended):

- "Sent orders from parent company"
- "Bigger market share, more global"
- "Need of the client"
- "We acquire clients from a company"
- "As a result of the economic crisis in Spain, our production volume fell by 90% and we were faced with the need to look for an external market."
- "Vocation on the part of the company. Our manager has been away for a long time, speaks many languages. The thrust he has given to this topic has been quite vocational."
- "Because of the decline of the business nationwide."
- "To look for a wider market with greater commercial possibilities, considering the stagnant Italian market at the moment."
- "For the Scandinavian countries we have followed our clientele for the other countries we have made this choice to expand the turnover"

Regarding **the stages of the business's internationalisation**, responses these appear varied, including both responsive approaches ("just reactive to market") and more strategic action-oriented ones ("Decision made by MD"). The box below provides two anecdotal examples of how internationalisation gradually happened for two of the survey respondents.

"Initially we started to do some exports to Iran but before the difficulty that we had with the relations with this country, we had to focus on the closest and closest we had, which was Morocco. There we began our journey with the most powerful export effort. We highlight that as a small company, we did not have any help or support from any institution or regional or community to which we belong, with which our effort was extraordinary because we had to use our own resources that we did not have. It was quite hard to see how the central, regional and local government were, they turned up with companies that were more beautiful and that they were more interested in taking nice pictures. The local companies of small volume did not appear in any type of statistic, so they did not pay attention to us. Ten years later, TRUCCSA already appears in the exporters' relations and we

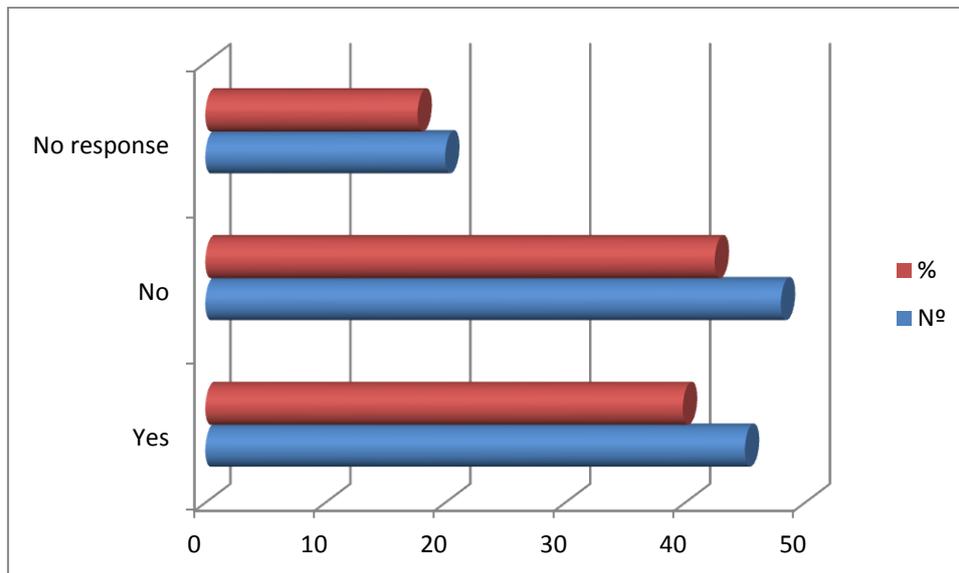
have a lot of movement in the ports of Alicante and Cartagena, which are the closest to us. And now when we do not really need it, it is when the politicians call us, from the institutions, to offer us help that we do not need now. The internationalisation of our company has been 100% paid by our company."

"We started doing international trade as distributors of a German brand. This brand was a world leader and allowed us to meet agents / representatives worldwide (conferences were held and we met distributors in other countries). That was in 1994-1995. In 2000 we decided to start manufacturing our own product, having learned from the Germans and improving the product from the observed errors. When we started manufacturing we had a significant portfolio of potential customers with which we started working. This German manufacturer entered into suspension of payments and we were able to serve some of its customers. Then it was absorbed by a very powerful competitor of ours in Germany. Some distributors or clients looked for an alternative supplier, since they did not want to maintain the relation with the new owner of the company, and they came to us (of countries with the United Kingdom or Australia). Over the years the company has been acquiring a name in the sector and has been opening doors and new contacts in other countries."

Source: Two survey responses (slightly edited for readability)

Nearly half of those that answered undertook subsequent expansion after initial internationalisation. And figure 21 shows that this was both within the initial country and to others in approximately equal measure.

Did you undertake any subsequent expansion?



If you replied 'yes' to the above question, what was that?

Options	N	%
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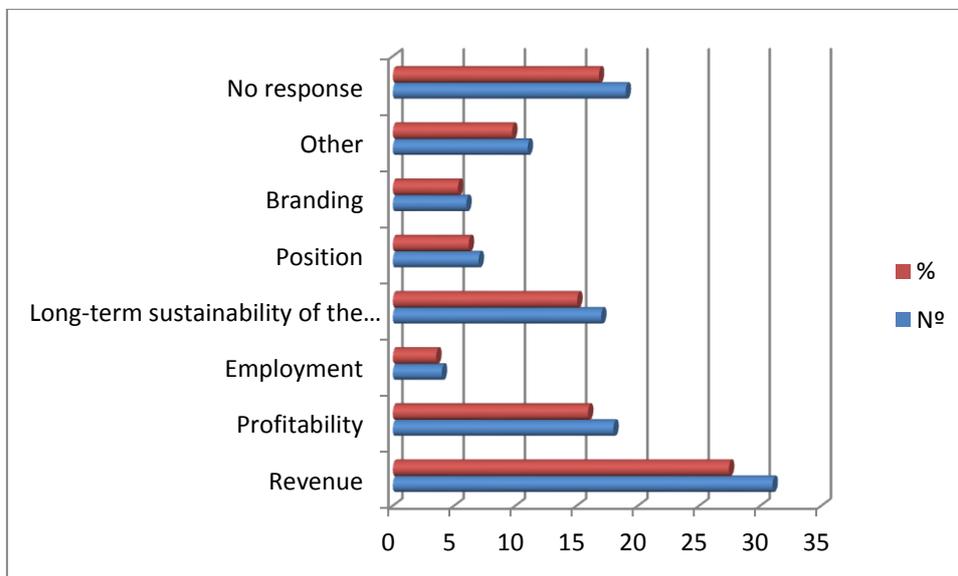
	o	
To other countries	32	71.1
Within the same country (more products or services/ or new products or services)	30	66.7

The figure below shows the range of outcomes from internationalisation. Revenue, the securing of long-term business sustainability and employment were considered the most common outcomes.

What mode(s) of internationalisation have you adopted? (multi-response)

Modes	Nº	%
Export	81	71.7
Use of a local agent/ partner	56	49.6
Local office set-up	26	23.0
Local manufacturer	18	15.9
Joint ventures	15	13.3
Foreign direct investment	12	10.6
Equity/ non-equity arrangements	6	5.3
Other	11	9.7

What has been the outcome? Improvement in: N= 39



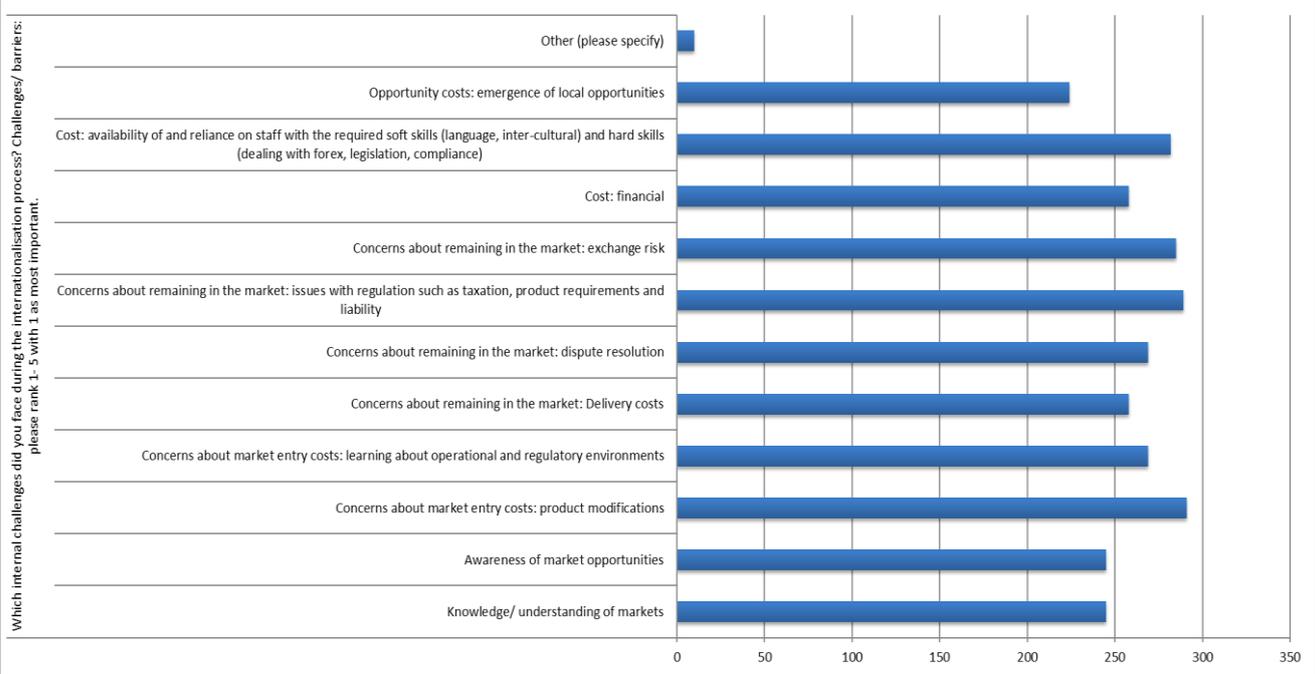
The survey asked responding business the reason(s) they were not present or represented in 1) the Africa-Caribbean-Pacific 2) Asia 3) Latin America and 4) the Middle-East, (5) the Balkans. The below box covers some of the open responses received:

- No particular reason, just waiting for market opportunities
- Not too long on the market
- Issue with transport to these countries. Lack of interest in our products from those customers.
- Transport costs are too high
- Our customers produce or sell system and our product is 1 part of their system so need to expand.
- Transport cost are high, hard to be present there
- Production location, effort to be in those locations
- Quite far from our factories, cost of transport too high. Our products are not good for some regions.
- In most cases we have no contacts there, finding contacts there is too expensive.
- Because we have not seen the need. The customers are really European, even if they are established in those countries and then the potential for purchase is in Europe even though we then send the products.
- They offered us in Mexico, but it was not profitable. what they offered did not interest us. Because the work we do does not cover that Market (1) Africa, the Caribbean, the Pacific; 2) Asia; 3) Latin America; 4) the Middle East; (5) the Balkans)
- Because we have not entered your market, because the clients that we play are not represented in those countries.
- Because our product is very heavy and we can not take it to these countries. Transportation would be very expensive and the product would not be competitive. It also has a very short expiration period, and reacts to natural elements and time and temperature. It could not be carried by boat, it could not be long in transport.
- The need has not arisen or we have not been offered the opportunity by any of these countries, which has been interesting.
- Or we have addressed them and we have not seen them interesting or we have not yet tested them.
- We are dedicated to the maintenance of press that do not have in certain countries.
- Because of the difficulty of entering these markets (Middle East and the Balkans), not because of the language, but because of the lack of knowledge of the market, because of our limited resources to carry out market studies. For us it would be very important to also export to France and the United Kingdom for example and we do not either.
- Because no agreement has been reached with any potential distributor.
- Because the business opportunity has not arisen.
- Because our product is not a product that fits completely in those countries. We do not have contacts for now with those countries for the sale of the product. In South America we usually have some questions but it does not get through, partly because of the cost of the shipment.
- In ACP, Latin America and the Balkans not because there is no oil extraction.
- Because we are working on a market typology that is not represented in these geographical areas.
- Because there are no requests
- I think we have no customers so the customer acquisition was not available. No customer acquisition available.
- Because our products are too special. Would you just need a partner in the

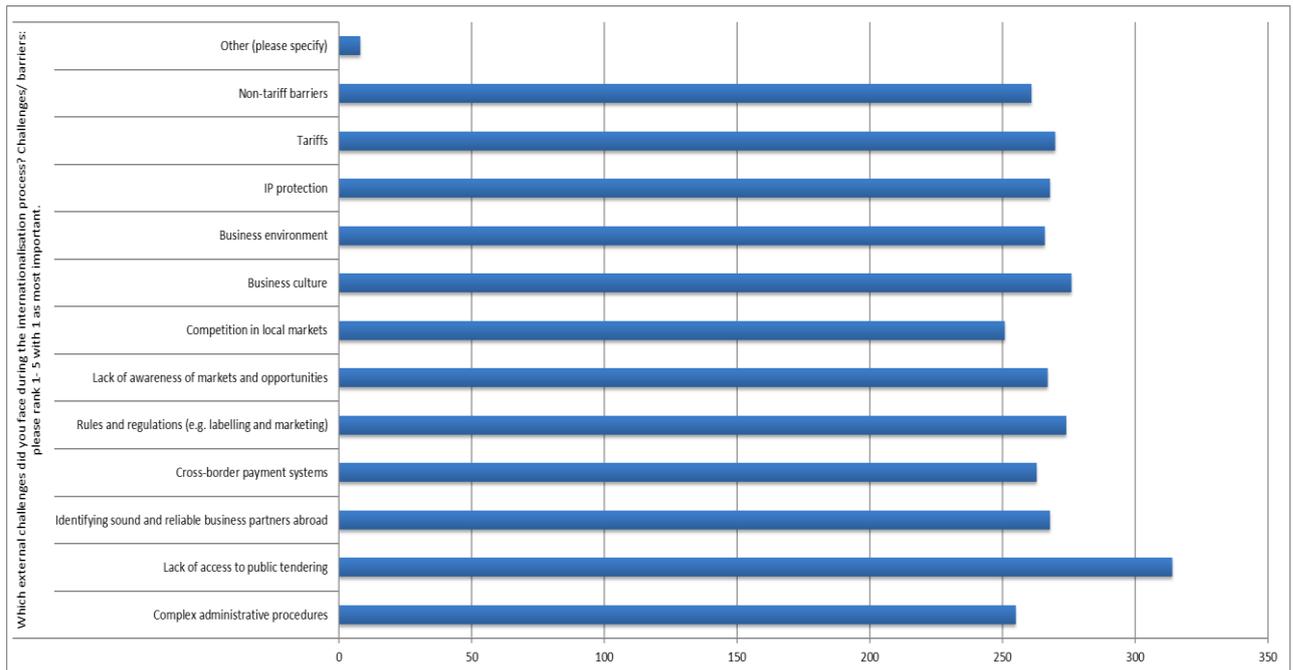
- foreign country that produces and markets and all that.
- Yes, we did not have any requests yet and so far we have not had a chance to place our products. Do not have a contact there
- We export to those countries but we do not have headquarters. Because the plants are produced directly in Italy and exported from them
- In the Balkans we are represented, in the other countries the opportunity to be represented has never arrived.
- We are present because we export but through one of our customers
- Our company is medium-small so we are expanding, it takes time.

Source: survey (verbatim)

Which internal challenges did you face during the internationalisation process? (Challenges/ barriers: please rank 1- 5 with 1 as most important.)



Which external challenges did you face during the internationalisation process? (Challenges/ barriers: please rank 1- 5 with 1 as most important.)



Regarding responses to the question on external challenges faced by internationalising SMEs, '**Other**' external challenges mentioned were:

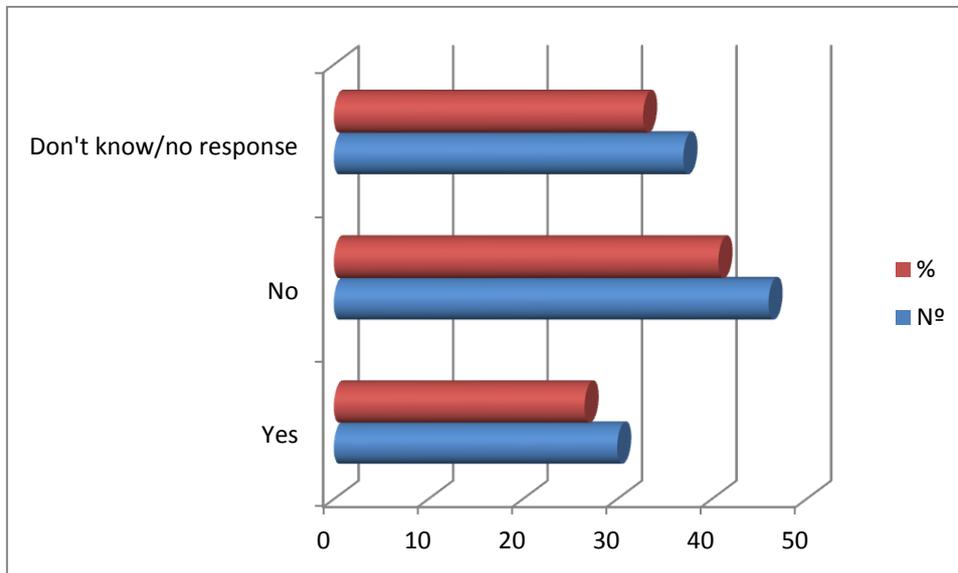
- HMRC, paperwork and documents. Tax, commodity codes.
- Payroll system in other countries
- Staff could use some linguistic skills, not a lot of people speaking foreign languages. More understanding of foreign markets to reach out to potential customers. Investing in raising qualifications of staff at the company.
- Rules and regulations, some countries don't allow hazardous goods.
- Lack of knowledge of foreign market, lack of offices.
- Business culture, logistics procedure, lack of skills from our staff, language barrier.

The next survey question asked **how the businesses responded to challenges**. Many of the responses involved organising training in response to the challenge and obtaining information. Examples of the responses received are listed below:

- "Get as much knowledge as we can from supply base, transport company looks after a large amount of paperwork."
- "Management took those issues seriously and took measures to improve situation in company, invested in raises skills and languages and training."
- "We are trained to deal with these, every situation is different. Need to have specific strategy"
- "Tried to get a lot of information and tried to talk with people who have experience. Research, mostly conferenced about finding partner with knowledge."
- "We got used to it, learned about it, learned the hard way. [...]. Logistics is still a huge issue".

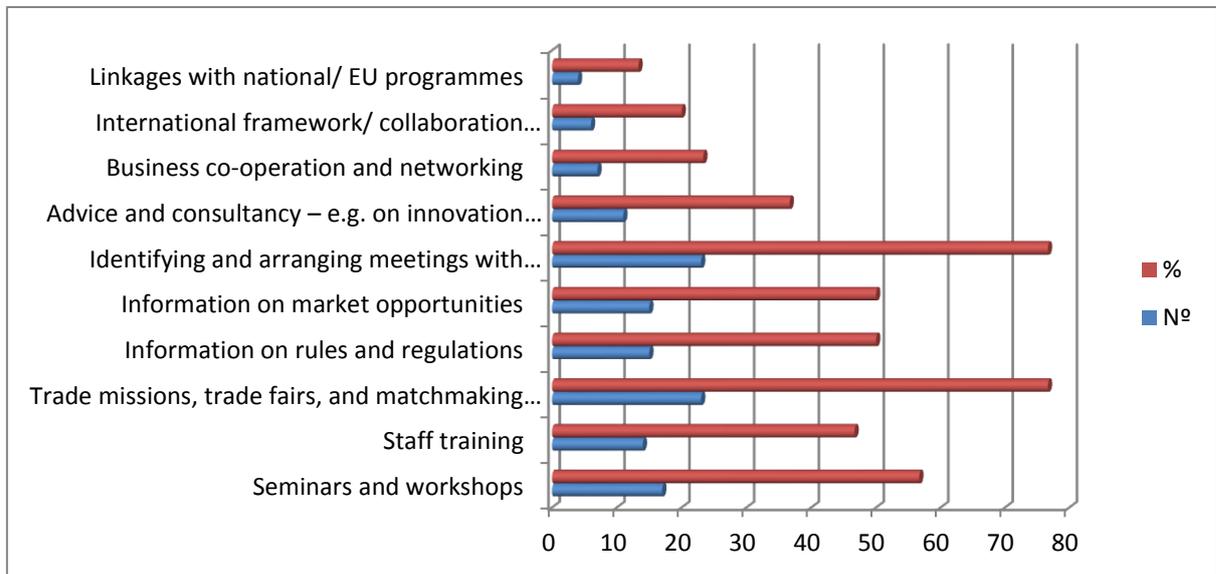
Awareness and use of national and EU support instruments

Have you made use of any support provided through national industry/ cluster/ government (national/ EU) in your internationalisation journey?

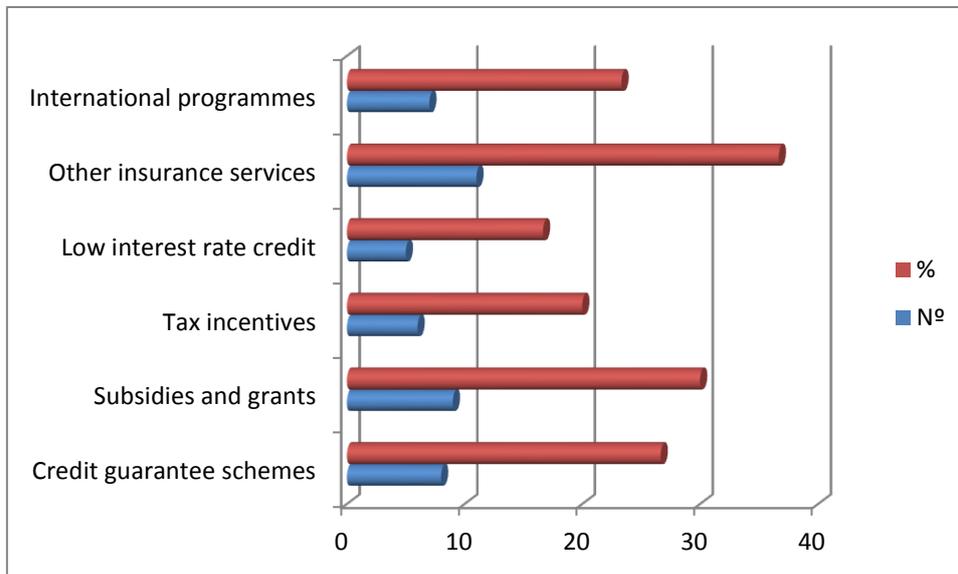


The figures below show the range of non-financial and financial support measures used respectively.

If yes, which non-financial support measure (s) did you use?



If yes, which financial support measure (s) did you use?



Respondents were asked if they considered there to be any gaps in the current provision of SME support measures, schemes or initiatives to support the internationalisation of construction SMEs in Third countries. The responses seem to indicate there is no consensus on this question. In fact, it seemed that a good share did not know because they did not know of their existence and/ or did not use them.

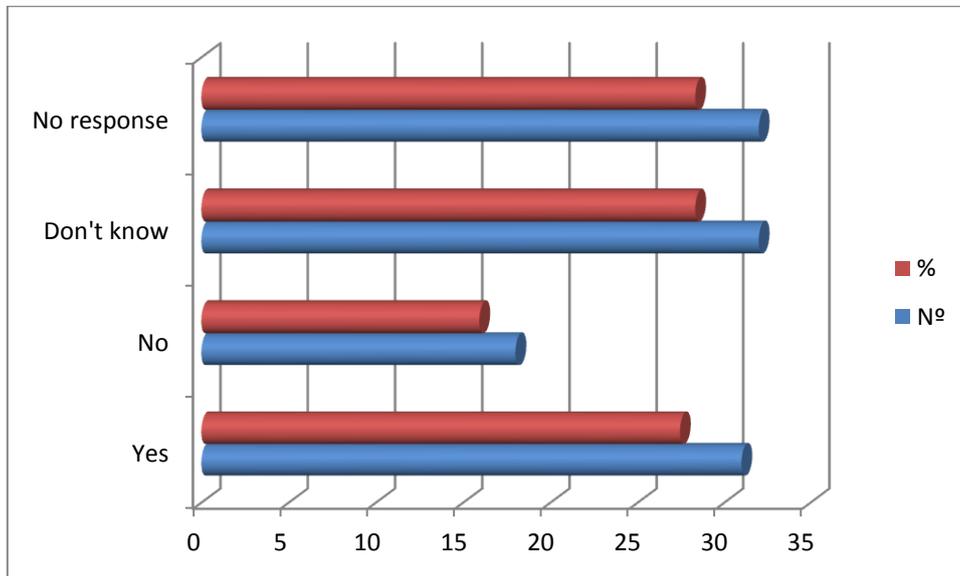
Are you aware of the European External Investment Plan?

Options	Nº	%
Yes	6	5.3
No	85	75.2
No response	22	19.5
Total	113	100.0

Are you aware of internationalisation support measures available at regional/ national/ EU levels?

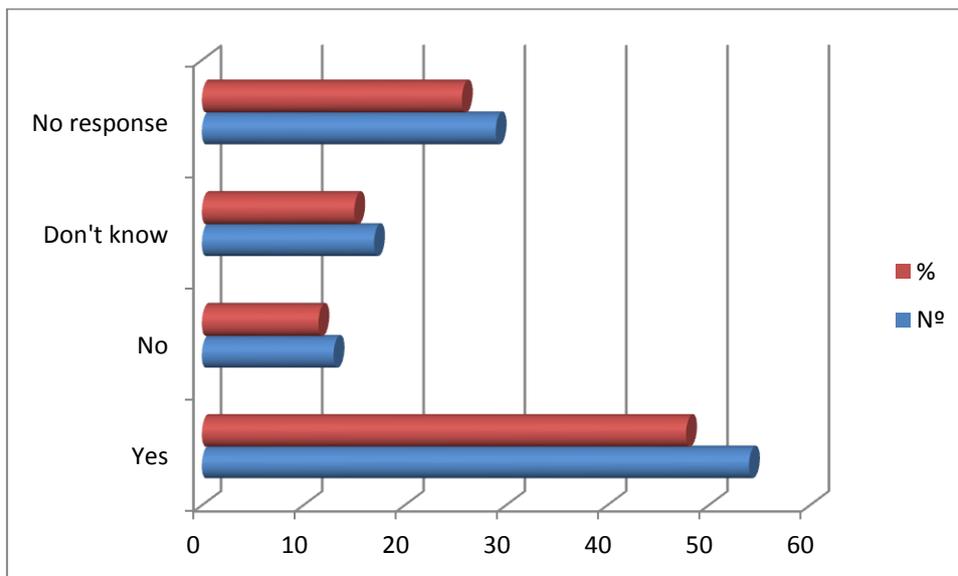
Options	Nº	%
Yes	18	15.9
No	57	50.4
Some	11	9.7
No response	27	23.9
Total	113	100.0

Are there any gaps in the current provision of SME support measures, schemes or initiatives to support the internationalization of construction SMEs in Third countries?



Finally, respondents were asked if, in their view, support provided needs to facilitate the internationalisation of European construction SMEs differ depending on the size of firm.

In your view, do the support needs to facilitate the internationalisation of European construction SMEs differ depending on the size of firm (i.e. micro firms with 1-9 employees, small firms with 10 – 249 employees or medium firms with >250 staff)?



A.3 Interview list

Country	Type	Organisation
AT	Cluster	Cluster Erneuerbare Energien Tirol
AT	Cluster	Green Tech Cluster Styria
AT	Industry Association	Geschäftsstelle Bau der Bundesinnung Bau und des Fachverbandes der Bauindustrie
AT	Industry Association	Arbeitsgemeinschaft der Hersteller von Metall-Fenster / Türen / Tore / Fassaden (AMFT)
AT	Industry Association	Fachverband Steine-Keramik
AT	Industry Association	Fachverband der Chemischen Industrie
AT	MS Government	Wirtschaftskammer: Aussenwirtschaft Austria Construction / Infrastructure
AT	SME	Firma SynCraft
BE	Cluster	Cluster Eco Construction
BE	Industry Association	Flemish Construction Confederation
BG	Industry Association	Bulgarian Construction Chamber
BG	MS Government	Ministry of Regional Development
CZ	SME	GEOTest
CZ	Industry Association	Svaz podnikatelů ve stavebnictví v ČR (Czech construction industry
DE	Cluster	AFBW - Allianz Faserbasierte Werkstoffe Baden-Württemberg
DE	Cluster	Leichtbau BW GmbH
DE	Industry Association	Confederation of the German Construction Industry (Hauptverband der Deutschen Bauindustrie)
DE	Regional Support	Enterprise Europe Network Hessen
DE	Regional Support	Handwerkskammer für München und Oberbayern
DE	SME	Werner Sobek Group
DE	SME	FibR GmbH
DE	SME	VOGT Baugeräte GmbH
DE	SME	KKTJ Bausystem GmbH
DE	MS Government	BMWi (Federal Ministry of Economics)
DE	SME	Str.ucture
DK	Industry Association	Dansk Byggeri
DK	Cluster	CLEAN - Inno MT (environmental technology)
DK	Cluster	CLEAN - Inno MT (environmental technology)
DK	MS Government	Danish Trade Council/ Ministr yof ForeignAffairs
DK	Industry Association	Danish Association of Architectural Firms
DK	SME	CEBRA Architecture
DK	SME	Dalux ApS
ES	SME	SANEAMIENTO Y SUMINISTROS SA
ES	SME	OSSA
ES	SME	CLERHP ESTRUCTURAS
ES	SME	Vall
ES	SME	Julcar
ES	Cluster	AEICE
ES	Industry Association	Confederacion Nacional de la Construcccion
ES	Cluster	Cluster Maritimo Naval Cádiz
ES	MS Government	ICEX

ES	Regional Support	ACCIÓ
ES	Industry Association	Tecniberia
ES	Industry Association	ANDECE (Asociación Nacional de la Industria del Prefabricado de Hormigón)
ES	SME	Grupo INCLAM
EU	EU-Industry	FEIC
EU	EU-Industry	ACE
EU	EU-Industry	CPE
EU	EU-Industry	Eurochambres
EU	EU-Support	EEN
EU	EU-Support	COSME - cluster internationalisation
EU	EU-Support	EIP / DG DEVCO
EU	EU-Industry	FEANI
EU	EU-Industry	EFCA
EU	EU-Support	EIB
EU	EU-Industry	UEAPME
EU	EU-Support	GLE/ Newbuild
EU	EU-Support	EEN
EU	EU-Support	EEN sustainable construction
EU	EU-Support	EASME - SME Instrument Unit A2
EU	EU-Industry	EIC
EU	EU-Industry	European Builders' Confederation
FI	SME	Rostek
FI	SME	GoSleep
FI	Cluster	Airport Cluster Finland ry
FI	Cluster	Arctic Design Cluster
FR	Cluster	CD2E
FR	Cluster	Pôle Fibres-Energivie
FR	Cluster	Cluster Lumiere
FR	MS Government	BPI France
FR	Cluster	Pôle Aqua-Valley
FR	Industry Association	Fédération Française du Bâtiment
IE	Industry Association	Engineers Ireland
IE	Industry Association	Construction industry federation Ireland
IE	Industry Association	Property Sector Executive
IE	Industry Association	Association of Consulting Engineers of Ireland
IE	MS Government	Enterprise Ireland
IE	SME	LTMS
IE	Large contractors	Epswater
IE	Large contractors	Jones Engineering Gropu
IE	SME	OCSC
IE	SME	OCSC
IE	SME	Collen
IE	SME	CabinPac
IE	SME	Demolition
IT	Investment promotion agency	ICE
IT	MS Government	Ministry of Foreign Affairs and International Cooperation (MAECI)
IT	Industry	The Italian Construction Federation (ANCE)

	Association	
IT	Cluster	ASTER – BUILD CLUST-ER
IT	SME	CIPA
IT	SME	Bettati Antinecendino srl
IT	SME	Cosedil
Lithuania	Cluster	Prefab LT
LV	SME	Karme Filtrs
LV	SME	Inducont
LV	Cluster	Cleantech Latvia
LV	Cluster	Wooden Housing Cluster
LV	MS Government	Latvian investmen and development agency
NL	MS Government	RVO - NEA - EEN
NL	Large contractors	BAMINternational
NL	MS Government	NEA
NL	Large contractors	Arup
PL	Investment promotion agency	PAIH - Polish Investment & Trade Agency
PL	Regional Support	Investor and Exporter Service Centre, Marshal Office of the Małopolska Region
PL	SME	PSP - Rock System Poland
PL	SME	Arbet
PT	Cluster	Portugal (Aveiro)
PT	MS Government	Portugal Global (AICEP)
PT	Industry Association	FEPICOP
SA	Large contractors	Selcrete
SA	Investment promotion agency	Wesgro (Green Cape)
SE	Large contractors	Sweco
SE	Industry Association	Swedish Federation of Consulting Engineers and Architects
SL	Cluster	Construction Cluster Organism (ECCA)
SZ	Investment promotion agency	SIPA Swaziland
SZ	Investment promotion agency	CIC
UK	SME	Haskoll
UK	Cluster	British Expertise International/ Strategy Internatinal
UK	Regional Support	Enterprise Europe Network East of England
UK	MS Government	Newbuild
UK	Regional Support	EEN sustainable construction
UK	Industry Association	Royal Institute of British Architects (RIBA)
UK	SME	21st Century PLC
UK	MS Government	Department International Trade

A.4 Success stories

Appro-Techno

Key facts about the company

Appro-Techno was established in 1974 in Cul Des Sart in Belgium as a family firm. The business was taken over in 1998 by Sebastien Deputter. The company has specialised in the production of tiles and bricks using 'compressed stabilised earth block' technology. The company's geographical centre of activity is based in Africa. Appro-Techno sells the machines manufacturing these specific products and provides training courses, where needed, on the machines' functioning. The company headquarters is based in Belgium (machine production) and has around three permanent employees. The main production line is backed up with two fixed training centres in Senegal and Togo. In addition, in other African countries, Appro-Techno has a network of circular-trainers, which train the local population in how to use the machines.

Internationalisation strategy

Upon its creation, internationalisation was an intrinsic element of Appro-Techno's strategy as the company's products were in particular designed for use in Africa. The machines are easily usable without a computerised system and are adapted to the local territory, which makes them accessible for a low-skilled local population and artisans. In fact, the company estimates that each machine sold may create up to six direct jobs in the brickyard sector and, even more indirectly, in the construction sector. Thus, although the company is based in Belgium, 85% of its turnover is generated by demand from Africa (mainly from the Congo Basin, West Africa and to some extent East Africa). In addition, some small projects are also implemented in Italy, France (e.g. Nord-Pas-de-Calais) and Colombia.

Over the years, the company's internationalisation strategy has evolved. Under the former ownership, the internationalisation of the company was developed through the establishment of partnership relations with religious organisations and the network of Belgian embassies. At the beginning of 1990 when the company was acquired by a new owner, Appro-Techno started to participate in calls for tender.

In the last 20 years, Appro-Techno has primarily promoted its economic activity through regular trips to selected African countries, in close cooperation with the Wallonia Export-Investment Agency, which organised events and missions in third countries. Furthermore, in recent years, Appro-Techno started to work in close partnership with various consultants on larger scale projects (e.g. with C&M, Corporate and Management in Gambia).

Challenges of internationalisation

Among the biggest challenges identified by Appro-Techno in its expansion in Africa are customs' clearance, the current political situation (politicisation of Chambers of Commerce), administrative bottlenecks, and transport logistics (in-country transportation from the port of arrival). In addition, the unstable rate of the dollar and the lack of governmental support towards local currencies in times of crisis have an impact on the speed of the company's internationalisation activities. Also, Appro-Techno faces some difficulties arising from the low usage of banking services by local businesses (e.g. bank transfers). In some regions (e.g. East Africa) the company's internationalisation is hindered by the strong presence of competitive Chinese and Indian companies.

Finally, internationalisation in African countries is often based on business tendering, however, the major market players (multinational companies) have a competitive advantage over the small companies in the region. For instance, Appro-Techno offers a better quality of products than major market players as well as special training. These are not short-term competitive advantages (required in a call for tender), but rather long-term investments. Calls for tender often require adherence to complicated specifications which are seen as burdensome to a small company like Appro-Techno.

Role of supporting measures

Through its efforts towards internationalisation, Appro-Techno benefited largely from the support offered by the Wallonia Export-Investment Agency (AWEX – www.awex.be), whose services are provided free of charges. The AWEX developed as a strategic network of partners through Belgian diplomatic missions in key African countries. Therefore, the organisation can be seen as a facilitator of dialogue between Belgian companies and local African partners, which helps to understand local market needs and existing opportunities. The AWEX missions consist of two components: providing information (on sectors having a strong growth potential) and organising B2B meetings between partners. Since 2001, Appro-Techno has participated in between 20-30 AWEX missions to Africa, each of them financed up to EUR 950 (lump-sum). The mission meetings regroup various partners such as local enterprises, representatives of governments, chambers of commerce, representatives of the World Bank and of diplomatic missions etc. Moreover, AWEX offers financial support for business internationalisation in various forms: business exploratory trips; participation in fairs; support provided for opening business activity in the third country; 2-3 months of market analysis of special markets; and marketing assistance.

The company has yet to benefit from any supporting measures at the EU-level, as existing European funding projects do not seem to be designed for small-scale projects like this. Nevertheless, negotiations on financing the Gambia Technical Training Institute initiative using the company's machines were undertaken in 2017 by Appro-Techno with the EU Delegation in Gambia. However, these talks have not yet brought any positive results. The EU administrative procedures are burdensome for local partners and do not seem very clear when it comes to the final outcome prospects.

Recommendations for other companies

The example of Appro-Techno shows that small companies offering specific products of a high quality often need to find a market niche for internationalisation of their activities. Taking into account the company's small size, it seems that the best way to understand and enter into the new market is cooperation with public and private dialogue facilitators having a good understanding of the local economy.

BDI-BioEnergy International GmbH

Key facts about the company

The company was founded in 1996 and is situated in Raaba-Grambach in the Austrian region of Styria. It has between 50 and 249 employees, none of them permanently located outside the EU. The company generates a turnover of around EUR 15-20 million a year, out of which 25-30% is generated outside the EU. BDI-

BioEnergy International GmbH is a highly specialised plant engineering and construction company that builds and maintains tailor-made plants to produce biofuel from waste material. All the company's production processes and innovations are developed in-house. In total, the company has 322 patents and 12% of its employees focus on research and development. The main market outside Europe is North America, but the company has also operated in Hong Kong, Australia and Turkey. The company also had plans to operate in Latin America and is currently investigating market opportunities in India.

Internationalisation strategy

The main motivation for the company's internationalisation was that its main product, BioDiesel plants, would only be competitive on a larger market than the Austrian one. In general, the production of bio fuels is driven by the political agenda as bio fuels would not be competitive without subsidies. Therefore, the selection of potential third markets also depends on the political context in these countries. Internationalisation projects beyond Europe were often triggered by requests of business partners from these countries. Reasons for these requests were usually a) high energy needs and b) a high development level of the societies. Therefore, those third markets that were interesting for BDI-BioEnergy International GmbH were higher developed markets. The first project outside the EU was a project in the United States launched in 1996, the year of the creation of the company. This shows that internationalisation was part of the company's business model from the very beginning. In addition, this first international project also helped the company at this early stage to gain international reputation. In addition, the company's founders made different trips around the globe to establish contacts with potential business partners.

BDI-BioEnergy International GmbH primarily internationalised by exporting its products, only in Turkey the company once set-up a local office, which was closed again. Internationalisation was the only way for the company to survive, given the size of the market that is needed for its product. Even the European market would not provide sufficient demand for the company's products to be viable.

Challenges of internationalisation

The main concerns the company had at the beginning of its internationalisation process were about a) market entry costs, b) identifying sound and reliable business partners abroad and c) intellectual property protection.

Firstly, the planning phase of bio diesel plant constructions can take up to ten years. As the costs at this initial phase are very high and in advance often not exactly calculable, the market entry and related costs posed a significant challenge to internationalisation.

Secondly, the sector of bio diesel production was booming when the company started to internationalise and many new actors entered the markets. It was thus very important to identify reliable business partners that would be able to finance the construction of a whole plant, which is a long-term project. When internationalising outside Europe, identifying business partners was a particular challenge as the company did not know the culture of the third market and often did not speak the local language.

In China and India, companies are much larger than in Europe. It has therefore been more difficult for BDI-BioEnergy International GmbH to get access to decision-makers within the companies, which is easier on the European market with smaller business partners and leaner decision-making structures.

In some of the international markets, bio diesel is a new technology that is not as established as in Europe. As a result, customers often require high (credit) guarantees. For an SME, getting these guarantees from a bank is difficult and has become more difficult these last ten years.

In Asia, dealing with public authorities is particularly complicated. It is often difficult to send staff from Austria into these countries due to non-tariff barriers that these countries impose on purpose. The administrative effort to gather all required certificates is very cumbersome and the different regulatory frameworks make it necessary to have a specialised tax advisor for each third market.

To deal with challenges that are related to physical presence in a third market, the company kept the structures in third markets lean and usually did not set-up large offices. In addition, they tried to gain as much knowledge as possible about the target markets from their headquarters in Austria. The main strategy to deal with these challenges is to get more information about the potential customer and about the third market.

Role of supporting measures

The Austrian Chamber of Commerce (WKO) and its foreign offices offered different support measures for the company. They provided the company with information about the target markets, for example regarding taxation systems. This kind of support was perceived to be very useful, especially when internationalising outside Europe where the company was not familiar with the regulatory frameworks. The company also participated in trade missions organised by the WKO to North America and China. These missions also served to spread knowledge about bio fuels in potential third markets and to prepare markets for the product. The company knew about these support measures as the WKO regularly contacted the company and invited company representatives to events organised by the WKO. The company also received financial support from the Austrian OeKB Group⁵⁵ in the form of federal export guarantees. These project-based guarantees were very useful for the company to internationalise, however the access to this kind of financing was easier in the past. Today, the access to financing sources is perceived as very tedious and complicated.

From the company's perspective, EU support could help to mitigate risks that are imminently linked to the internationalisation process, for example in the form of some easier access to financial guarantees. Especially for an SME like the BDI-BioEnergy International GmbH, EU-support in financing demonstration plants or products would be a significant advantage.

Recommendations for other companies

⁵⁵<https://www.oekb.at/export-services/finanzieren-von-betriebsmitteln/rahmenkredit-fuer-kmu-exportfonds-kredit.html>

The BDI-BioEnergy International GmbH is an example of a company with a product that is designed for the international market and that is only competitive if it operates globally. Having internationalised both within Europe and in third markets (North America, China, Turkey), the company made the experience that public support is much more important for internationalising outside Europe, given the larger (business) cultural differences a European company faces there. The company has combined different kinds of public support at different stages of its internationalisation process. While gaining information/knowledge is important in the first stage of the internationalisation process, organising trade missions and providing financial support comes into play in a second stage of the internationalisation process.

Bracket System Polska

Key facts about the company

The Bracket System Polska (BSP) was founded in Poland (Warsaw) in 2009 and is specialised in the production of a wide range of aluminium systems for ventilated facades. Moreover, the company designs and produces individual non-standard fixings according to clients' or foreign market's needs (specific regulations). In particular, the BSP adopted an innovative approach towards thermal parameters of the facade e.g. 'thermal bridges', which makes the company one of the world's leaders in this field. Since its creation, the company has been in constant growth with today 10-49 employees and the turnover generated outside the EU has increased from 2% in 2015 to 15-18% in 2017. The BSP is not established in any other EU or non-EU country and has mainly partner relationships with other companies on the foreign markets. Outside the EU, the BSP established partner relationships in the following countries: the United States of America (in the past), New Zealand, Algeria, and Nigeria. Regarding the EU internal market, the BSP is present notably in France, Ireland, Luxembourg, and Slovakia.

Internationalisation strategy

Upon its establishment, the BSP planned to internationalise, however, regarding the post-economic-crisis situation, the company was mainly present on the Polish market. The BSP developed first efforts towards internationalisation in 2013, nevertheless, the first effects of this initiative became visible only between 2015 and 2016. An important role in the company's first steps towards internationalisation played the funding from the European Union Operational Programmes 2007-2013. On the one hand, the entrance of foreign companies to the Polish market in a post-economic crisis period enabled the BSP to work with external partners and to establish professional contacts with them (e.g. by becoming a distributor of Finish products in Poland). On the other hand, the company benefited from the EU financing programme 'Passport to export' at a crucial point of its international development. Receiving this EU support, the BSP financed its performance on European construction exhibitions and salons, where the company could present and defend the quality of its products. In fact, potential customers from Western countries often perceived the lower price of products as a synonym of low quality. Presence on the European construction fora allowed the BSP to learn about the European construction market needs, its expectation, standardisation systems as well as more international needs in the field.

Subsequently, the money the company saved on marketing (due to support from EU-funds) was used to develop new products according to the existing European

and international regulations, to obtain certificates, as well as to invest in human capital and machines.

Afterwards, the BSP considerably expanded its product portfolio by manufacturing products for concrete international markets (e.g. New Zealand) or partners, which are not necessarily used or sold in Poland. At the beginning of the internationalisation process, the company's strategy was not well established and driven mainly by demand and opportunities. However, since then the strategy has become more explicit on which markets to further expand the company's activities (e.g. Dubai, the United States, Eastern Europe, Algeria, Morocco). This further expansion requires to carry out an insight into these markets in order to find the potential opportunities, requirements, challenges etc. Finally, as the BSP manufactures products which cannot stand alone, their internationalisation relies on establishing a long-term partnership relation (e.g. long-term cooperation agreement in New Zealand) with local operating partners.

Challenges of internationalisation

The main challenges to internationalisation were: lack of language knowledge and informational barriers (e.g. national regulations, different technologies used) as well as logistics (e.g. transport). With regard to the latter, it often occurs that although the price of BSP's products is competitive on foreign markets, after adding transport costs (time costs, claims/returns) this is not the case anymore. However, over the years and along with developed practices, the challenges have evolved, and the above-mentioned are not playing a major role any more. The current difficulties that the BSP faces are linked with new trends on the international construction market where previously partners' companies are merging their activities to reach better market leverage. Finally, internationalisation to some markets may be hampered by the presence of other market players (e.g. Chinese companies in Asia or Turkish companies on the Balkans); lack of the needed technological developments (e.g. the solutions provided by the BSP are too expensive and not adapted to countries in Latin America) and a high import customs duty (e.g. India).

Role of supporting measures

The use of EU supporting measures (e.g. European Union Operational Programme in Mazovian Region) played a key role for the company's internationalisation. As of the period 2013-2017, the BSP benefited from two sources of financing:

- Activity 1.2: "Development and implementation of innovative technology for the production of facade consoles based on a unique facade pad"⁵⁶; and
- Activity 6.1 'Passport to export': "Increasing the competitiveness of BSP Sp. z o.o. on foreign markets"⁵⁷.

As was mentioned above, the financing from the EU programmes helped the BSP in:

⁵⁶ Total value of the project PLN 2,216,570.70; EU contribution PLN 421,025.00.

⁵⁷ Total value of the project PLN 410,500.00; EU contribution PLN 177,650.00.

- Developing their market activities;
- Obtaining information on the European and international requirements; and
- Establishing partner relationships, which consequently allowed adaptation of the company's products to the foreign market needs.

Indirectly, the EU support measures enabled the BSP to invest the saved money in the company development (human resources, machines). Also, the BSP was selected for two EU financing programmes for the current Operational Programme in the Masovian Region: Go to Brand⁵⁸ and for the experimentation and research for niche development and innovation in the BSP⁵⁹.

The BSP cooperates with a special advisory company, Economic Consultancy Cieślak & Kordasiewicz, to identify existing support measures and prepare the required files. Thus, the BSP does not identify any major problems when it comes to availability and existence of existing supporting measures.

Recommendations for other companies

The example of the BSP shows how supporting measures can be used to promote a company, to develop partner relationships and to gain knowledge on European and international technological and legislative requirements. The case proves that companies which do not establish their own units in foreign countries can easily enter the market based on their partnership relation with local companies. Finally, the experiences of the BSP show also that the investment in a know-how, certification and standardisation is important for further international expansion.

CIPA S.p.A.

Key facts about the company

Cipa S.p.A. is an Italian medium-sized enterprise founded in 1986. The two main offices are in Sorrento (head office and legal address) and Rome (technical office and warehouse). In addition, Cipa has established branch offices in Warsaw (Poland), Paris (France), Bucharest (Romania), Alger (Algeria), and Cairo (Egypt). The company is specialised in construction such as subway metro lines, tunnels, wells, and underground car-parks. Between 2007 and 2017, the company had on average 236 employees. The 2017 company's turnover was in the range of EUR 50 million, 30% of which was generated outside the EU. Besides the above-mentioned European countries, Cipa is operating in the Africa-Caribbean-Pacific area. Previously, it has also operated in Panama. More recently, the company has tendered for projects in Israel and Georgia.

Internationalisation strategy

The internationalisation process of Cipa was facilitated by its technical knowledge, which makes Cipa's services highly demanded. In fact, although being classified as a generic construction company, Cipa has a specialist know-how in the field of subterranean engineering. This is demonstrated by the fact that the company has participated in the construction of every subway metro line in Italy. Having earned a good reputation in the national market, the decision to internationalise was

⁵⁸ Value of PLN 403,350.00.

⁵⁹ Total value of the project PLN 1,888,003.80; EU contribution PLN 769,952.0.

mainly driven by the need to increase profits due to a period of economic recession in Italy which strongly affected the construction sector.

The first internationalisation opportunity arose in 2010, when Cipa joined Ansaldo and Gülermak (two large players in the construction sector) as sub-contractor for the construction of Warsaw's subway.

Cipa's internationalisation strategy is based on previous cooperation relationships with clients and partners. When the presence in a foreign country becomes recurring/permanent, the company prefers to get in touch with local consultants, local suppliers and more recently diplomatic authorities. That has been the case in those countries where cultural differences – especially legal, business, and banking practices – were particularly significant. As an example, in Algeria the habit of paying employees or partners through checks still causes some uncertainties for Cipa.

The strategy to establish a permanent presence in third countries usually takes the form of a foreign direct investment and joint ventures, and was fostered through the recruitment of additional staff with specific language skills and willingness to move abroad. Overall, it took only three months to establish a profitable presence in the first foreign market, which was Poland.

The company expects to increase its international presence due to the overall stagnation of the Italian construction industry which is incentivising Cipa to operate increasingly elsewhere.

Challenges of internationalisation

The main challenges faced by Cipa during the first stages of the internationalisation process were:

- Cipa had to position its own brand against local players and
- The company had to demonstrate to the new clients that could deliver high-quality products and services.

However, the company reported that challenges faced in the internationalisation process differ from country to country. In the Algerian market, there are regulatory barriers stipulating that a foreign company willing to invest locally needs to find a local partner acting as a majority shareholder. Therefore, Cipa had to establish a company under the Algerian law in minority shareholding. Furthermore, payments/banking problems occurred along the way. Often, it took weeks – if not months – to send financial remittances/payment transfers back to Italy. It is also a common practice to pay local employees through checks instead of bank transfers, adding payroll costs.

Role of supporting measures

Cipa made use of some existing support measures for companies whose goal is to internationalise their business outside Europe. Thus, four years ago, Cipa was granted a financial contribution from SIMEST S.p.A. – a corporation that supports companies in their growth providing loans for internationalisation, export credit support, and equity investments. However, as the credit had to be entirely counter-guaranteed by a fidelity bond the company preferred to move on without SIMEST's

financial contribution. More recently, Cipa tried to make use of SACE's financial products – a company providing export credit, investment protection, financial guarantees, surety bonds and factoring. However, the administrative procedure turned out to be too burdensome to handle, and Cipa declined the loan.

Therefore, Cipa only benefited from organisational support measures provided by ANCE (the National Association of Building Contractors). ANCE has been providing substantial support to Italian companies – regardless of their size – for twenty years. Starting from 2008, with the outbreak of the economic crisis, the association has tailored most of its supporting measures to the needs of SMEs. This is demonstrated by the fact that ANCE has set up a permanent committee (called "Working Abroad") focused on SMEs aimed at internationalising their business.

Main supporting measures provided by the Association are the so-called "fact-finding missions". They are two to three-day missions in a foreign market where member companies are given the chance to attend workshops with national institutions (e.g. Ministry of Infrastructure, State agencies, contracting authorities), local partners/clients (through B2B and B2C marketing activities) and the national construction authorities. Thanks to the participation in these missions, Cipa greatly boosted its understanding of intra- and extra-EU public procurement regulations (including related risks and opportunities). Furthermore, ANCE promoted the meeting of Cipa with EIC (the European International Contractors federation) – the industry association representing the interests of internationally active European contractors towards the EU, international organisations, financing institutions and society at large.

Recommendations for other companies

Cipa's experience suggests that, firstly, the internationalisation process has to be implemented by small steps, and that it should be avoided to move to different markets at once. In fact, being required to have a stable local presence, construction SMEs could face great losses by planning frequent journeys from third-market to third-market. This is also why supporting organisations should promote the internationalisation of SMEs towards neighbour markets (reachable with three-four hours flight), as ANCE does.

Secondly, the internationalisation must be planned with a long-term vision. Since the launch of a profitable business might take a while, it is important to plan the process ahead and with a long-term vision. This also implies the need for a company to have the necessary financial means in order to prevent failures and shortages of resources.

Thirdly, it should be assessed whether or not the company's products/services bring an added value to the foreign market, as in the short-term it is difficult for a foreign firm to establish itself among local competitors.

Lastly, in order to set-up a profitable business in the third-country market within a reasonable time, it is essential to pre-establish a network of local partners and/or investors able to build trust around the company. The latter can be more easily built through the establishment of institutional relationships with third-countries State authorities.

CLERHP ESTRUCTURAS

Key facts about the company

CLERHP Estructuras is a limited liability company that was established in 2011. While its headquarter is in Murcia, Spain, CLERHP's turnover in 2017 (EUR 5

million) was fully generated in South America. In the course of 2018, the company has started to generate sales in Spain (around 20%). Currently, it employs around 100 to 250 employees. Overall, the company provides all works from design, calculations to the construction of structures. It also has a branch that focuses on renting construction equipment.

Since the set-up of the company, the main goal was to internationalise to markets outside the EU. In seven years, the company successfully internationalised to Paraguay, Bolivia and Brazil. Soon, it will launch a project in the Dominican Republic. It has been able to increase local employment by employing over 200 people in projects. In addition, the company has enabled local engineers to travel to Spain to receive training.

Internationalisation strategy

The goal to internationalise was defined at the set-up of the company. As key driver served the Spanish economic crisis that hit the construction sector. Most of the people active in the setup of CLERHP previously worked for companies that closed because of the crisis. Therefore, the aim was to expand business outside of the EU.

The Latin American market offered multiple opportunities for the company. First, the market is young and the demography is favourable to long-term investments. In addition, the familiarity to the language and culture drove the decision to focus on this market. Usually, the company looks for cities that are not too large (around one million inhabitants) and that have a certain demographic structure, especially having a large population of 25/26 year-olds. Afterwards, the growth history is analysed. This approach almost guarantees that the market will be stable. From there, the company might then move to other places in the country.

In order to select the countries and markets to access, the company conducted market research in different countries, including Bolivia. In Bolivia, a contact person participated in a trade fair and learned about opportunities in various projects in the country. The company had previously tried to win contracts in Latin America for some time, but this face-to-face approach turned out to work best. CLERHP was locally present and trust was created. The process went very quickly as a building had collapsed and the client, who was also the engineer of the building, looked for support. The company offered engineering services and the client accepted. As local presence was an important success factor, they set-up a local office. After this first project, the next came quite quickly, mostly through mouth-to-mouth. Now, the next markets the company plans to enter are Ecuador and the Dominican Republic.

Challenges of internationalisation

One key challenge was of financial nature. This is partly because SMEs, especially in Spain, struggle to access financing. The company also experienced these difficulties: even when they present a project with very favourable conditions (e.g. already having clients and the contracts) to a bank, the bank assigns a very high risk. Spain has suffered a major crisis since 2008 and only seems to recover slowly. In addition, Spanish financial entities were reluctant to finance goods or services abroad while foreign financial entities (e.g. Paraguayan banks) were reluctant to finance a Spanish company due to the high risk of no-return. One additional challenge in Latin America is related to gaining a residency status. Often, the conditions are only good when the administrator has received such status, which was relatively easy in Paraguay, somewhat more complicated in Bolivia and very

difficult in Brazil. Regarding the export of equipment to use in the project, Brazil requires that all equipment has to be new, which adds costs to the SME.

Another challenge is of bureaucratic nature. This is related to the company's internationalisation strategy to set-up local offices where possible. Here, the process of residency for the company varies from country to country. There are some markets that are very blocked, e.g. by limiting the projects only to local engineers. Paraguay is considered as very open, while Bolivia is somewhat more difficult to access. The latter allows residency quickly but requires to physically live there, which is not always feasible for foreign companies.

Role of supporting measures

One support programme is offered by the Institute of Development of the Region of Murcia (Info Murcia). The company will receive expenditure subsidies for the Dominican Republic. Yet, the export subsidy is seen as flawed because the company would wish more active support rather than being rewarded once it already succeeded in its internationalisation. One key aspect, which will be developed further on, is that (parts of) financing is needed to be able to start a project.

Regarding the entry barriers mentioned above, especially export barriers, it would be important to have a service that informs companies about how the barriers to access these markets work. ICEX (the Spanish export promotion organisation) offers this type of service but in form of a paid service. The costs of this service were not considered adequate to the quality of the results: ICEX will put the company in contact with a person from the country without the guarantee that the advice from this person might be useful for the company's needs. Purchasing a plane ticket and hiring a lawyer in the country was seen as more cost-effective and a quicker way of resolving doubts than accessing the information through agencies such as ICEX.

There are grants for funding of internationalisation projects, such as provided by ICO International⁶⁰, but while these grants are managed by a national public entity, the bank has the final say as it carries the risk. One potential solution identified by the company is to create a direct credit authorisation system without banks as intermediaries. Partly, banks deny credits when they simply hear the name of the target country – e.g. when banks hear the word Bolivia in the project, they often deny the operation, perhaps because of the unawareness of the market. Another measure that is considered useful is provided by COFIDES⁶¹. While it is a very useful programme, the implementation is somewhat lacking. For instance, many programmes target larger projects. One goal could be to have larger time frames to enable a project to mature.

Another programme that the company used and considered very useful was the Dutch programme for developing countries (PSI project) in 2012/2013. One of the

⁶⁰ El Instituto de Crédito Oficial (ICO) is a state-owned bank, attached to the Ministry of Economic Affairs and Business.

⁶¹ COFIDES is a Spanish state- and private-owned company that provides cost-effective medium and long-term financial support for viable private direct investment projects in foreign countries where there is a Spanish interest. See: <https://www.cofides.es/en/>

projects presented for the programme was a way to provide alternative development. The difference to other programmes was that the Dutch government gave a financing grant from the start. Guarantees were ensured through visits from government officials to the sites, meetings with the clients and inspection of the technologies. CLERHP considered the pre-financing as a crucial step for the success of the project.

Recommendations for other companies

This example shows that internationalisation works well when given time and conducted step by step. One key aspect for success is the overcoming of cultural and language barrier, which is why CLERHP has focused on Latin America. A deep market knowledge and a developed internationalisation strategy are also highly relevant for success. As the company elaborated, there is no magic formula for successful internationalisation. However, it is considered highly important to deal with clients personally and to build relationships, but also to have patience. The first entry will be difficult, and the first projects will need time to mature. The market and client have to be won one by one and the best-selling channel is to be present in the market.

While various support measures are useful in helping to start the internationalisation, the implementation of these are often not ideal for SMEs. Financing is a core barrier of entry for SMEs. While there are various financing programmes, these are often 'reward-based'; paid after the completion of the project. Those programmes were considered useful that provided part of the grant before completion of the first goal, basing the guarantee on inspection of the project, clients and technology planned.

Cosedil Spa

Key facts about the company

Cosedil S.p.A. is an Italian family-owned company established in 1976. The company's headquarters is situated in Rome. Cosedil is specialised in civil and industrial infrastructures. The company employs 150 people in total; currently, 20 of them are employed in third-country markets. The yearly turnover averages EUR 30 million and 25% of it is generated in non-EU countries.

Cosedil has established a foreign presence in: Bucharest (Romania), Tirana (Albania), and Pristina (Kosovo). In Romania, Cosedil works as a sub-contractor, whereas in Albania and Kosovo the Italian company is in charge of its own projects.

Internationalisation strategy

In response to the economic crisis and to the need to expand its turnover, in 2009 Cosedil began exploring foreign markets, through missions sponsored by ANCE (the National Association of Building Contractors). The decision to move towards the Balkans was driven by the geographical proximity of the markets, the high demand of infrastructures, the similarities with Italian political and economic structures and the economic stability of the area. Moreover, ANCE supported the internationalisation process and helped the company to find clients and contracting authorities in these new markets.

The first step in the internationalisation process of the company focused mainly on Albania and Kosovo, countries that at that time had a high demand for

infrastructures. The internationalisation strategy was planned internally and lasted for about one year. The Italian staff was trained through language and business development courses. At the same time, the company started a recruitment process of local staff in the new destination markets. Based on Cosedil's experience, it took another year (additional to the planning phase) to establish a profitable presence in Albania.

In 2013-2014, the infrastructure market in the two countries became saturated (i.e. the demand of infrastructure started decreasing, but the number of competitors did not). In response Cosedil decided to seek new opportunities in Europe, more specifically in Romania – which nowadays is one of the most important export destinations for the Italian medium-sized firm.

The modes of internationalisation adopted by Cosedil do not foreseen a permanent presence in the foreign markets, but temporary (project-based) through joint ventures, local offices set-up and use of local partners.

Therefore, although the share of turnover generated in foreign countries is steadily growing, the creation of permanent employment in those markets is still close to zero. However, as the company expands internationally, it may change its strategy into a more steady presence in foreign markets through the establishment of local branches (the company considers its internationalisation process still in an embryonic phase).

Challenges of internationalisation

The main challenge faced by Cosedil during the first phases of the internationalisation process was related to its status of new-comer and non-local company. Cosedil found the markets of Albania and Kosovo to be distrustful towards outsiders, hence particularly exclusive. As a matter of fact, the company had to first establish itself within the market before being able to win public tenders through direct bidding. Albeit sharing similarities from political and economic perspectives with Italy, the Balkans are a culturally different market which requires a new approach.

Despite its experiences outside the EU, the long-term vision of the company is to invest more in European countries rather than third-countries. As more harmonisation and integration is achieved in the internal market, EU Member States are perceived as 'safer' and 'easier' markets by Cosedil, and thus more appealing.

Role of supporting measures

Cosedil only made use of non-financial supporting measures by ANCE. For its members, ANCE organises "fact-finding missions" with the objective to exploit the opportunities offered by globalisation and to become less dependent on the (stagnating) Italian market.

These missions consist of two to three-day country visits where the associated Italian companies are given the chance to attend workshops with national institutions (i.e. Ministries of Infrastructure, State agencies, contracting authorities), local partners/clients (through B2B and B2C marketing events) and the National Construction Authorities. These networking events helped Cosedil to gain

useful knowledge about third-country markets in terms of public procurement regulations and local practices.

Additionally, in 2015 ANCE published a “user manual” for companies entitled *The Internationalisation of Italian Construction SMEs* with a twofold objective: 1) to provide useful information about publicly-available insurance schemes and financial instruments; 2) to describe in great details the European legislation on public procurement – a legislation that ensures a fair and equal competition between interested operators belonging to another Member State than the one issuing an open tendering procedure. Furthermore, the “user manual” for SMEs provides the readers with some information about extra-EU legislation on public procurement. In fact, despite having less transparent and harmonised rules, third countries represent an added opportunity to Italian and European SMEs.

Before this experience, Cosedil has never benefited from internationalisation supporting measures. The reason was that until recently, regional, national, and international financial support had mainly targeted those companies that export locally-produced goods/services. Additionally, information on the availability of supporting measures were scarce and bureaucratic procedures burdensome. However, currently the Italian firm is tendering for regional funds – made available by the Regional Government of Sicily – in support of companies aiming at developing businesses outside Italy.

Recommendations for other companies

The experience of Cosedil S.p.A. shows that the selection of a third market has to be made carefully. It should not only rely on economic indicators but it should take into account geographical and cultural proximity. Furthermore, it should be assessed whether or not the company’s products/services bring an added value to the foreign market and a competitive advantage against local competitors.

In addition, the example of Cosedil shows that, in order to successfully establish a business in a third-country, it is preferable to join economic operators that are already-present in the market. This can be achieved through joint ventures and partnerships with either local partners or international companies. In fact, after attempts of entering the Balkan markets alone, nowadays Cosedil is developing a more cooperative approach.

FibR GmbH

Key facts about the company

The FibR GmbH is a young company located in Stuttgart in South-West Germany. The company counts less than ten employees, all of them based in Germany, and was established in 2017. The company’s work is based on six years of previous research at the University of Stuttgart, where the production processes were pre-developed that have allowed the company to start working relatively quickly after its establishment. The FibR GmbH produces expressive lightweight solutions notably for the construction sector. It is specialised in computational design and robotic fabrication of unique filament structures. This method is a novelty in the construction sector. In contrast to many traditional companies, the FibR GmbH makes integrative offers, meaning that they provide all working steps from the architectural first draft to the assembly. Currently, around 80% of the company’s turnover is generated in Germany, which is due to the fact that the company’s

international projects are still in a prototype/project phase. The company has currently two projects ongoing in India. They received some more requests, among others from China and plan to operate also in the Middle-East.

Internationalisation strategy

The company has been oriented towards internationalisation since its establishment. The network of the company was based on the international, academic network the company founders established during their university career. The production processes used are very movable, and the materials are extremely light, which makes their export easy.

Being a young and small company, the FibR GmbH has not developed a stable presence in third markets yet but cooperated with large international architectural offices in London and India to internationalise. The first contact with one of the London partners was for example established as part of a short study the FibR GmbH conducted for them. This is a typical approach of large companies to "test" future small business partners.

The FibR GmbH was approached by potential business partners from third markets and the selection of markets was entirely driven by project opportunities. In other words, concrete project opportunities have been more important for the decision than the strategic objective to enter a specific third market. Most of the first contacts were due to the managing director's existing academic network.

To better target the requests it receives, the company now cooperates with a media partner. This partner produces promotion videos about the FibR GmbH and uploads them on a specialist communication platform for architects, where architects can filter by content. This allows for potential business partners from third countries to find the company and to better target requests.

Challenges of internationalisation

For the company it was a challenge to be oriented towards internationalisation from the beginning when processes and products were not established on the domestic market yet. In general, it is difficult to assess in advance which potential projects are worth investing time in and which offers could be dead-ends. This is a challenge especially for small companies like the FibR GmbH as they do not have the human and time resources to investigate all opportunities in detail. The solution the FibR GmbH found to overcome this challenge was to cooperate with larger international partners that have more experience with projects in third markets.

Regarding region-specific challenges, the FibR GmbH noticed that in the Middle East it is important to have strong physical presence on-site, including presence on local trade fairs and a local agent. Having a strong physical presence in a third market is not feasible for a small company from Germany. However, the company plans to cooperate with a German business partner located in Dubai, who will act as local agent of the FibR GmbH.

The company received some business requests from China, but the issue of intellectual property protection is very problematic in China, given that one has to work together with a local partner.

If you produce on-site in a third country, quality assurance and know-how of local employees can be a challenge. In the medium/long term, the company considers having a local, movable production facility. This would allow the company to be flexible and to operate in different third markets. However, financing is usually project-based. This kind of financing, though, does not allow for big, not directly project-related investments such as a mobile factory.

Role of supporting measures

The FibR GmbH expanded its international network thanks to the InnoChain⁶² programme, funded under the H2020 Marie-Curie-Programme. The InnoChain programme aims to bring together “research in practice” with “research in academia”, involving both academics and industry. In the course of participating in the InnoChain programme, the FibR GmbH managed to establish contacts with one of today’s partners in London.

The company has also been supported by two regional clusters, Netzwerk AFBW and Leichtbau BW GmbH, both financed by the region of Baden-Württemberg. Due to time constraints, the company has not benefitted from all support measures offered by these two clusters yet. However, the Leichtbau BW GmbH regularly shares information about available support measures with companies via an e-mail list and has also contacted the company directly in case of measures considered relevant for the company. The FibR GmbH participated in an information event organised by Leichtbau BW GmbH presenting the Chinese market. The cluster invited different companies to this event that were interested in the Chinese market. In addition, Chinese business partners also participated in the event. At that moment, the FibR GmbH received some requests from China. This event, at the beginning of the company’s internationalisation process towards China, helped to gain general knowledge of the market. The company is aware about the possibility to receive support from the clusters to attend trade fairs. So far, the company has not benefitted from this kind of support, since the company is still too young. Participating in a trade fair would only be fruitful if the company could present completed projects there. If a support provider organised a sector-specific trip to China, the company would be interested to join.

As described above, it is difficult for the company to identify interesting projects beyond Europe. A large platform with project opportunities, following the principle of business matchmaking, could be a useful support in that sense.

Recommendations for other companies

The FibR GmbH is a successful example of a very young company that has operated internationally since its creation. The success of this company’s internationalisation is based on the (academic) network of its founders, which has been extended thanks to the InnoChain programme, financed under the H2020 Marie-Curie-Programme. The case shows that for a very young company to successfully internationalise, it is important to cooperate with (larger) partners that are experienced in operating in third markets. Rather than supporting the participation in trade fairs, support for these very young “internationalisers” should focus on helping to find business partners and establishing a network of potential clients. In

⁶² <http://innochain.net/about/>.

addition, financial support is also important for these companies to make some investments (such as a mobile factory) which help them to successfully internationalise in the long term. At the moment, project-based financing constitutes an obstacle for this kind of investment.

GEOtest

Key facts about the company

GEOtest is a Czech-based company that was established in 1968 in the former state of Czechoslovakia and operates in the field of environmental protection through geology, environmental remediation and geotechnical and hydrogeological research. It currently has some 145 employees all based in Europe, with 90 percent of the company resources based in Brno at GEOtest's headquarters. GEOtest was initially a state-owned enterprise that in 1992 was re-organised into a private company under the same name and gradually established other offices in Europe. The company has offices in Prague, Ostrava and Ceske Budejovice, a subsidiary in Slovakia, Bosnia and Herzegovina and Mongolia mainly focused on the local markets and a branch office in the Netherlands that was a major contact point for European Institutions and responsible for managing the framework contracts (FWCs). (However, the framework contract work is currently being moved to HQ in Czech Republic).

GEOtest provides consulting services to clients for start-to-finish projects or for one-project stage (e.g. consultancy, exploratory work or implementation) in the following fields: water and rock protection research, remediation activities for environmental protection, waste management, geotechnics and engineering geology, hydrogeology and expert reports and opinions. GEOtest is currently involved in various international projects, usually in consortium with other companies and local partners. The major destinations of their projects are the Balkans (Bosnia and Herzegovina, Serbia, Kosovo, Macedonia, Albania), former Soviet Union countries (Georgia, Armenia, Moldova) and some countries in Africa (Ethiopia and Zambia), South East Asia and Mongolia, which is linked to their initial process of internationalisation. About one third of GEOtest's turnover is generated from their activities in these third countries.

Internationalisation strategy

GEOtest started looking for opportunities for internationalisation during the early 1990s with the change of political scene in the post-communist countries. Having said that, the real international expansion to third markets started for them in the early 2000s. There was no clearly defined internationalisation strategy at the initial stage - the company rather focused on following opportunities that arose over time. The need for humanitarian aid and reconstruction activities caused by natural disasters in South-East Asia and war-affected zones in the Balkans and Iraq were at that time their major focus. In 2006, Indonesia and Sri Lanka were strongly affected by a tsunami and earthquakes. Consequently, there was an immediate need for a reconstruction of the water infrastructure to contain the scale of the growing humanitarian crisis. At that time GEOtest, being well-known in its field of expertise, was approached by Czech authorities to respond to a call for tender in public procurement. By establishing a partnership with another experienced enterprise GEOtest was successfully selected to run a project in the disaster-affected regions – that being their first international experience outside Europe. Over time GEOtest managed to establish a wider network of contacts with local

experts and businesses in the regions where they ran their first reconstruction and infrastructure projects and focused on establishing a stronger presence there by taking on new projects.

Since 2011, GEOtest has been part of the Framework Contract (FWC) for the EU external Aid Development and Cooperation, and since 2013 also worked with the EIB, expanding its expertise in environmental, energy and agriculture projects but also covering projects such as humanitarian aid, crisis management and post-crisis assistance. The wide geographical coverage of these contracts includes among others the EU, Central and Eastern Europe (CEE), Balkans, Asia, Africa and the Caribbean, which greatly facilitates access to international opportunities worldwide.

Due to the continuous involvement in projects in these regions on bilateral development cooperation projects and single tender procedures, GEOtest decided to establish local offices in Bosnia and Herzegovina and Mongolia, while for the remaining markets they implement their work through cooperation with local partners.

Challenges of internationalisation

Among the main challenges that GEOtest faced initially and continues to struggle with today is the limited awareness of international market opportunities and restricted access to public procurement tendering. The difficulty is that often national-level projects in third countries are not well-advertised, which results in foreign bidders missing out on interesting opportunities. Additionally, it is difficult to meet the qualification criteria for such tenders if one is not a national of the tendering country. This is due to the complexity of the technical specifications, language barriers, complexity of local legislation and the requirement for previous references at national-level contracts. A small company like GEOtest faces a great difficulty to enter into a single firm tender procedure while larger firms have the means (financial and human resources) to systematically track international contractual opportunities, translate local documents and meet technical specifications through previous references. The result is that often SMEs are excluded from large tenders because it is difficult to win sufficiently large projects to enable them to qualify for tendering for large projects.

Nevertheless, GEOtest managed to find some mitigating strategies in order to remain competitive at international level. Although the problem of limited access to public tendering remains, their know-how, network of experts and local partners as well as understanding of market-specific conditions have significantly developed. By returning to the regions where they previously ran some projects, they are able to streamline their operations and capacity more efficiently. Finally, the 'go' or 'no-go' decision becomes easier as the company gains a better understanding of the country's specificity.

Role of supporting measures

The support measures were crucial for GEOtest's internationalisation process from the very early stages, throughout their expansion and until today. GEOtest received support on the national level. Through the Czech Ministry of Trade and Industry (Aid for Trade) GEOtest managed to gain access to international development

projects financed by the Ministry such as "Assistance in the development of business plans for small and medium-sized enterprises in Kosovo"⁶³. Similarly, GEOTest participated in public procurement tenders in foreign markets through the Czech Development Agency, which is a state organisation under the authority of the Ministry of Foreign Affairs. During the period 2013 - 2019 GEOTest was involved in several projects in the Balkans, where the Czech Development Agency acted as a central communication point with the local partners and provided diplomatic support.

GEOTest would not be able to initiate and continue its internationalisation process without this support. The national organisations enabled the company to build awareness of market opportunities and gain access to international projects. They certainly recognise the need for such measures and further enhancement of the EU-level support is desired. However, the value of these projects has decreased over time, and they are not large enough to act as references to bid for new international projects. There is a need for a preferential treatment of SMEs during public tendering if SMEs with a high level of expertise are expected to grow internationally. As there are currently no clear incentives for SMEs, large enterprises continue to grow through winning of tenders and FWCs and SMEs tend to be excluded. It would be very helpful if the EU-process was transformed, including a 2-3 years window for SMEs, where big companies would not enter the tendering procedure. SMEs would then qualify to receive funding for specific projects that would enable them to grow in the initial phase of internationalisation. Finally, it is desirable that non-financial support such as seminars and advisory support is combined with financial support if optimal results are to be obtained.

Recommendations for other companies

The success of GEOTest in the internationalisation process demonstrates the importance of developing local networks and building know-how in the selected markets. Through the strategic decision about following the demand and focusing on a few selected regions in the initial internationalisation phase, GEOTest could quickly build market-specific knowledge and gradually compete with local firms. GEOTest also contributed to know-how dissemination, for example through creation of linkages with local academia. The success factor of GEOTest during the tendering process in the Balkans was that through the establishment of the local branch office their know-how and cooperation with partners was more efficient and by now they have managed to establish a long-term presence with local recognition. On the other hand, the region itself benefited from engaging in international cooperation with GEOTest and started cooperating with Czech companies from the green energy sector. Additionally, it is crucial for SMEs to collect national references through participating in projects together with experienced partners. In the long run, SMEs in the construction sector should aim to gain access to tenders and FWCs that broaden their international opportunities and increase chances in the tendering selection process.

⁶³ https://www.mzv.cz/pristina/en/development_cooperation/czech_project_aid_for_trade_2017.html

Karme Filtrs

Key facts about the company

KARME FILTRS is an international group of companies that specialises in technological water treatment equipment development and production for industrial and domestic applications. The company provides a wide range of products, services and technological decisions for water treatment, capable of solving a wide range of tasks and coping with very specific requirements.

The company's main office is in Latvia (Riga), and there are additional offices in Lithuania and Russia, a joint venture in Kazakhstan and a representative office in Uzbekistan. Karme Filtrs employs between 10-48 people, of whom 15 are based outside the EU. The Latvian company's turnover is between EUR 1-3 million, of which 40-50% is exported to other EU countries (total turnover is between EUR 3-5 million). The largest share of turnover – some 50-60% - is exported to markets outside the EU. Of the share exported to outside the EU, most goes to Russia (80%), 15% goes to Uzbekistan and 5% to Kazakhstan. SIA Karme Filtrs is a limited company.

The company was established in 1994 and became one of the first private water treatment companies on the territory of the former Soviet Union. Within twenty years Karme Filtrs developed into a highly successful company in this field. Since 1997 Karme's affiliated company, "KF CENTR" Ltd. has worked in Moscow and successfully grown the business in Russia. At present, more than 30 Russian subcontractors use equipment and technologies of SIA "KARME FILTRS" and those of Karme's foreign partners. In 1999, another affiliated company, UAB "KF Vandens Technologiju Centras", was established in Vilnius (Lithuania) to work in Lithuanian and Belorussian markets. In 2007 an affiliated company, "KF BALTICA" Ltd., was established in Kaliningrad (Russia) to work in the Kaliningrad region of Russia.

The company's resources include a water treatment equipment assembling facility, a design and technology department, and a service division, providing equipment installation, start-up, warranty and post-warranty service, as well as on-going maintenance and repairs. The company is present in former Soviet Union territories where it is working closely with a wide range of partners and suppliers. These include NALCO, Pentair Water, EMEC. Rohnm and Haas, ProMinent, Pentek, Dow, Grundfos, Schneider Electric, Atlas Copco, Stubbe, Bekaert, SIEMENS, TIMEX, Veolia, and others.

Internationalisation strategy

With the break-up of the Soviet Union opportunities appeared and former contacts were engaged with. The company also had a good understanding of the business culture in these countries. Once the business had been reasonably well established in Russia, the spotlight moved to Central Asia. This was due to the interest of the company owner in the region, and the encouragement of the Investment and Development Agency of Latvia (LIAA) and the Latvian Cleantech Cluster. Having established a firm presence in the Russian market, the company felt it was familiar with the business culture of Central Asia and the market was wide open – there were no strong competitors present. The focus was always on building strong and reliable personal relationships with local partners and supporters. This works, especially in Central Asia. A local presence was considered critical. Business

partners in those regions clearly indicate that this is a key success factor in establishing trust and good business relationships.

Challenges of internationalisation

As a former sub-contractor to others in some of these markets, the company had already accumulated a good level of knowledge about them and did not have to prepare from scratch. The main internal challenges were to find the time to develop the markets and service them properly, given the fact that as a small firm there were not many resources available. This was particularly the case with finding finances to fund the market development exercise, as a long and sustained effort was required to enter and develop the markets.

Externally, the key issue was to find a trustworthy partner and build a sound business relationship on a personal basis. Once this had been overcome many of the other issues such as dealing with technical product specifications and appointing and training local sales representatives were more easily addressed.

Major challenges remain in the form of various financial issues. These are mainly to do with getting bank guarantees for the export contracts and dealing with currency instability in the markets in question (especially devaluation of soft currencies).

Role of supporting measures

The company has made use of two support organisations: the Investment and Development Agency of Latvia (LIAA) and the cluster organisation CLEANTECH LATVIA. LIAA aims to improve the competitiveness of Latvian businesses and help them access external markets. LIAA was able to provide general advice and some financial support for entering markets.

CLEANTECH LATVIA is currently active in Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan) and Northwest Russia. Market research in Latin America, the Balkans, India and Iran was started in 2015. CLEANTECH LATVIA's role is to identify new export markets and to promote Cluster partner's services, products and expertise to target markets. Funding from a variety of financial instruments and organisations is actively attracted for these purposes. The company made contact with these organisations early on to help gain information about the markets, and also later to travel to the markets pursuing very well defined objectives.

CLEANTECH LATVIA has advised that Karme Filtrs joined from the beginning of the cluster organisation set up in 2012 as they realised that they are too small, like other members, to be independent players in internationalisation. In 2016 Karme participated in two trade missions and in 2017 in 15 events organised by CLEANTECH LATVIA (7 in outgoing missions, 8 in incoming missions).

Support from these organisations led to huge savings for them: in market research costs but also in terms of travel and visiting costs, when they could join well-organised visits with ministers or other business people. The visits organised by CLEANTECH LATVIA were smaller more focused groups providing targeted support and involved less paperwork. Support for Karme was focused on meeting partners, information about tenders and obtaining representation.

Benefits gained from these organisations were support in obtaining access to finance and being able to access the trade support initiatives (e.g. trade visits to markets). Export guarantees have only recently become available, but they are useful and could be expanded.

Recommendations for other companies

According to Karme the main lessons for internationalisation are that one needs to be patient: different markets have different degrees of readiness for dealing with international trade, and different speeds of response. However, persistence is also needed. Entering an export market is not something that can be outsourced to a consultant – one needs to travel there oneself and get to know the situation before starting to invest in the market.

CLEANTECH LATVIA confirms that persistence is important, as is patience and being prepared to invest time (which is more important than money) in market development. Where partners do not exist, it will be necessary to identify, train and develop them.

Karme has successfully applied one of the key principles of international marketing: they first went to markets with a close geographical and cultural proximity. Based on their experiences during the Soviet era, they understood the business culture and could use that to enter and develop those markets. However, as a small firm they realised they cannot do it on their own and therefore joined initiatives led by the LIAA and especially CLEANTECH LATVIA which could give them the necessary targeted support and exposure and enabled them to exploit their 'hard' technical and 'soft' cultural capabilities, leading to success in those markets.

LTMS Limited

Key facts about the company

LTMS (Lisheen Technical and Mining Services) is an Irish-based mining, technical services and project management company serving the global mining industry. The activities of LTMS cover several areas of the mining industry, starting with the planning stage, through design, construction and into the operational stage, followed by closure and rehabilitation. LTMS is a limited company and is based in Naas, Co. Kildare, Ireland. They have also recently set a company in the UK and have a company in India: LTMS India Private Limited.

The company employs between 10-15 people, but some are on short-term contracts as trainers or engineers. Turnover is currently less than EUR 3 million, of which about 5% is from other EU countries, and 80% from outside the EU. Most of the turnover is from India, Russia and some Central Asian countries. LTMS is also actively engaging with some African countries.

LTMS was established in 2016 to exploit an opportunity that arose in India. The Directors of LTMS are all former managers of the Lisheen mine which was a lead and zinc mine located between the villages of Moyne and Templetuohy in County Tipperary, Ireland. When the mine ceased operations as the ore deposits were depleted, they contacted the owners in India, Vedanta, with a view to providing the same services as they had so successfully provided in Lisheen to Vedanta's Indian

mining activities. From that base they have expanded, and are still expanding, to service the global industry.

The company is already active in India, Russia and some central Asian states, and busy developing opportunities in Mozambique and elsewhere in Southern Africa, using contacts developed during the Lisheen mine's operational phase and through support organisations (see below). In Europe, LTMS are active in Ireland, UK, Macedonia and are working on a European Space Agency project on Earth Observation in the mining industry.

Internationalisation strategy

The main drivers of internationalisation were on the one hand the need for the managers of the Lisheen mine to find new opportunities with the closure of that mine; and on the other that Vedanta in India were looking for the kinds of services they provided. The company was set up to investigate and exploit that opportunity – and others subsequently. The reason for choosing India was simply that that is where the opportunity was. At the early stage of internationalisation LTMS was investigating and assessing all opportunities based on their knowledge of and contacts in the industry. Growth is determined by the extent to which they can provide appropriate resources to follow up opportunities.

Challenges of internationalisation

As LTMS already had an on-going relationship with Vedanta, their client (and former owner) in India, many initial internationalisation challenges related to finding a market and a partner were not relevant. However, they had to set up a local office in India to be able to engage employees there on long-term contracts, and the main challenge then proved to be getting information on India and how to do business there. The level of bureaucracy is a significant challenge in India.

LTMS also works directly with a mining company in Russia, their second largest customer. They do not have a company there but it has proved to be easiest to do business with and they pay on time. It has been, on the whole, a step-by-step process expanding to new clients in different markets and continuously engaging with all the relevant stakeholders. In all markets other than India they now deal directly with individual companies as clients. They have no major on-going issues and have learnt that it is key to get to know each business's processes and politics to ensure the smooth running of contracts.

Role of supporting measures

When Geoscience Ireland (GI) learnt that LTMS was setting up, they offered LTMS a membership of the organisation. GI is a network of 36 companies, delivering integrated expertise in water, minerals, environmental and infrastructure development to clients in over 50 countries. GI is supported by the Geological Survey of Ireland and Enterprise Ireland. The GI network provides design, consultancy and contracting services to multilateral agencies, governments and the private sector. They have quarterly meetings/workshops where members present what they have been doing regarding internationalisation and share experiences and identify opportunities. GI also tracks procurement portals of international financing institutions and alerts members to opportunities. They can also do some market research in collaboration with Enterprise Ireland. GI aims to help members scale up and grow. Being member of GI provided LTMS with the opportunity to

engage with other GI members, to discuss what their challenges were and how they dealt with them. For example, through GI they have engaged with another GI member company on an opportunity in Mozambique. LTMS thought that the most useful support was the ability to engage with other companies about internationalisation.

LTMS also engaged with Enterprise Ireland (EI), an Irish state body that set up GI and (among other things) supports companies focused on growth through international sales. EI aims to facilitate development of a strong export sector by offering flexible solutions to client needs. The key thing about EI support is that it is primarily targeted at internationalising companies that *can scale up*. To this end they review their clients' business model and strategy and provide appropriate support – whether financial (for market research or set up costs in overseas markets) or 'soft' support (contacts, linkages through their overseas offices network). LTMS obtained a small level of funding from EI to help them with their export initiatives.

Recommendations for other companies

LTMS points out that the key lessons of their experience are: to do as much preparation as possible in advance, to engage with other companies from the sector operating in the market to learn from them based on their experience, and if possible to engage with a trusted local company.

Working with a former owner/client as a launch customer for internationalisation is invaluable and means a company can leap-frog many of the major challenges faced when internationalising. Having such a relatively secure launch partner also means that it can become a base and stepping stone for expansion into new markets.

In this instance LTMS has made good use of its team's knowledge and capabilities to turn what could have been a very bad situation – with the closure of the Lisheen mine – into a major growth opportunity by accessing both public and private sector resources to underpin its internationalisation strategy.

Rostek

Key facts about the company

Rostek is a privately-held Finnish company with the headquarters in Espoo that was established in 1984 and since then managed to successfully grow worldwide. Rostek designs and produces engineered access systems for cleaning and maintaining facades and glass roofs, such as suspended platforms, monorails, roof trolleys, davits, traversing gantries and traversing ladders. Rostek currently has 55 employees based in Europe and works with over 30 local dealers worldwide. The company's annual revenue amounts for EUR 11 million out of which around 90% is generated from export of the locally manufactured product (in Finland). Currently, around 60% of Rostek's export goes to outside the EU, which demonstrates their high level of internationalisation. Rostek operates in the Middle East, South East Asia, China, Africa, North & South America and Eastern Europe (Russia, Estonia, Latvia, Lithuania, Czech Republic, Slovakia, Romania).

Internationalisation strategy

The original trigger for expanding outside Finland was the economic crisis in the early 1990s that widely affected the Nordic countries. When their main supplier from Norway struggled due to the financial pressure, Rostek decided to start manufacturing their products locally in Finland and through existing contacts successfully established a business partnership with an enterprise in Germany. The expansion outside the EU started in 1994 when a Malaysian company approached their German business partner asking about Rostek's products. Through a referral Rostek decided to follow the business opportunity that arose and after around two years of preparation started exporting their product to Malaysia. Rostek established a cooperation with a local dealer to facilitate the process of entering into the new market – a model that was followed in the subsequent expansion in Asia. Similar to the first international business opportunity, expansion towards Singapore, Hong Kong and Vietnam was also facilitated by an existing business partner from Belgium and in further steps a cooperation was established with local dealers responsible for the installation of Rostek's products. Although Rostek did not have a clear internationalisation strategy in the initial stages of their expansion and rather followed the opportunities that arose through their European network, the common factor for many markets they entered was that they were developing countries. The South-East Asian countries, for example Vietnam and Malaysia, were going through a modernisation process and there was a high demand for Rostek's specialised product. It offered a combination of high quality, technical flexibility and adaptability of tailored products to customers' needs for a medium price. Additionally, the competition in those regions was not very strong at that time as local firms did not manufacture access systems in aluminium.

Challenges of internationalisation

One of the major challenges that Rostek faced during internationalisation was a cash-flow problem caused by complexity of cross-border payment systems, which is a difficulty often faced by SMEs operating in the construction sector. In general, the construction sector tends to be dominated by big enterprises and is structured in a manner more favourable to large players. Often construction projects are spread over a few years where products and services are delivered to foreign markets, however payments to providers are delayed. The customers in Asia in particular expect long warranties and accordingly also long deferred payments for goods and services. In case of SMEs such a process is particularly challenging as it might force some companies out of business due to problems with liquidity and cash-flow.

Another problem Rostek faces when doing business outside the EU is the lack of knowledge of local rules and standards as well as language and cultural barriers. Compliance with local quality standards as well as assuring the logistics process (transportation towards destination country without any damages) is particularly important when exporting a product like Rostek's as it could lead to additional costs and a risk of losing credibility among locals. Appointing local representatives (dealers with knowledge of the market) in foreign countries was an optimal solution to overcome some of the above-mentioned challenges and safeguard against unnecessary transaction costs.

Role of supporting measures

Financial supporting measures were crucial for Rostek's internationalisation process from the very early stages, throughout their expansion and until today. A small family-run business like Rostek does not have financial and human resources that can be dedicated to conducting a thorough market research and dealer search in a foreign market and take a risk into investing into such operations. The support Rostek received was provided by national actors. For some of their R&D and technical projects in the early stages of internationalisation they received financial support from KTM, the Ministry of Trade in Finland. Since early 2000, another state-owned financing organisation – Finnvera – has become a major source of financial support for Rostek. Finnvera is an official export credit agency for Finland under the Finnish Ministry of Employment and the Economy. Over the years, Finnvera provided Rostek with numerous credit guarantees (between 50-80% of financing) to cover the need for working capital arising from exports. By cooperation between Finnvera and Finnish banks in risk sharing, Rostek received low interest rate credits that enabled them to solve working capital issues and successfully export their products abroad - helping them throughout the entire process of going to a foreign market. Furthermore, Rostek received support from another public funding agency, namely Business Finland. Business Finland operates as a funding agency for research and technology development, with support towards SMEs and their internationalisation as one of their objectives. Business Finland assisted Rostek to identify viable business opportunities in foreign markets via market analysis, identifying business partners and dealers in the initial phase of planning. Their R&D funding was also helpful to Rostek for product development.

Rostek would not have been able to initiate and continue its internationalisation process without the financial support they received, which is why they certainly recognise the need for such measures. Further enhancement of the EU-level support is desired to assure better accessibility to financing for SMEs that often struggle with everyday business financing. EU-level support is often tailored to large projects that are run by big enterprises (big budget), whereas SMEs in the construction sector face the problem with day-to-day operations for financing their expansion and R&D projects.

Recommendations for other companies

Rostek is an example of a company that successfully established their presence worldwide by following the demand for their specialised products in developing countries. By firstly developing a network of business partners in Europe they managed to effectively respond to the opportunities in third countries that arose through existing business partners. Their strategy based on exporting their product and allowing local dealers to take over the installation process in the destination markets and assured compliance with local standards and procedures. The technical adaptability and flexibility of their product design and prices allows Rostek to compete with the growing flow of products from China in ASEAN countries. The financial support Rostek received on the national level allowed to gradually move to other regions worldwide and apply their expertise and know-how collected in Asia, while maintaining its manufacturing and operational units in their home country – Finland.

Schöberl & Pöll GmbH

Key facts about the company

Schöberl & Pöll GmbH was founded in 1996 and is established in Vienna (Austria). The company focusses on building physics planning, research and development of highly energy-efficient buildings such as passive houses, zero energy houses, plus energy buildings and energy self-sufficient buildings. Schöberl & Pöll GmbH is one of the world-market leaders in this field. The company belongs to the category of 10-49 employees, all of them based in Austria. Around 5-10% of the company's turnover is generated outside the EU. Schöberl & Pöll GmbH has been operating on the Chinese market since 2013. Recently, the company also launched a pilot project in Nigeria.

Internationalisation strategy

In 2013, the company accepted the request to be part of a consortium to build the first passive house in the Chinese city of Zhuozou, which was the company's first major project outside the EU. Previously, the company had received offers from outside Europe, but decided that if they would accept one of these, it would be an offer from China. This focus on China was due to the fact that the Chinese market is rapidly growing and that the know-how provided by Schöberl & Pöll GmbH is highly demanded there. The company entered the Chinese market by cooperating with a local partner. This partner had actively looked for a European partner with the requested know-how and proactively contacted Schöberl & Pöll GmbH. This cooperation allowed Schöberl & Pöll GmbH to establish contacts with other Chinese partners as well. Schöberl & Pöll GmbH's employees from Austria supervise the ongoing projects on-site in China and hold there presentations about passive houses and energy efficiency.

The decision to also start operating in Nigeria was equally driven by a request from a potential Nigerian business partner and the assessment that the company's know-how would be highly demanded in Nigeria. So far, it is still too early to assess whether the company has established a stable presence on the Chinese market because it is considered as one of the most difficult construction markets worldwide.

Challenges of internationalisation

Intercultural communication and the differences between business cultures were the main challenges Schöberl & Pöll GmbH was faced with both in China and in Nigeria. The company had taken into account that there would be some intercultural challenges. However, the fact that the whole mindset would be different only turned out later. For instance, the company has learned that expressing criticism vis-à-vis Chinese business partners needs to be done in a very different and more subtle way than in Europe. Over time and with increasing experience, these challenges have significantly diminished. Now, the company knows better how to deal with them. When the company was faced with these challenges, the company did its own market research and attended briefings and workshops, offered both by the Austrian Chamber of Commerce (WKO) and the WKO's International Chambers of Commerce (ICC).

Role of supporting measures

Supporting measures played a key role throughout the company's internationalisation process. Schöberl & Pöll GmbH had no difficulties to learn about the availability of these support

measures as the company has been cooperating with the WKO often. The main providers of support were the WKO and the ICC. While the ICC provided support notably in the first phase of the internationalisation process, the WKO has provided support throughout the whole internationalisation process until today, though with a slightly decreasing tendency.

The ICCs were very useful for the company as a first contact point for information about the third market and to establish contacts with local business partners. The main benefit from this support was to better understand the country-specific particularities of the third market, notably the legal system and intercultural differences. Being a small company, Schöberl & Pöll GmbH was mostly interested in answers to concrete questions. Taking part in general trade missions was less interesting for them, as the scope of such trips would have been too broad.

Financial support also played a very important supportive role. The company received support by the WKO via the go international programme, which reimbursed parts of their travel expenses. For small companies, travel expenses, especially if business partners are located far away, pose a significant challenge. In addition, the company received financial support from the Austrian Economic Service (AWS), which provided more general financial support. The company used this funding among others to conduct a study.

The company also received financial support from the Austrian Ministry for Transport, Innovation and Technology (BMWIT). This funding was dedicated to a monitoring exercise run in China to measure how much energy the newly built passive house actually consumed. This monitoring was important for Schöberl & Pöll GmbH in view of future projects.

For small companies such as Schöberl & Pöll GmbH, financial support to attend trade fairs is less important. These companies find it more useful to establish contacts and to gain know-how. Usually, revenues are project-based and do not allow for more in-depth research.

Recommendations for other companies

The example of Schöberl & Pöll GmbH shows how different support measures offered by different public actors can be optimally combined to support SME internationalisation. The support measures helped to gain broader knowledge of the target markets and provided essential financing for the internationalisation in China. In addition, Schöberl & Pöll GmbH is an example of a company that first established on its domestic market, before internationalising. The case proves that it is important for European construction SMEs to first provide high-quality services in their domestic market. This is the best way to become visible for potential business partners from foreign markets, as happened in the case of Schöberl & Pöll GmbH.

A.5 Interview guidelines

Development of possible EU-level actions to support the internationalisation of SMEs from the European construction sector in third country markets

VVA, the Centre for Strategy & Evaluation Services (CSES) and CSIL have been appointed by the European Commission's DG GROW to carry this study.

The **objective** is to develop tailor-made proposals for public support at EU level to European SMEs⁶⁴ from the construction industry to internationalise beyond the EU, focusing on 1) the Africa-Caribbean-Pacific (ACP) 2) Asia 3) Latin America, 4) the Middle-East and 5) the Balkans.

We are consulting with EU construction SMEs and large contractors, construction industry associations, national authorities in the EU Member States, EU-level organisations and cluster organisations to obtain feedback on industry needs, existing support, gaps in support, and to identify success stories.

We would **greatly appreciate your support** to help develop targeted support to meet the challenges for construction SMEs in exporting and internationalising into these markets.

The definition of the construction industry for the purposes of this assignment includes:

- Transport infrastructures (road, railway, airport, waterway, port)
- Energy (production, distribution)
- Water (production, treatment, distribution)
- Waste (collection, treatment, management)
- Buildings (housing, public services, commercial and industrial)
- Communication networks
- Construction services (architecture, engineering, technical consultancies)
- Construction products and materials manufacturing
- Trading in construction services and products

Data protection

Any information provided is confidential and will be dealt with accordingly. The results presented will be aggregated and will not be individuated by company. VVA and CSES aim to comply with the Data Protection Directive (95/46/EC), as implemented in the UK under the Data Protection Act 1998 and with EC Regulation No 45/2001 (which is currently under revision) concerning the protection of individuals regarding the processing of personal data by EU institutions. CSES and VVA are compliant with the GDPR (General Data Protection Regulation (GDPR) (EU) 2016/679).

⁶⁴ The definition of SMEs referred to is that in EU Recommendation 2003/61. There is a guide to the use for the definition: User guide to the SME Definition http://ec.europa.eu/regional_policy/sources/conferences/state-aid/sme/smedefinitionguide_en.pdf accessed 28/10/2017

Development of possible EU actions to support the internationalisation of SMEs from the European construction sector in third markets

SMEs

This interview checklist is targeted at **SMEs in the European construction sector** that have already successfully internationalised in third countries.

Basic data

1. What is the business's name?
2. What is your position/ role in the enterprise?
3. What type of business is it? (e.g. family firm, partnership, etc.)
4. In what year was the business established?
5. What products/ services does the business supply?
6. In which EU country is it located (main office)?
7. If the HO is outside the EU, in which country is that?
8. Are there establishments in other EU countries? ... and outside the EU?
9. If there are businesses established in other EU countries, how many, and where?
10. If there are businesses established outside the EU, how many, and where?
11. Are there any partnerships/ relationships (e.g. joint ventures) with firms in the EU/ outside the EU (if yes, where)?
12. What size is the business (total); employment – actual number (1-9; 10-49; 50-249) How many outside the EU) / turnover (how much outside the EU)?
13. What share of turnover is exported to other EU countries?
14. What share is exported outside the EU (which are the main countries – top 3/ what shares)?

Internationalisation

15. Why did your business internationalise (what were the main drivers)? [e.g. response to business cycle developments; need for revenue/ profit; alerted to an opportunity; followed competitors; followed a customer; a new internal initiative; an individual initiative; suggestion by a public organisation, etc.]
16. How did you go about it initially (when was that?) was there a particular 'trigger', what were the stages: e.g. who initiated internationalisation (owner, CEO, Executive, someone else)? Did you contact a supplier or customer, a trade body, or a public support organisation for information? How did you prepare internally/ select a country/ which of your products/ steps you took/ How long did it take?
17. Did you undertake any subsequent expansion?
18. If yes, what was that? (e.g. other countries/ same country more products or services/ same country new products or services)
19. What mode(s) of internationalisation have you adopted?
Export/ Joint ventures/ Equity or non-equity arrangements/ Local office set-up/ use of a local agent or partner/ local manufacture – foreign direct investment/ other
20. What has been the outcome (e.g. revenue, profitability, employment, long term sustainability of the enterprise, position/ branding, etc.)
21. Are you present in 1) the Africa-Caribbean-Pacific 2) Asia 3) Latin America and 4) the Middle-East or 5) Balkan areas (which)? If not, why is that?

Barriers

22. Which challenges (internal and external) did you face during the internationalisation process?

Challenges/ barriers: please rank 1- 5 overall (including both internal and external; barriers) with 1 as most important

Internal barriers	Rank	External barriers	Rank
• Knowledge/ understanding of markets		Complex administrative procedures	
• Awareness of market opportunities		Lack of access to public tendering	
• Concerns about market entry costs: <ul style="list-style-type: none"> • Product modifications • Learning about operational and 		Identifying sound and reliable business partners abroad	

Internal barriers	Rank	External barriers	Rank
regulatory environments			
<ul style="list-style-type: none"> Concerns about remaining in the market: <ul style="list-style-type: none"> Delivery costs Dispute resolution Issues with regulation such as taxation, product requirements and liability, Exchange risk 		Cross-border payment systems	
Cost: financial		Rules and regulations (e.g. labelling and marketing)	
Cost: availability of and reliance on staff with the required soft skills (language, inter-cultural) and hard skills (dealing with forex, legislation, compliance)		Lack of awareness of markets and opportunities	
Opportunity costs – emergence of local opportunities		Lack of awareness of markets and opportunities	
		Competition in local markets	
		Business culture	
		Business environment	
		IP protection	
		Tariffs	
		Non-tariff barriers	

23. Can you please provide some further explanation regarding barriers which were the most serious in terms of time/ cost/ being able to do business?
24. How did you deal with them?
25. Were any of these specific to the construction sector? (If yes, which? How important overall?).
26. Are there any specific challenges related to the 1) the Africa-Caribbean-Pacific 2) Asia 3) Latin America, 4) the Middle-East and 5) Balkan areas? If yes, [please provide details

Support measures and initiatives for SMEs

27. Are you aware of internationalisation support measures available at regional/ national/ EU levels (e.g. through COSME)?
28. Are you aware of the European External Investment Plan (EIP)?
29. If yes (EIP), what is/ what do you expect the role of the European External Investment Plan (EIP) to be in your internationalisation efforts?
30. If yes, have you made use of any support provided through industry/ cluster/ government (national/ EU) in your internationalisation journey? Which have you used and who were they provided by?

(Which of the following list?)

Non-financial support	Provider	Financial support	Provider
Seminars and workshops		Credit guarantee schemes	
Staff training		Subsidies and grants	
Trade missions, trade fairs, and matchmaking events		Tax incentives	
Information on rules and regulations		Low interest rate credit	
Information on market opportunities		Other insurance services	
Identifying and arranging meetings with potential clients		International programmes	
Advice and consultancy		Other (please specify)	
Business co-operation and networking			
International framework/collaboration agreements			
Linkages with national/ EU programmes (which?)			
Other (please specify)			

Source: ECSIP, op.cit., p. 43, plus additional CSES elaboration

Development of possible EU actions to support the internationalisation of SMEs from the European construction sector in third markets

31. If not, why not? (E.g. unaware, time pressures, too administrative/ bureaucratic, scepticism, used other channels, other).
32. If you used more than one measure (or more than one measure was available),
which was the most useful?
provision of which measure(s) should be expanded?
how did the different measures complement each other?
Were there any areas of overlap?
33. How would you assess the overall efficiency, effectiveness, and impact of these support measures?

Possible future support measures for SMEs

34. Do you think there are any gaps in the current provision of SME support measures, schemes or initiatives to support the internationalisation of construction SMEs in Third countries (in the five areas in question)? If yes, please indicate what these are.
35. In your view, do the support needs to facilitate the internationalisation of European construction SMEs differ depending on the size of firm (i.e. micro firms with 1-9 employees, small firms with 10 – 249 employees or medium firms with >250 staff)?

Large enterprises / international contractors

This interview checklist is targeted at **large enterprises and international contractors** in the European construction sector that have **already successfully internationalised in third countries**.

Basic data

1. What is the business's name?
2. What is your role in the business?
3. When was the business established?
4. What products/ services does the business supply?
5. In which country is it located (head office)?
6. In which countries outside the EU is the business operating?
7. What size is the business; employment/ turnover?
8. What share of turnover is from outside the EU (where?)

Internationalising and SMEs

9. As a major international contractor, do you include SMEs from the EU in your international supply chain? (Yes/ no)
10. If you do, on what basis is that (e.g. long-established relationships; specialist suppliers)?
11. If you do *not include* SMEs from the EU, why is that? Is it due to local/ national regulations, or economic efficiency, or unwillingness of SMEs from the EU to join in? Or does it vary by markets/ regions?
12. Are SMEs reluctant of keen to come on board? Yes/ No
13. Why is that?
14. When SMEs join the supply chain, what are their major concerns? Consider in terms of the lists below – internal and external barriers

Challenges: please rank 1- 5 overall (including both internal and external; barriers) with 1 as most important

Internal barriers	Rank	External barriers	Rank
• Knowledge/ understanding of markets		Complex administrative procedures	
• Awareness of market opportunities		Lack of access to public tendering	
• Concerns about market entry costs:		Identifying sound and reliable	

Internal barriers	Rank	External barriers	Rank
<ul style="list-style-type: none"> Product modifications Learning about operational and regulatory environments 		business partners abroad	
<ul style="list-style-type: none"> Concerns about remaining in the market: <ul style="list-style-type: none"> Delivery costs Dispute resolution Issues with regulation such as taxation, product requirements and liability, Exchange risk 		Cross-border payment systems	
Cost: financial		Rules and regulations (e.g. labelling and marketing)	
Cost: availability of and reliance on staff with the required soft skills (language, inter-cultural) and hard skills (dealing with forex, legislation, compliance)		Lack of awareness of markets and opportunities	
Opportunity costs – emergence of local opportunities		Lack of awareness of markets and opportunities	
		Competition in local markets	
		Business culture	
		Business environment	
		IP protection	
		Tariffs	
		Non-tariff barriers	

15. Do you have to provide special support/ incentives to get SMEs to join in?
16. Are there any specific challenges faced by SMEs that do not apply equally to large firms?
17. Are challenges more acute in some markets than others e.g. in the target markets 1) the Africa-Caribbean-Pacific (ACP) 2) Asia 3) Latin America, 4) the Middle-East and 5) the Balkans; as opposed to say, USA/ Canada as compared to the 5 in question?
18. Does this warrant special support?

Support measures and initiatives for large construction firms to include SMEs

19. Are you aware of any existing support measures (or schemes or initiatives) at regional/ cluster/ national/ EU - level to facilitate the inclusion of SMEs in supply chains of large construction firms' operations in third countries (especially the five market areas mentioned)? If yes, what are these measures and who are the providers?

Non-financial support	Provider	Financial support	Provider
Seminars and workshops		Credit guarantee schemes	
Staff training		Subsidies and grants	
Trade missions, trade fairs, and matchmaking events		Tax incentives	
Information on rules and regulations		Low interest rate credit	
Information on market opportunities		Other insurance services	
Identifying and arranging meetings with potential clients		International programmes	
Advice and consultancy		Other (please specify)	
Business co-operation and networking			
International framework/collaboration agreements			
Linkages with national/ EU programmes (which?)			
Other (please specify)			
Source: ECSIP, op.cit., p. 43, plus additional CSES elaboration			

20. If you answered yes to the previous question, did you use such support measures? If yes, what were the main benefits of participation?

Development of possible EU actions to support the internationalisation of SMEs from the European construction sector in third markets

Were there any lessons learned?

How would you assess the overall efficiency, effectiveness and impact of these support measures?

Were the measures fit for purpose/ were there any shortcomings or weaknesses?

21. If you participated in more than one measure (or more than one measure was available), how did the different measures complement each other? Were there any areas of overlap?
22. Are there any support measures that you purposely did not use? If yes, what were the reasons for not using these measures?
23. Are you aware of the European External Investment Plan (EIP)?
24. If yes, what do you expect its (the EIP) role to be in your internationalisation efforts?

Possible future support measures for large construction firms to include EU SMEs in their supply chains

25. Are you aware of any gaps in the current provision of support measures, schemes or initiatives to support the internationalisation of SMEs from the construction industry through linkages with large construction firms?
26. Looking ahead, what types of support measures, schemes or initiatives would be most useful to SMEs when internationalising through the supply chains of large contractors? (Refer back to the table in question 19).
27. Are there SME support specific to 1) the Africa-Caribbean-Pacific (ACP) 2) Asia 3) Latin America, 4) the Middle-East and 5) the Balkans (as compared to for example USA/ Canada)?
28. Would you be able to suggest the names of some EU construction SMEs that have successfully internationalised, especially in the five markets in question, that we could explore further as examples of good practice?

Investment promotion agencies (IPAs)

This interview checklist is targeted at **Investment Promotion Agencies (IPAs)**. The interview questions seek to obtain feedback about the availability, effectiveness and quality of support measures to help facilitate the internationalisation of SMEs in the construction sector, and to consider possible additional ways in which the EU might add value to existing provision.

Introduction

1. Please provide a short introduction and background on your IPA (e.g. target sectors/ countries).
2. What is your specific role?
3. To what extent is targeting European SMEs in the construction sector a priority – if at all – and why?

Barriers to the attraction of construction sector SMEs from the EU

4. From your perspective, what are the main barriers to the internationalisation of the construction sector for SMEs to your country from the EU, and what is the relative importance of each of these barriers?

Challenges/ barriers: please rank 1- 5 overall (including both internal and external; barriers) with 1 as most important

Internal barriers	Rank	External barriers	Rank
• Knowledge/ understanding of markets		Complex administrative procedures	
• Awareness of market opportunities		Lack of access to public tendering	
• Concerns about market entry costs: <ul style="list-style-type: none"> • Product modifications • Learning about operational and regulatory environments 		Identifying sound and reliable business partners abroad	
• Concerns about remaining in the market: <ul style="list-style-type: none"> ▪ Delivery costs ▪ Dispute resolution ▪ Issues with regulation such as taxation, product requirements and liability, ▪ Exchange risk 		Cross-border payment systems	
Cost: financial		Rules and regulations (e.g. labelling	

Internal barriers	Rank	External barriers	Rank
		and marketing)	
Cost: availability of and reliance on staff with the required soft skills (language, inter-cultural) and hard skills (dealing with forex, legislation, compliance)		Lack of awareness of markets and opportunities	
Opportunity costs – emergence of local opportunities		Lack of awareness of markets and opportunities	
		Competition in local markets	
		Business culture	
		Business environment	
		IP protection	
		Tariffs	
		Non-tariff barriers	

5. What are the specific challenges faced by European *construction SMEs* when operating in your country?
6. What modes have construction sector SMEs from the EU tended to use when operating in your country (e.g. joint venture, local partnerships, exports of products and services, establishment of a local subsidiary etc.)? What are there any reasons for that?
7. Are there any specific barriers to internationalisation which are relevant at the level of sub-sectors within the construction industry (e.g. services/ products/ design)?
8. In your experience, to what extent – and how - have construction enterprises been able to overcome the problems identified?

Programmes to attract construction SMEs from the EU

9. Does your IPA have any programmes targeting inward investment/ internationalisation by EU construction SMEs? If yes, please provide a short overview of how these operate, eligible sectors, etc.
10. If yes, do they focus on all types of construction firms, more on construction services or products?
11. If such support measures do exist, what is their main area of focus and who are the providers?

Please indicate, if relevant, which are the most important.

Non-financial support	Provider	Financial support	Provider
Seminars and workshops		Credit guarantee schemes	
Staff training		Subsidies and grants	
Trade missions, trade fairs, and matchmaking events		Tax incentives	
Information on rules and regulations		Low interest rate credit	
Information on market opportunities		Other insurance services	
Identifying and arranging meetings with potential clients		International programmes-	
Advice and consultancy – e.g. on innovation for local conditions		Other (please specify)	
Business co-operation and networking			
International framework/ collaboration agreements e.g. bi-lateral support initiatives between your country and EU			
Linkages with national/ EU programmes (which?)			
Other (please specify)			

Source: ECSIP, op.cit., p. 43, plus additional CSES elaboration

12. Are you aware of the European External Investment Plan (EIP)?
13. If yes, do you see that as holding potential for your attraction of EU construction SMEs?
14. How are any SME internationalisation programmes identified in the previous question financed? Are these funded domestically, or co-funded with the EU?

15. Do you have any examples of success stories of European construction SMEs that have established in your territory that you could share with us as examples of successful practice?

EU and national industry associations

This interview checklist is targeted at **European and national construction industry associations and key EU-level SME associations**. The interview questions seek to obtain feedback about the needs of SMEs in the construction sector when internationalising in markets outside the EU, and particularly the 5 mentioned above. In addition, if the association provides construction industry specific internationalisation support measures for SMEs, we are keen to learn about them as well, and to consider possible additional ways in which the EU might add value to existing provision.

Interviewees should note that:

- Interviews will also be conducted with SMEs that have already successfully internationalised, failed to internationalise in third countries, or do not want to do so.
- Depending on the level of familiarity (EU or national measures), please comment on those support measures you are familiar with.
- If your association has any suggestions on individual firms within your membership from the construction industry that might be prepared to participate, please provide us with contacts.
- If you agree, we would be happy to send a link to a short online survey regarding the internationalisation of construction SMEs to your members. The link is available **here**: <https://www.surveymonkey.co.uk/r/FFPWJRX>

Introduction

1. Please provide a short introduction about your industry association, and its membership.
2. What is your role at the association?
3. What is the balance in terms of the composition of your membership between SMEs and large firms?
4. What proportion of your association's members:
 - a. focus on the provision of construction, construction services, or construction products?
 - b. have already internationalised in the EU-28?
 - c. have already internationalised in third country markets?

The process of internationalisation by construction SMEs

5. Is internationalisation an important issue for your association and your members?
6. What are the drivers of internationalisation of your SME members? (E.g. a response to business cycle fluctuations, following large clients abroad/ following competitors/ internal company drivers for exports, profits, etc./ industry-sector initiatives/ is it possible to generalise?).
7. How do your members (or if a general SME association, construction firms in general) select non-EU markets to be targeted?
8. How do you think the following markets are perceived (levels of interest) in terms of potential by your members in terms of internationalisation potential: 1) the Africa-Caribbean-Pacific (ACP) 2) Asia 3) Latin America, 4) the Middle-East and 5) the Balkans? Please explain your response.
9. What mode of market entry is usually involved (export, joint ventures, equity/ non-equity arrangements, local office set-up, use of a local agent/ partner, local manufacture, etc.)? Are there any preferred modes?
10. Are there any construction sub-sectors that tend to internationalise more frequently or readily than others? What are the reasons for this?
11. Are there any sub-sectors that appear to present strong internationalisation potential in the markets of interest?
12. Can you identify any key success factors in terms of the patterns of firm behaviour or firm characteristics among construction firms that have succeeded in accessing non-EU markets, and particularly in the five regions of interest?

Barriers to the internationalisation of construction sector SMEs

13. What are the challenges faced by EU construction SMEs when exporting to these regions or individual countries in them (internal/ external; financial/ non-financial)?

Challenges: please rank 1- 5 overall (including both internal and external; barriers) with 1 as most important

Internal barriers	Rank	External barriers	Rank
• Knowledge/ understanding of markets		Complex administrative procedures	
• Awareness of market opportunities		Lack of access to public tendering	
• Concerns about market entry costs: <ul style="list-style-type: none"> • Product modifications • Learning about operational and regulatory environments 		Identifying sound and reliable business partners abroad	
• Concerns about remaining in the market: <ul style="list-style-type: none"> ▪ Delivery costs ▪ Dispute resolution ▪ Issues with regulation such as taxation, product requirements and liability, ▪ Exchange risk 		Cross-border payment systems	
Cost: financial		Rules and regulations (e.g. labelling and marketing)	
Cost: availability of and reliance on staff with the required soft skills (language, inter-cultural) and hard skills (dealing with forex, legislation, compliance)		Lack of awareness of markets and opportunities	
Opportunity costs – emergence of local opportunities		Lack of awareness of markets and opportunities	
		Competition in local markets	
		Business culture	
		Business environment	
		IP protection	
		Tariffs	
		Non-tariff barriers	

14. Are there any barriers to internationalisation which are relevant at the level of sub-sectors within the construction industry?
15. In your experience, to what extent – and how - have construction enterprises been able to overcome the problems identified?
16. Does the nature – and extent – of barriers to the internationalisation of construction sector enterprises vary depending on the geographic target market e.g. 1) the Africa-Caribbean-Pacific (ACP) 2) Asia 3) Latin America, 4) the Middle-East and 5) the Balkans (as compared to the USA or Japan)?

Existing support measures and initiatives for construction SMEs

17. Do your members generally use support measures when internationalising? If yes, what types of internationalisation support measures do your members typically use: national measures, EU measures, cluster-based measures, or a combination two?

Non-financial support	Provider	Financial support	Provider
Seminars and workshops		Credit guarantee schemes	
Staff training		Subsidies and grants	
Trade missions, trade fairs, and matchmaking events		Tax incentives	
Information on rules and regulations		Low interest rate credit	
Information on market opportunities		Other insurance services	
Identifying and arranging meetings with potential clients		International programmes	
Advice and consultancy		Other (please specify)	
Business co-operation and networking			
International framework/collaboration agreements			

Development of possible EU actions to support the internationalisation of SMEs from the European construction sector in third markets

Linkages with national/ EU programmes (which?)			
Other (please specify)			
Source: ECSIP, op.cit., p. 43, plus additional CSES elaboration			

18. To what extent, in your view, is there adequate coordination and coherence between the different types of support measures provided at national, cluster and EU levels between relevant support providers?
19. Are there any national, cluster or EU schemes that focus on the targeted regions/ countries for this assignment (1) the Africa-Caribbean-Pacific (ACP) 2) Asia 3) Latin America and 4) the Middle-East) or are the schemes non-geographically targeted?

National measures

20. To what extent – if at all – do your members make use of national public support measures to help SMEs to internationalise?
21. How useful are existing national support measures to promote the internationalisation of businesses from particular EU countries in third country markets?
22. Are there any cluster-industry-specific national measures at national level to help SMEs internationalise (if yes, how do they work and how are they funded)?

EU level measures

23. How useful are existing EU measures, initiatives, schemes, and business advisory networks? Specifically, to what extent have your members i) heard about and ii) used the following:
- a. The External Investment Plan (EIP)?
 - b. Business and innovation support services (e.g. European Enterprise Network (EEN) as a virtual gateway, IPR SME Helpdesk);
 - c. Matchmaking support and identification of purchasers (e.g. the Business Beyond Borders project which promotes business-to-business (B2B) relationships);
 - d. Cluster internationalisation related support e.g. European Cluster Collaboration Platform, Cluster-Go International, Cluster-to-cluster (C2C) matchmaking events;
 - e. Networking of European construction industry association and business organisations working on SME internationalisation issues in third countries;
 - f. Bi-lateral EU support initiatives with third countries (selected examples below):
 - i. The Instrument for Cooperation with Industrialised Countries (ICI)
 1. EU-Japan Centre for Industrial Cooperation
 2. European Business and Regulatory Cooperation with Taiwan
 3. EU SME Centre in China
 4. European Association for Business and Commerce (EABC) in Thailand
 5. Euro-chambers in different Asian countries *e.g. Malaysia, Philippines, Laos and Cambodia*
 - g. EU support measures to promote the internationalisation of European businesses and to access to third country markets financed through EU programmes, such as:
 - i. The Partnership Instrument (PI)
 - ii. The European Neighbourhood Instrument (ENI),
 - iii. European Structural and Investment Funds (ESIF).
 - iv. Erasmus for Young Entrepreneurs programme (in the EU and COSME countries)
 - v. Large aid/ support programmes (e.g. EIB projects, multilateral initiatives)
 - vi. Other
24. Are you aware of/ have you been involved in recent initiatives related to the Construction 2020 policy agenda, for instance relating to strengthening market access, migration, or private sector partnerships in developing country markets. If yes, what have your experiences been to date?
25. If you are aware of the External Investment Plan (EIP), how do you see it as contributing to internationalisation of construction SMEs?

Possible future support measures for construction SMEs

26. Are there any gaps in the current provision of SME support measures, schemes, or initiatives to foster the internationalisation of construction SMEs to the target regions in question (please refer to the table

in question 17)? Please explain your response and comment on the availability and quality of support services at EU and national levels.

27. Are there any areas of the construction sector where there is a need to improve EU support for the internationalisation of SMEs? In which ways could the EU provide specific added value?
28. Are you aware of any good practice examples of support for the internationalisation of SMEs in the construction sector and/ or SMEs that have successfully internationalised? If yes, could you please signpost to these?

EU and national providers of support

This interview checklist is targeted at public sector **providers of support services to strengthen the internationalisation of SMEs from the construction sector at European and national levels**. The interview questions seek to obtain feedback about the availability, effectiveness and quality of existing support measures to help facilitate the internationalisation of SMEs in the construction sector, and to consider possible additional ways in which the EU might add value to existing provision.

Introduction

1. Please provide a short introduction about your organisation, and the types of SME support services that you provide.
2. What is your role in the organisation?
3. Do you operate at national level or EU level, or both?
4. To what extent do you provide support to strengthen the internationalisation of SMEs in general, and of construction SMEs in particular?

Barriers to the internationalisation of SMEs

5. Based on your experiences of providing support services to facilitate the internationalisation of SMEs, please provide your views on barriers to the internationalisation of SMEs generally - please also comment on any specific barriers in the construction sector.

Challenges/ barriers: please rank 1- 5 overall (including both internal and external; barriers) with 1 as most important

Internal barriers	Rank	External barriers	Rank
• Knowledge/ understanding of markets		Complex administrative procedures	
• Awareness of market opportunities		Lack of access to public tendering	
• Concerns about market entry costs: <ul style="list-style-type: none"> • Product modifications • Learning about operational and regulatory environments 		Identifying sound and reliable business partners abroad	
• Concerns about remaining in the market: <ul style="list-style-type: none"> ▪ Delivery costs ▪ Dispute resolution ▪ Issues with regulation such as taxation, product requirements and liability, ▪ Exchange risk 		Cross-border payment systems	
Cost: financial		Rules and regulations (e.g. labelling and marketing)	
Cost: availability of and reliance on staff with the required soft skills (language, inter-cultural) and hard skills (dealing with forex, legislation, compliance)		Lack of awareness of markets and opportunities	
Opportunity costs – emergence of local opportunities		Lack of awareness of markets and opportunities	
		Competition in local markets	
		Business culture	
		Business environment	
		IP protection	
		Tariffs	
		Non-tariff barriers	

6. Which of these are experienced most acutely by EU construction SMEs when internationalising to non-EU markets?

Development of possible EU actions to support the internationalisation of SMEs from the European construction sector in third markets

7. Are there any barriers to internationalisation relevant at the level of specific sub-sectors within the construction industry?
8. In your experience, to what extent – and how - have construction enterprises been able to overcome the problems identified?
9. Does the nature – and extent – of barriers to the internationalisation of construction sector enterprises vary depending on the geographic target market e.g. 1) the Africa-Caribbean-Pacific (ACP) 2) Asia 3) Latin America, 4) the Middle-East and, 5) the Balkans (please comment)?

Drivers of internationalisation for European SMEs and the process of internationalisation

10. Can you identify any factors that have influenced the extent of success of construction SMEs in internationalising, for instance, patterns of firm behaviour and/ or firm characteristics or types of markets?
11. Based on your experiences in providing support services to construction SMEs seeking to internationalise, what type of market entry is usually involved in such SME internationalisation (exporting, joint ventures, equity/ non-equity arrangements, local office set-up, use of a local agent/ partner, local manufacturing, foreign direct investment, etc.)?
12. Are there any sub-sectors in the construction sector that tend to internationalise more frequently than others? What are the reasons for this?

Existing support measures and initiatives for construction SMEs to internationalise (at national and EU levels)

13. What support measures are you aware of being provided in your country/ EU level (delete as appropriate). Please use the table below to indicate.

Non-financial support	Provider	Financial support	Provider
Seminars and workshops		Credit guarantee schemes	
Staff training		Subsidies and grants	
Trade missions, trade fairs, and matchmaking events		Tax incentives	
Information on rules and regulations		Low interest rate credit	
Information on market opportunities		Other insurance services	
Identifying and arranging meetings with potential clients		International programmes	
Advice and consultancy		Other (please specify)	
Business co-operation and networking			
International framework/collaboration agreements			
Linkages with national/ EU programmes (which?)			
Other (please specify)			

Source: ECSIP, op.cit., p. 43, plus additional CSES elaboration

National support schemes

14. What support measures do Ministries/ national governments provide in your Member State to foster the internationalisation of SMEs in Third country markets?
15. Are there any specific SME construction-related schemes? If yes, what is the rationale for this?
16. How useful are existing national support measures to promote the internationalisation of SMEs in third country markets (and in construction if relevant)?
17. Which types of national support measures and/ or schemes are most frequently used?
18. Which types of schemes appear to work most effectively and why? Are there any data and/ or evaluation studies that support this?
19. To what extent in your view is there adequate coordination and coherence between the different support measures provided at national and EU levels between EU and national support providers? Are you aware of any overlaps between your schemes and any others at EU/ member state/ sub-national level?

20. To what extent do support services available at national level (or EU level) help to deal with the specific barriers identified?
21. Are there any national schemes that focus on the targeted regions/ countries for this assignment (e.g. 1) the Africa-Caribbean-Pacific (ACP) 2) Asia 3) Latin America and 4) the Middle-East) and 5) the Balkans or are the schemes non-geographically targeted?

EU support schemes

If you are familiar with EU-level support schemes to promote the internationalisation of SMEs, please answer the following questions:

22. How useful are existing EU measures, initiatives, schemes and business advisory networks? Specifically, to what extent have your SMEs i) heard about and ii) used the following:
 - a. Provision of market intelligence
 - b. Business and innovation support services (e.g. European Enterprise Network (EEN) as a virtual gateway, IPR SME Helpdesk);
 - c. Matchmaking support and identification of purchasers (e.g. the Business Beyond Borders project which promotes business-to-business (B2B) relationships);
 - d. Cluster internationalisation related support e.g. European Cluster Collaboration Platform, Cluster-Go International, Cluster-to-cluster (C2C) matchmaking events;
 - e. Networking of European construction industry association and business organisations working on SME internationalisation issues in third countries;
 - f. Bi-lateral EU support initiatives with third countries (selected examples below):
 - i. The Instrument for Cooperation with Industrialised Countries (ICI)
 1. EU-Japan Centre for Industrial Cooperation
 2. European Business and Regulatory Cooperation with Taiwan
 3. EU SME Centre in China
 4. European Association for Business and Commerce (EABC) in Thailand
 5. Euro-chambers in different Asian countries e.g. *Malaysia, Philippines, Laos and Cambodia*
 - g. EU support measures to promote the internationalisation of European businesses and to access to third country markets financed through EU programmes, such as:
 - i. The External Investment Plan (EIP)
 - ii. The Partnership Instrument (PI)
 - iii. The European Neighbourhood Instrument (ENI),
 - iv. European Structural and Investment Funds (ESIF).
 - v. Erasmus for Young Entrepreneurs programme (in the EU and COSME countries)
 - vi. Large aid/ support programmes (e.g. EIB projects, multilateral initiatives)
23. Are you aware of/ have you been involved in recent initiatives related to the Construction 2020 policy agenda, for instance relating to strengthening market access, migration, or private sector partnerships in developing country markets. If yes, what have your experiences been to date?
24. Are you aware of developments regarding the External Investment Plan (EIP)? If yes, do you see that as an opportunity for construction SMEs in the target countries in question?

Possible future support measures for construction SMEs

25. What would be the most useful type of support that could be provided to SMEs to help them to internationalise? Please refer to the table in question 13.
26. Are there any gaps in the portfolio of internationalisation support services for construction SMEs that you provide?
27. Do you consider the existing support measures efficient? What is successful? What is not?
28. Are there any areas of the construction sector where there is a need to improve EU support for the internationalisation of SMEs? Where could the EU provide specific added value?
29. Are you aware of any good practice examples of support for the internationalisation of firms in the construction sector and/ or construction SMEs that have internationalised successfully? If yes, could you please signpost us to relevant websites and / or provide contact information?

EU, national and regional cluster organisations (support measures)

This interview checklist is targeted at **European, national and regional cluster organisations**.

The interview questions seek to obtain feedback about the availability, effectiveness and quality of existing cluster-based support measures to facilitate the internationalisation of SMEs in the construction sector, and to consider possible additional ways in which the EU might add value to existing provision.

Interviewees should note the following points:

- Interviews will also be conducted with SMEs that have successfully internationalised in third countries (or are busy trying to or have failed to do so). If your cluster has any suggestions on individual firms that you have assisted through cluster-related activities (e.g. matchmaking, trade missions etc.) that would like to participate, please provide us with their contacts.
- If you agree, we would be grateful if we could send a link to a short online survey regarding the internationalisation of construction SMEs (and support measures) to any SMEs that you have assisted through cluster-related activities. The link is available **here:**
<https://www.surveymonkey.co.uk/r/FFPWJRX>

Introduction

1. Please provide a short introduction about the work of your cluster industry, and its sectoral / sub-sectoral focus.
2. What is your role in the organisation?
3. To the extent that you can provide approximate data, what proportion of the cluster is:
 - a. focused on the provision of construction, construction services, and construction products?
 - b. has already internationalised in the EU-28?
 - c. has already internationalised in third country markets, and particularly in the four regions of interest for this study?

Barriers to the internationalisation of construction sector SMEs and large enterprises

4. What are the main barriers (internal and external) to the internationalisation of construction sector SMEs outside the EU in your view (and particularly in the four regions of interest)?
5. How – if at all – do the barriers differ from barriers for large enterprises?
6. What factors inhibit initial market entry by construction SMEs? And further expansion once established?
7. Are there any barriers to internationalisation which are relevant at the level of sub-sectors?
8. Do the nature – and extent – of barriers to the internationalisation of construction sector enterprises vary significantly depending on the geographic target market e.g. 1) the Africa-Caribbean-Pacific (ACP) 2) Asia 3) Latin America, 4) the Middle-East and 5) the Balkans?
9. In your experience, to what extent – and how - have construction enterprises been able to overcome the problems identified?

Internationalisation Support measures and initiatives for construction SMEs

10. What types of support measures does your cluster organisation provide?

Non-financial support	Financial support
Seminars and workshops	Credit guarantee schemes
Staff training	Subsidies and grants
Trade missions, trade fairs, and matchmaking events	Tax incentives
Information on rules and regulations	Low interest rate credit
Information on market opportunities	Other insurance services
Identifying and arranging meetings with potential clients	International programmes
Advice and consultancy	Other (please specify)
Business co-operation and networking	
International framework/collaboration agreements	
Linkages with national/ EU programmes (which?)	
Other (please specify)	

11. To what extent in your view is there adequate coordination and coherence between the different types of support measures provided at national and EU levels between support providers?
12. Are you aware of any national or EU schemes that focus on the targeted regions/ countries for this assignment (e.g. 1) the Africa-Caribbean-Pacific (ACP) 2) Asia 3) Latin America, 4) the Middle-East and, 5) the Balkans) or are the schemes non-geographically targeted?
13. If yes, have you made use of them and if so, how useful are they?
14. Are you aware of/ have you been involved in recent initiatives related to the Construction 2020 policy agenda, for instance relating to strengthening market access, migration, or private sector partnerships in developing country markets. If yes, what have your experiences been to date?
15. Are you aware of developments regarding the External Investment Plan (EIP)? If yes, do you see that as an opportunity for construction SMEs in the target countries in question?

National measures

16. To what extent – if at all – do your members make use of national public support measures to help SMEs to internationalise?
17. Are there any industry-specific national measures at national level to help SMEs internationalise (if yes, how do they work and how are they funded)?
18. How useful are existing national support measures to promote the internationalisation of construction SMES to third country markets (particularly in the 5 regions in question)?

EU level measures

19. How useful are existing EU measures, initiatives, schemes and business advisory networks? Specifically, to what extent have members of your cluster i) heard about and ii) used the following:
 - a. Business and innovation support services (e.g. European Enterprise Network (EEN) as a virtual gateway, IPR SME Helpdesk);
 - b. Matchmaking support and identification of purchasers (e.g. the Business Beyond Borders project which promotes business-to-business (B2B) relationships);
 - c. Cluster internationalisation related support e.g. European Cluster Collaboration Platform, Cluster-Go International, Cluster-to-cluster (C2C) matchmaking events;
 - d. Networking of European construction industry association and business organisations working on SME internationalisation issues in third countries;
 - e. Bi-lateral EU support initiatives with third countries (selected examples below):
 - i. The Instrument for Cooperation with Industrialised Countries (ICI)
 1. EU-Japan Centre for Industrial Cooperation
 2. European Business and Regulatory Cooperation with Taiwan
 3. EU SME Centre in China
 4. European Association for Business and Commerce (EABC) in Thailand
 5. Euro-chambers in different Asian countries e.g. *Malaysia, Philippines, Laos and Cambodia*
 - f. EU support measures to promote the internationalisation of European businesses and to access to third country markets financed through EU programmes, such as:
 - i. The External Investment Plan (EIP)
 - ii. The Partnership Instrument (PI)
 - iii. The European Neighbourhood Instrument (ENI),
 - iv. European Structural and Investment Funds (ESIF).
 - v. Erasmus for Young Entrepreneurs programme (in the EU and COSME countries)
 - vi. Large aid/ support programmes (e.g. EIB projects, multilateral initiatives)

Possible future support measures for micro and small construction firms

20. Are there any gaps in the current provision of SME support measures, schemes or initiatives to foster the internationalisation of construction firms? Please explain your response and comment on the availability and quality of support services at EU and national levels.

Development of possible EU actions to support the internationalisation of SMEs from the European construction sector in third markets

21. Are there any areas of the construction sector where there is a need to improve EU support for the internationalisation of SMEs? In which ways could the EU provide specific added value?
22. What would be the most useful type of support that could be provided to SMEs that are trying to internationalise? (please refer to the table in question 10).
23. Are you aware of any good practice examples of support for the internationalisation of firms in the construction sector specifically relating to clusters? If yes, could you please signpost to these?

EU, national and regional cluster organisations

This interview checklist is targeted at **European, national and regional cluster organisations**.

The interview questions seek to obtain feedback about the challenges faced by construction industry SMEs when internationalising to Third country markets, and specifically from the regions listed above (ACP, Asia, LATAM, the Middle-East and the Balkans).

Interviewees should note the following points:

- Interviews will also be conducted with small businesses that have successfully internationalised in third countries (or are trying to/ or have failed to do so). If your cluster organisation has any suggestions on individual firms that you have assisted through cluster-related activities (e.g. matchmaking, trade missions etc.) that would like to participate in the interview programme, please provide us with their contacts.
- If you agree, we would be grateful if we could send a link to a short online survey regarding the internationalisation of construction SMEs (and support measures) that has already been set up, to any SMEs that you have assisted through cluster-related activities. The link is available **here**: <https://www.surveymonkey.co.uk/r/FFPWJRX>

Introduction

1. Please provide a short introduction about the work of your cluster and its sectoral / sub-sectoral focus.
2. What is your role in the organisation?
3. To the extent that you can provide data - what proportion of the cluster is:
 - a. focused on the provision of construction, construction services, and construction products
 - b. has already internationalised in the EU-28?
 - c. has already internationalised in third country markets, and particularly in the four regions of interest for this study?

The process of internationalisation by construction firms

4. How do SMEs in the construction sector that you have had contact with through your cluster typically go about the process of internationalisation?
5. What type of market entry is usually involved (export, joint ventures, equity/ non-equity arrangements, local office set-up, use of a local agent/ partner, local manufacturing, etc.)?
6. Which of the following offer greatest potential to members of your cluster in terms of their relative internationalisation potential: 1) the Africa-Caribbean-Pacific (ACP) 2) Asia 3) Latin America 4) the Middle-East and, 5) the Balkans? Please explain your response.
7. Can you identify any key success factors in terms of patterns of firm behaviour or firm characteristics among construction firms that have succeeded in accessing non-EU markets?
8. Are there any sub-sectors that tend to internationalise more frequently or readily than others? What are the reasons for this?
9. Are there any sub-sectors that appear to present strong internationalisation potential in third countries?

Barriers to the internationalisation of construction sector SMEs and large enterprises

10. What are the main barriers to the internationalisation of construction sector SMEs outside the EU in your view (and particularly in the ACP, Asia, LATAM, Middle-East and the Balkan regions)?

Challenges/ barriers: please rank 1- 5 overall (including both internal and external; barriers) with 1 as most important

Internal barriers	Rank	External barriers	Rank
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Internal barriers	Rank	External barriers	Rank
<ul style="list-style-type: none"> Knowledge/ understanding of markets 		Complex administrative procedures	
<ul style="list-style-type: none"> Awareness of market opportunities 		Lack of access to public tendering	
<ul style="list-style-type: none"> Concerns about market entry costs: <ul style="list-style-type: none"> Product modifications Learning about operational and regulatory environments 		Identifying sound and reliable business partners abroad	
<ul style="list-style-type: none"> Concerns about remaining in the market: <ul style="list-style-type: none"> Delivery costs Dispute resolution Issues with regulation such as taxation, product requirements and liability, Exchange risk 		Cross-border payment systems	
Cost: financial		Rules and regulations (e.g. labelling and marketing)	
Cost: availability of and reliance on staff with the required soft skills (language, inter-cultural) and hard skills (dealing with forex, legislation, compliance)		Lack of awareness of markets and opportunities	
Opportunity costs – emergence of local opportunities		Lack of awareness of markets and opportunities	
		Competition in local markets	
		Business culture	
		Business environment	
		IP protection	
		Tariffs	
		Non-tariff barriers	

11. How does this differ from large enterprises?
12. What factors inhibit further expansion once established?
13. Are there any barriers to internationalisation which are relevant at the level of sub-sectors?
14. Does the nature – and extent – of barriers to the internationalisation of construction sector enterprises vary significantly depending on the geographic target market e.g. 1) the Africa-Caribbean-Pacific (ACP) 2) Asia 3) Latin America 4) the Middle-East and, 5) the Balkans – as compared to, for example, the USA and Canada?
15. In your experience, to what extent – and how - have construction enterprises been able to overcome the problems identified?

Internationalisation Support measures and initiatives for construction SMEs

16. What types of support measures does your cluster organisation provide?

Non-financial support	Financial support
Seminars and workshops	Credit guarantee schemes
Staff training	Subsidies and grants
Trade missions, trade fairs, and matchmaking events	Tax incentives
Information on rules and regulations	Low interest rate credit
Information on market opportunities	Other insurance services
Identifying and arranging meetings with potential clients	International programmes
Advice and consultancy	Other (please specify)
Business co-operation and networking	
International framework/collaboration agreements	
Linkages with national/ EU programmes (which?)	
Other (please specify)	
Source: ECSIP, op.cit., p. 43, plus additional CSES elaboration	

17. To what extent in your view is there adequate coordination and coherence between the different types of support measures provided at national and EU levels between relevant support providers?

Development of possible EU actions to support the internationalisation of SMEs from the European construction sector in third markets

18. Are you aware of any national or EU schemes that focus on the targeted regions/ countries for this assignment (e.g. 1) the Africa-Caribbean-Pacific (ACP) 2) Asia 3) Latin America 4) the Middle-East AND, 5) the balkans) or are the schemes non-geographically targeted?
19. If yes, have you made use of them and if so, how useful are they?
20. Are you aware of/ have you been involved in recent initiatives related to the Construction 2020 policy agenda, for instance relating to strengthening market access, migration, or private sector partnerships in developing country markets. If yes, what have your experiences been to date?
21. Are you aware of developments regarding the External Investment Plan (EIP)? If yes, do you see that as an opportunity for construction SMEs in the target countries in question?

Possible future support measures for micro and small construction firms

22. Are there any gaps in the current provision of SME support measures, schemes or initiatives to foster the internationalisation of construction SMEs? Please explain your response and comment on the availability and quality of support services at EU and national levels.
23. Are there any areas of the construction sector where there is a need to improve EU support for the internationalisation of SMEs? In which ways could the EU provide specific added value?
24. What would be the most useful type of support that could be provided to SMEs that are trying to internationalise? (Please refer to the table in question 15).
25. Are you aware of any good practice examples of support for the internationalisation of firms in the construction sector specifically relating to clusters? If yes, could you please signpost to these?

Thank you for taking part in the study and for your input.

May we, if necessary, contact you to clarify (if necessary) or discuss your response in more detail? If yes, please provide your name and contact details.

A.6 Glossary of commonly used abbreviations

ACE	Architects' Council of Europe
ACP	Africa-Caribbean-Pacific
CATI	Computer Aided Telephony
COSME	Europe's Programme for SMEs
ECCA	European Circular Construction Alliance
ECCP	European Cluster Collaboration Platform
EDF	European Development Fund
EEN	European Enterprise Network
EFCA	European Federation of Engineering Consultancy Associations
EFTA	European Free Trade Area
EIB	European Investment Bank
EIP	Entrepreneurship and Innovation Programme
EIP	External Investment Plan (EIP)
ELAN	European Latin American Network
EOCIC	European Cluster Observatory
ERDF	European Regional Development Fund
ESF	European Social Fund
ESCP	European Strategic Cluster Partnerships
ESCP-4i	European Strategic Cluster Partnership for Going International
EU	European Union
FTA	Free Trade Agreement
H2020	Horizon 2020
IFI	International Financial Institutions
Innosup	Innovation Support Actions
JRC	Joint Research Centre
MADB	Market Access Database
NACE	Nomenclature statistique des activités économiques dans la Communauté européenne
NZEB	Nearly zero energy building
OECD	Organisation for Economic Co-operation and Development
SDG	Sustainable Development Goals
SME	Small and Medium Size Enterprise
TPO	Trade Promotion Office

