INTERNATIONALISATION
SERVICE OFFICER

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Manual for Professionals – English version

[October, 2020]

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Introduction: Description of the Internationalisation Service Officer

Description of the employee and the role within the Chambers of Commerce

Nowadays, most small and medium-sized enterprises are no longer depending solely on the internal market and are focusing on expanding their businesses abroad. The emergence of open borders, the Schengen area, normalised laws and regulations of international trade and goods exchanged by the European Union have made the exporting of goods and services much easier for SMEs than a few years ago. The expansion of these companies also increased when countries opened their own international trade institutions as a dedicated supporter of small and medium-sized enterprises together with the organisations established by the EU for connecting European companies in every country. Nevertheless, the majority of these companies still depend on their local organisations and institutions when looking for help with their foreign expansion, especially when it comes to commencing export activities. The main places where entrepreneurs look for help and initial advice about exporting goods and services are the chambers of commerce and industrial chambers of commerce, depending on their specialisation. Here we must note that in every European country we can distinguish between two different approaches to chambers of commerce:

- Mandatory affiliation
- Optional affiliation

These two approaches also cause a variation in support for entrepreneurs. Compulsory chambers are usually in a better financial position than those which are not obligatory, which results in varying degrees of access to services for companies from the SME sector. That is why this project proposes the concept of the “Internationalisation Service Officer” function common to all chambers of commerce and industry.

The Internationalisation Service Officer is proposed to be created for two purposes. Firstly, to unify services for SME’s in the area of international expansion and the creation of a network of experts who will be able to establish cross border cooperation and specialised chambers of commerce and industry together with other business support institutions. Secondly, to build expert staff consisting of employees from the chambers of commerce who support SMEs on a daily basis. This suggested role will allow employees to create specialised units relating to foreign expansion and become the first line of support for enterprises wanting to take their first steps in international activity.

The creation of this first line of support given by experts will make national institutions’ workload lighter and enable them to focus on the international expansion of the bigger companies.

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Furthermore, the experts will help intensify the activities of small and medium companies in this area by providing basic knowledge related to Internationalisation and support in the first steps towards internationalisation. The specialist will also play a significant role in creating and maintaining international relations with the foreign institutions and chambers of commerce and industry and will allow them to undertake wider international activities in the service of enterprises.

To ensure that the person performing the role of 'Internationalisation Service Officer' fulfils his or her duties as best as possible and that the quality of his or her work is of a high standard, we anticipate that this expert should have the following qualifications: a university degree (master's or bachelor's) in fields such as: law, economics, management, international relations or political science. His/her professional experience should cover a minimum of two years of experience in cooperating with/serving companies from the SME sector, English at a minimum of a B2 level according to the Common European Framework of Reference. Also, the IS Officer must have knowledge of the domestic and foreign environment of institutions responsible for supporting SME's in the expansion on the foreign markets. Additional requirements to be met by the candidates are:

- Work experience in the field of international cooperation of an enterprise
- Knowledge of a second language
- Ability to edit letters
- Ability to work in a team
- Ability to work under time pressure and stress
- High level communication skills
- Experience in customer service
- Willingness to travel abroad
- Ability to conduct correspondence in English and one additional language
- Good computer skills, including MS Office

These additional requirements will enrich the candidate's profile and benefit the organisational unit wanting to employ the "ISO", therefore we suggest that institutions pay attention to these during the process of choosing the candidate.

We also suggest that chambers of commerce and industry and business support institutions give priority to their employees to become the "Internationalisation Service Officer". In our opinion, this will increase the competitiveness of the institutions and make it easier to align the new function to the organisational structure of the institutions. We also assume that this will motivate the employee, encouraging him/her to develop and deepen his/her knowledge in new areas for which he/she will be responsible. As an information extension to the academic knowledge, the "Internationalisation

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Service Officer" should use available materials about foreign markets widely published by the trade organisations, embassies, national chambers of commerce and domestic institutions involved in foreign trade. Relevant examples of the sources of information are outlined below:

- Research on selected foreign markets
- Guides relating to the expansion of SMEs into foreign markets
- Research on the marketing and sales specifics of a selected market
- Reports relating to customs rules in the trade of goods in a selected country
- Research relating to the presentation of the market structure of the selected country
- Reports on the investment attractiveness of the selected region and country
- Statistical yearbooks of the selected country
- Economic forecasts for the selected region and country
- Studies published by bilateral chambers of commerce relating to the selected country
- Studies relating to the banking system and banking regulations of the selected country
- Guides and studies relating to cultural differences prevailing in the selected country

The establishment of a new structure of organisation in the chambers of commerce and industry or business support entities will be the first step towards a new specialisation in international cooperation and the authentication of its activities.

To make the best use of the new function and the employee delegated to fulfil the tasks, we suggest that the chambers of commerce and industry or business support organisations, which do not have an international relations department, should create one and the institutions which already have that unit should include the employee in its structure. The tasks and responsibilities planned for the IS Officer which are mentioned in the rest of this chapter have been designed for the "international cooperation department" however, if the organisation is not able to implement the foreign unit in their structure, they must align it within their current departments. The organisation must give the employee the freedom to build/continue the international cooperation without any obstacles.

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Tasks, activities and responsibilities of the "Internationalisation Service Officer"

The duties, activities and tasks of the "Internationalisation Service Officer" will cover two areas of international cooperation: "Providing foreign support to SMEs" and "Building international cooperation in the organisation".

Providing foreign support to SMEs is a group of tasks directly related to supporting companies and business entities from the region/city of action of the chamber of commerce and the industry and business support institution. The relevant tasks and responsibilities are outlined below:

- Supporting SMEs in foreign expansion - strategy building and consulting

One of the most important tasks in the role of the "Internationalisation Specialist", is that of being the first point-of-contact for entrepreneurs who want to start their export activities abroad.

- Organising meetings with foreign entrepreneurs

This involves offering company support in meetings with potential contractors. It is the specialist's responsibility here to prepare the logistical location of the meeting, a visit program containing details of conversation topics, the presentation of products / services and study visits at the host company.

- Researching financing and projects relating to the Internationalisation of SMEs

One of the criteria determining the foreign expansion of enterprises is finance and co-financing for export by national and European institutions, therefore this task has been added to the duties of an expert, he/she will be required to look for financing for SMEs.

- Support of entrepreneurs in preparing funding applications for national projects relating to the Internationalisation of SMEs

This includes providing full support in the preparation of grant applications, monitoring of deadlines, documents and attachments needed to submit documents. In certain cases, the specialist may represent the SMEs in the institution accepting the grants.

- Support of SME companies in domestic and foreign events - fairs, cooperative exchanges, B2B meetings

The specialist performing this task will be responsible for preparing the company for participation in such events, in particular, the participation program, list of stands / partners to visit and the B2B list, based on available networking systems.

- Representing supported SMEs during B2B meetings

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In the event that a company or group of enterprises will not be able to participate in a networking event, the specialist responsible for them will participate as a representative of these entities. The preparation for the event will be similar to the previous task and will include the preparation of an event participation plan, including a list of meetings with potential contractors.

- Logistical organisation of trade missions for SMEs

This includes the preparation of comprehensive economic missions, in particular the program of visits, B2B meetings, study visits and national institutions dealing with SME support and logistics.

- Arranging meetings with foreign business partners at the trade mission

This includes arranging meetings as part of economic missions and visits of foreign entrepreneurs in the country. The appointment process, apart from the calendar arrangements themselves, would also include logistical preparation and program meetings with foreign entrepreneurs.

- Practical and language support when creating presentations and company promotional and information material

This includes the preparation of the entrepreneur's tips and advice regarding marketing activities in the selected export area.

- Practical and language support during working and official meetings in the ISO expert's country and abroad

As part of visits by foreign contractors and the organisation of economic missions, the specialist would be responsible for linguistic assistance during the first stages of talks with foreign contractors.

- Providing entrepreneurs with informational material supporting their international activities

This includes the preparation and maintenance by a specialist of a library of materials / guides / market analyses that would be available to entrepreneurs.

- Provision of business information and statistical data

This includes the preparation and maintenance by a specialist of a knowledge base relating to economic and statistical information concerning selected markets, including those of priority to the represented institution.

- Researching available databases for information on potential business partners and sending offers to selected companies

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This involves researching the profiles of entrepreneurs and creating mailing lists and databases designed to search for contractors and business partners.

- Providing contact details of potential business partners interested in cooperation

This includes mediating the first contact with foreign enterprises interested in cooperating with the SME entrepreneurs. The specialist's task is to pre-verify potential contractors.

The second area which the 'Internationalisation Specialist' would be responsible for is “building international cooperation in the organisation” and running the unit relating to international cooperation of the represented institution, the business environment institutions, "VET Providers" and chambers of commerce and industry.

As part of his/her duties in this area, he/she will be responsible for the following tasks:

- Establishing international contacts with institutions supporting SMEs

This includes contacting and establishing partnerships with institutions supporting the foreign expansion of SMEs, including: honorary consulates, general consulates, diplomatic missions, trade offices as well as institutions and ministries.

- Establishing international contacts with Chambers of Commerce from other countries

This includes contacting institutions in the foreign business environment and establishing cooperation in the framework of exchange of economic and commercial information, the creation of joint contractor databases and the organisation of events including conferences or B2B meetings.

- Analysis of foreign markets

This includes a basic, brief analysis of foreign markets accepted as key to business environment institutions. It should contain only the most important information such as: basic macroeconomic data, volume and structure of trade of goods with the institution's country of origin, legal and treaty basis for bilateral cooperation, list of investments undertaken by the country of office of the Chamber of Commerce in a given country, cooperation development perspectives and basic contact details for institutions and embassies.

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- Organising international events at the chamber of commerce and industry or business support organisation.

This includes the full organisation and logistical support of events relating to the promotion of economic and international cooperation among associated SMEs and enterprises located within the area of operation of the chamber or business environment. As part of the organisation of events, the specialist's duty will be to prepare the event program, its full logistics, invite experts, entrepreneurs and foreign guests, as well as other institutions promoting / supporting the export activity of SMEs.

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Competences and description of competences of the "Internationalisation Service Officer"

The "Internationalisation Service Officer" profession, refers to a specialised employee whose task is to approach and sell in other countries and to mediate in corporate exchanges between companies from different countries. The ISO training manual aims at equipping employees with the necessary knowledge to successfully complete their tasks of approaching, servicing and selling abroad.

His/her second task is to create and maintain international relations with organisations of entrepreneurs and international institutions, including European and overseas organisations.

The proposed knowledge and competences that will be gained following training are:

International trade

This includes the appropriate rules and practices for handling trade between countries, currency regulations and the international monetary system.

InCoTerms

The Incoterms or International Commercial Terms are pre-defined commercial terms that describe obligations, costs, and risks involved in the delivery of goods from an exporting to an importing company.

International business

This includes all that someone needs to know in order to do business in a foreign country (language, local cultures, trade agreements, legal systems, political systems, economic policy, corporate cultures and ethics, foreign-exchange markets, tariffs, import regulations, accounting standards, environmental standards and living standards).

Principles of Sales and Marketing

This includes the best ways of analysing market opportunities, selecting target markets, designing strategies, planning programs, organising, implementing and controlling the marketing effort, analysis of customer needs and expectations, systems of managing customer relations, and after-sales service.

Assessment of Export Readiness

This includes an assessment that should be made on the company in order to assess whether it is ready or not to start exporting activities. The aim is to gauge the company's experience, capacity and motivation to move forward in order to find collaborative partners overseas.

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Risk management in International business

Risk in international business describes the possibility of loss due to any unfavorable event in business operation. There are different kinds of risks such as: political risk which is due to political instability in the target country, exchange risk which is due to changing values of two different currencies, credit risk when a borrower fails to repay a loan, transport risk which is the risk associated with transportation, market risk which is the risk associated with changes in the interest rates, recessions, natural disasters or terrorist attacks and finally cultural risk which is associated with different language, customs, norms and customer preferences.

European Initiatives for promoting Exporting –the Enterprise Europe Network

As mentioned above, there are many organisations and networks that can help firms in export activities. In Europe, the most important is the Enterprise Europe Network. The Enterprise Europe Network helps businesses innovate and grow on an international scale. It is the world's largest support network for small and medium-sized enterprises (SMEs) with international ambitions. The Network is active in more than 60 countries worldwide. It brings together 3,000 experts from more than 600member organisations – all renowned for their excellence in business support.

Shipping activities

Shipping is dealing with organising and monitoring the transport of goods from origin to destination.

Transportation methods

This includes various processes and information requirements, the conditions of transportation in addition to the performance and legal frameworks of different modes of transport (air, sea, road, rail).

Transport insurance

This includes clauses dealing with the responsibility of the carriers, special exemption cases and the removal of the liability ceiling, insurance solutions, and special clauses about damage cases.

Customs rulings

This includes all advance rulings and other legal decisions in connection with the import of merchandise into a particular country

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Packaging and labelling

This includes everything that a firm must know before exporting goods. It must first ensure that packaging and labelling complies with the regulations of the target country. It may need to translate labels into the local language or to mark the origin of goods, or it may need to follow local customs to make its goods acceptable to customers.

Certifications

This refers to written assurances given by a certification organisation concerning a product, a service or a process that is complying with standard requirements. The purpose of the certification is to provide trust to the clients and to improve the image of a company, allowing it to set itself apart from its competitors.

Trademark protection

This refers to all actions a firm must take in order to protect its trademark including registration with national intellectual property organisations and, where appropriate, to opt for an international filing procedure.

Patent protection

This refers to all actions a firm can take in order to possess the exclusive rights of an invention for a determined period of time so that it can have exclusivity of use and protection for its creation.

Resource Management

This includes the process of pre-planning, scheduling, and allocating the existing resources of a firm in order to maximize efficiency.

Internet Promotion & Cybersecurity

This includes the tools a firm can use such as websites, online marketing, search engine optimisation, promotional videos, product catalogues, and social media in order to promote its products in foreign markets. It also includes the safe use of the internet for payments and online transactions and correspondence.

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Creation of an agreement

This describes the clauses that an agreement between international partners should include such as: the parties to the contract, the nature of the contract, prices and modes of payment, methods of transport, methods of delivery, force majeure, guarantees, the jurisdiction in the case of legal disputes and the language of the agreement.

Non-Discrimination Policies

This includes the ways a firm interacts and communicates with foreign customers in alignment with non-discrimination laws which refers to legislation designed to prevent discrimination against particular groups of people, for example groups based on sex, age, race, ethnicity, nationality, disability, mental illness or ability, sexual orientation, gender, gender identity/expression, religion, or political orientations.

Spotting opportunities in foreign markets

This refers to the ability to seize and take advantage of opportunities in foreign markets, to respond to challenges and identify needs for clients' products through exploring the cultural and economic situation in each target country.

Creativity

This refers to the ability to experiment with creating value and innovative approaches, finding new methods of doing things, developing knowledge and innovation and finally transforming ideas into solutions and profits for entrepreneurs.

Vision

This refers to the ability of a person to use his/her vision to inspire others, to guide strategic decision-making and create a road map in order to achieve that vision.

Valuing ideas

This refers to the ability to recognise the potential different ideas have, to develop strategies to make the most of the value generated by ideas (e.g. ideas of their clients which can bring growth to their business). Developing a tailored strategy focused on exports and intellectual property rights is also important for exporting companies.

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Ethical and sustainable thinking

This refers to the ability to assess the consequences of ideas that bring value and their effects on the market, the target community, society and the environment. Assessment is also needed on how sustainable long-term social, cultural and economic goals are, and the course of action chosen.

Taking the initiative

This refers to the willingness to search for new opportunities, to take the initiative and take actions that add value for one's clients. That can be achieved by actively facing challenges, creating new ideas, solving problems and finally creating value for clients.

Coping with uncertainty, ambiguity and risk

This refers to the procedure of evaluating the benefits and risks of alternative options (e.g. exporting to emerging markets) and making choices that reflect those preferences.

Planning and management

This involves the ability to design managerial procedures to effectively deliver value in challenging circumstances.

Team working

This involves building a team and networks based on creating added-value activities for clients.

Learning through experience

This refers to improving abilities to create value for clients by building on previous experiences and interactions with others, especially with successful exporters.

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Chapter 1
Direct and indirect exporting – your first step on the road to international success

1.1. Introduction

Direct and indirect exporting represent the most basic method of internationalisation for enterprises, enabling them to sell their existing goods or services in foreign markets. The focus of this chapter will be to explain what direct and indirect exporting is, so that the Internationalisation Service Officer will be equipped with the requisite knowledge to guide the SME as he/she commences the exporting process. The fundamentals involved in creating a company's export plan will also be outlined including the relevant customs' requirements as well as legal, financial, transportation and marketing factors. Information regarding the implementation of foreign trade activities within the company and the evaluation of export activities including their impact on the enterprise activity will also be provided.

Foreign trade activity is an important part of the development process of the enterprise because it shapes the multi-faceted functioning of the company. It extends the sales of products or services on new markets prolonging the life cycle of the product/service, reducing production costs and increasing profits. Furthermore, companies who decide to get involved in export activities benefit from an enhanced professional image in domestic and international markets. It is also worth mentioning the reduced influence of market changes on the enterprise, as having the opportunity to sell its products/services in various markets can result in minimising any losses relating to the decrease in demand for goods in other markets. In addition to the financial benefits of exporting, the SME also acquires increased experience and knowledge about customers, markets and products, which may prove to be key in gaining a competitive advantage for the company on the domestic market.

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1.2 What is direct and indirect exporting?

The first type of exporting which will be discussed is direct exporting. This involves the sale of goods by an entrepreneur directly to a foreign recipient without the use of intermediaries. This type of exporting is a high-risk strategy and requires greater involvement and financial investment from the company than the indirect exporting approach. This is due to the fact that with direct exporting the producer sells his/her goods abroad without the support of people established in the chosen market. This solution requires a large financial and organisational commitment from the entrepreneur, because the seller (entrepreneur) is responsible for hiring people who will be responsible for operating in the selected market as well as transporting the products to the client and storing goods ready for sale. In addition to locating the company in a foreign market, direct exporting requires organisational changes within the company, involving the establishment of a separate department responsible for foreign trade, necessitating the employment of highly qualified specialists with the requisite experience and skills to work in the selected foreign market.

Additionally, it is also necessary to adapt the existing departments of the enterprise (including production, marketing and accounting) for the purposes of foreign operations and to develop appropriate procedures so that they are synchronised with the activities of the company's export department.

It is important to note here that direct exporting is undertaken by companies who have gained experience in a selected foreign market through for example indirect exporting. Direct exporting involves a higher level of international trade activities for them and represents the next stage of expansion into another market.

Figure 1: Direct exporting, simplified model.

Indirect exporting is an easier and a less costly method of international expansion, involving the sale of products with the help of national or foreign agents. The company can use specialised companies established in the country of the enterprise or on the foreign market, the choice is up to the entrepreneur. Using this method of exporting, the agent acts like the company's export unit, taking

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over the costs associated with storage, marketing, distribution and transport and identifying potential clients. Entrepreneurs use this export solution to minimise the costs associated with creating an additional export unit and adapting the rest of their enterprise to cooperate with it. However, they are exposed to a greater risk here when choosing an agent responsible for selling goods.

Indirect exporting is chosen by companies who do not have previous experience in foreign trade and are interesting in commencing the exporting process, as well as large companies that want to start expanding into a new market.

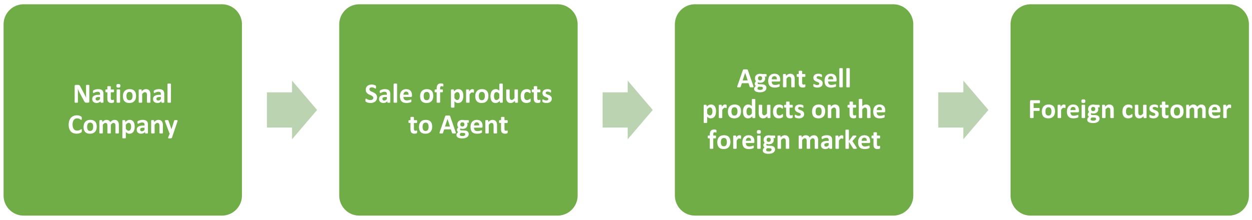

Figure 2: Indirect exporting, simplified model.

When comparing these two options available to enterprises interested in expanding their businesses abroad, differences exists in terms of the amount of preparation required as well as the level of risk borne by the enterprise. In indirect exporting, the entrepreneur can reduce the level of risk to a minimum with the help of an agent operating in the selected market and he/she will carry the costs associated with the creation of additional organisational units for the purposes of exporting. On the other hand, enterprises who decide to engage in direct exporting will have to take on the indirect risk, i.e. the adjustment of the enterprise to export activities and the sale of goods without the support of an intermediary. This model also carries the following risks:

- Service / product mismatch with the needs of potential customers within the foreign destination.
- Risk of not reaching the targeted customers.
- Incorrect sales and marketing assumptions.

Therefore, it is very important for the company to complete a very in-depth analysis of its potential and of the market it wants to enter before undertaking activities relating to direct exporting.

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1.3 Pros and cons of direct and indirect exporting

Pros of direct exporting

- Sizable profit from sales. Direct profit on sales.
- Direct impact on building company image abroad.
- Direct market information and customer demand.
- Participation in a significant size of the market.
- Boost the international experience of the company.
- Full control over the effectiveness of international activities.

Pros of indirect exporting

- Low cost of entering the foreign market.
- Low risk.
- Opportunity to operate simultaneously in a few markets.
- No need to change the company structure.
- Support of the agent already in the market.
- Easy to plan export production.

Cons of direct exporting

- High costs of creating the export department.
- Time-consuming adjustment of production for exporting.
- Requires major funding.
- Extended reimbursement time.
- Takes more time than indirect exporting.
- High risk for the company.

Cons of indirect exporting

- Low profit margins from sales.
- Over-dependence on the agent's activities.
- Company can't build their image in the new market.
- Dominant position of the agent.
- Lack of market and customer information.
- Lack of company experience in the foregin market.

Figure 3 Pros and cons of direct and indirect exporting.

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1.4 Successful exporting starts with planning – how to create an export plan?

The export plan is the most important factor impacting on the international success of the company and its implementation of export activities. Every enterprise must prepare an export plan. An enterprise should not undertake foreign trade activities without a written strategy, otherwise it may be exposed to company reputation damage as well as financial losses affecting the company's profitability. Failure to comply with the legal and taxation regulations of the selected foreign market may cause long-term legal problems that may also exist long after the business ceases to operate. In this sub-chapter, basic information regarding the creation of an export strategy will be presented. This will provide the International Service Officer with the requisite information to be able to advise enterprises in selected foreign markets.

The process of creating an export strategy for the domestic enterprise can be divided into two phases. The first phase in creating an export strategy is closely related to the company and its current status, and involves an analysis of company departments prior to undertaking export activities. The key aspects for creating the first part of the strategy are as follows: foreign trade readiness analysis, financial and personnel analysis and selecting products for export. The second phase in creating an export strategy is the company's export analysis, which includes the following elements: analysis of the foreign target market, development of a marketing strategy, development of a production strategy for export and the development of a product distribution strategy. The combination of these two phases will create the company's basic export plan.

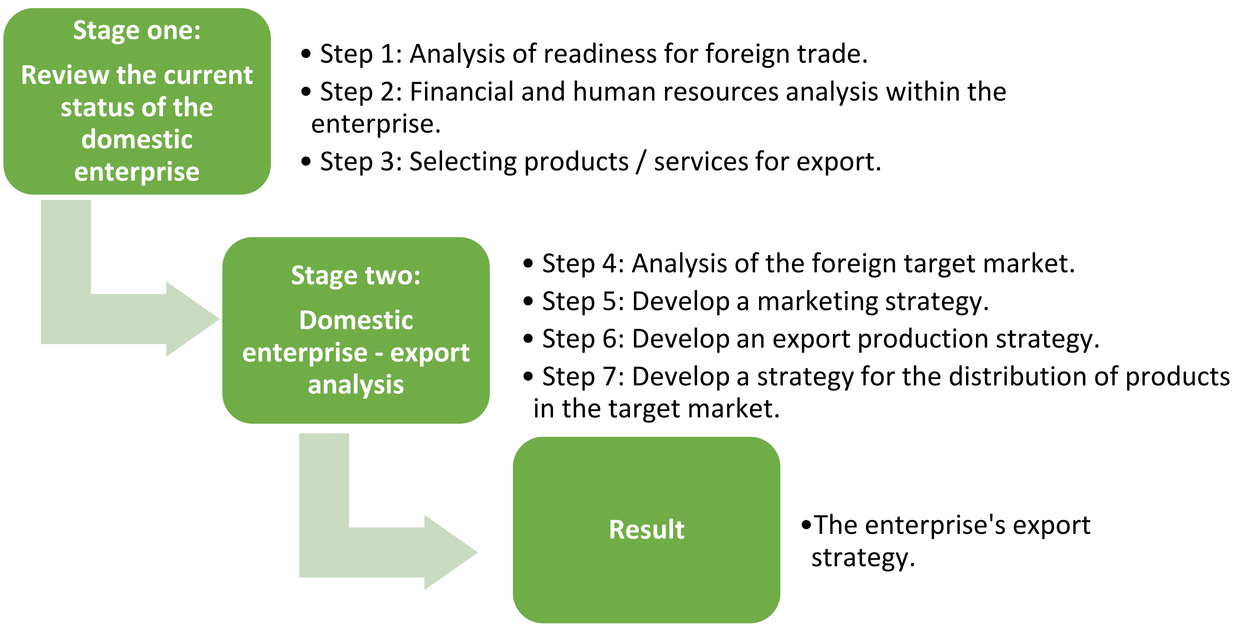

Figure 4 The process of creating an export strategy for an enterprise

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1.5 The first stage in creating an export strategy: Reviewing the current position of the domestic enterprise.

- Step one: Analysis of readiness for foreign trade.

The first step in creating an export plan involves analysing the company's position in the internal market and its performance in the domestic market. This establishes whether it provides a stable level of income for the company and securing it in the event of failure due to exporting the company's products or services. After clarifying the company's situation in the domestic market, the entrepreneur should be able to answer the following questions:

a) Why do we want to export our company's goods or services?
b) Why do we want to export our company's goods or services in this particular market?
c) Which products and services can our company export?
d) What do we want to achieve within our company by getting involved in exporting?
e) What goals do we want to set for our export activities?
f) Do we understand the significant financial and legal consequences exporting will have on our company?

These questions are intended to help build awareness of the company in terms of its current position, the export opportunities and the purpose of its export activities that will allow it to successfully enter the foreign market. These will also focus the company's attention on the added responsibility of getting involved in exporting. In addition to the benefits of exporting, the entrepreneur must also be aware of and prepared for the consequences for the company as a result of exporting.

- Step two: Financial and human resources analysis of the enterprise.

During this step, the company is required to review its budget to determine the potential for financing the company's export activities. At the beginning of the export budget planning process, the entrepreneur should take into account the fact that the return on exports is long-term and requires continuous financing, therefore the entrepreneur must establish if he/she is willing to take the risk. It is worth setting a time frame here to achieve export profitability. In creating an export budget, the following costs need to be identified: marketing and advertising costs, costs relating to the recruitment and retention of employees involved in exporting, the costs of distribution and logistical support for exports and the costs involved in securing product rights and intellectual property.

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It is important to note that the company should investigate other export financing options such as support funds available through national public institutions, regional funds as well as European and national projects aimed at increasing the level of internationalisation of enterprises or specific economic areas within the domestic market.

When undertaking an analysis of personnel within an enterprise, one should consider whether current staffing levels are sufficient to undertake export activities, or if additional specialists with exporting knowledge should be employed within the enterprise. This point will be further developed in section 2.3 below, entitled "How to implement export activity within the company - first steps".

- Step three: Selecting products / services for export
  When identifying what products/services the company wants to export and choosing the appropriate products or services for sale on foreign markets, the entrepreneur should analyse his/her products/services in terms of their key features and benefits with respect to the foreign market and their ability to meet potential customers' needs. The next step should be to analyse the products / services to identify if they can be adapted to meet the requirements and standards prevailing in the market of choice. The final step involves checking whether the company has sufficient production capacity to deliver these products and services to potential customers. During this analysis the possible seasonal market fluctuations which can affect the product/service and its sales also need to be taken into account.

1.6 The second stage in creating the export strategy: Enterprise export analysis

- Step four: Analysis of the foreign target market

Analysing the foreign market is an extensive process involving many factors, such as the political and economic environment of the destination country, regulations pertaining to introducing products / services within the market, competition characteristics, cultural differences affecting marketing activities and the communication methods with potential customers. A PEST (or PESTEL) analysis is a useful tool which a company can use to analyse the macroeconomic factors of the foreign target market. A PEST analysis involves assessing the political, economic, social and technological environment, while PESTEL expands the analysis to include environmental and legal issues. This method is easy to use and implement for any business. This involves firstly identifying relevant macro-environmental conditions within individual market places which will have the greatest impact on the

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business. The business must then assess the potential impact that these factors will have on the company and its products.

Analysis of the political environment	Analysis of the economic environment	Analysis of the socio-cultural environment	Analysis of the technological environment	Analysis of the environment	Analysis of the legislative environment
Laws related to conducting business activities	Profitability of enterprises	Consumer requirements	Quality standards	Environmental protection regulations	Customs policy
Taxation policy	Current level of GDP	Lifestyle	Technological level of the country	Regional conditions related to environmental protection	Patent law
Consumer protection policy	Unemployment rate	Consumer preferences	Level of funds directed to R&D	Obligations related to environmental protection towards entrepreneurs	Taxation and business law
Political stability	Current trade balance with the country of the entrepreneurs	Community formation	Level of technology density on the market	Environmental awareness of consumers	Competition law & policy
Educational policy	Average wage levels	Social mood	Number of patents made by companies	Environmental situation of the country	Labour law

Figure 5 Sample PESTEL Analysis - source: own study

- Step five: Develop a marketing strategy

Developing a marketing strategy is one of the most important factors to success in exporting. The first step involves defining the sales strategy of the company's product or service which can be characterised as either a product, price or distribution strategy. The company should focus on building a marketing strategy and developing a strategy for communication and promotion of goods while taking into account the cultural differences of the destination countries.

I. The product strategy involves adapting the product to the target market's current requirements while anticipating the consumers' potential future needs. In relation to international markets, the enterprise should determine the product's functional and emotional values relevant for its consumers and adapt the product appropriately to meet customers' needs.

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II. The pricing strategy takes into account price as a starting point for all market activities as well as determining customers' perceptions of price and the prices set by competitors. An entrepreneur deciding to apply this strategy should focus his/her attention, in particular, on customers (how they perceive the product), costs (which the company must incur to make it profitable and of high quality) and competition (what price levels they set for similar products).

III. The distribution strategy is entirely focused on the method of distributing the enterprise's goods in a foreign market. The enterprise must ensure that the distribution strategy is adapted for the target countries while taking into account their various stages of development. Developing countries will require a more comprehensive strategy than developed markets. In the case of exporting, we can distinguish between indirect exporting, where our distribution strategy will include the agent responsible for selling the product, and the direct option where the company is responsible for distributing the product to the customer.

- Step six: Develop an export production strategy

In this step, the company must analyse whether it is necessary to further develop production capacity. It is important to assess suppliers' readiness to provide more goods for production and also to identify if storage space will need to be increased. Furthermore, it is necessary to establish if there is a need to hire more employees to handle increased production for export.

- Step seven: Develop a strategy for the product's distribution in the target markets

The product's distribution strategy depends on whether or not a direct or indirect model is used. If a company chooses indirect exporting, the entrepreneur must find a suitable distributor, while with the direct model of exporting, the entrepreneur must plan each element of distribution himself/herself. It is important for the entrepreneur to pay attention to the Incoterms (International Commercial Terms) rules, which regulate trade between the seller and the recipient. There are currently 11 different Incoterms, divided into four groups which relate to the conditions under which the seller has to deliver goods. The four groups are; Group E – the seller has to makes the goods available for buyers in a specific location; Group F – the seller must conduct the customs and export clearance before giving the goods to the buyer. The seller does not pay for the transportation and insurance; Group C – the seller pays for the transport of the goods and is responsible for customs and export clearance, but is not responsible for transportation and other costs, the buyer is responsible for these; Group D – The seller must transport the goods to the destination indicated by the buyer.

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Fulfilling all these steps will provide the entrepreneur and the Internationalisation Service Officer with the basic export strategy of the company.

1.7 How to implement export activity within the company – first steps

An enterprise deciding to undertake activities relating to foreign trade must be aware of the changes that must be made to the structure and organisation of the entity. These activities cannot be based solely on the creation of new organisational units, but also on the selection of suitably qualified employees or training of existing staff. It is important to develop this strategy in line with the development of the company's export activities. Depending on whether direct or indirect exporting is the chosen strategy, the adjustment of the enterprise for these activities will differ.

In the case of indirect exporting, which is one of the easiest ways of entering foreign markets, it is not mandatory to create a new export department, which would require an increase in the costs of running the company. In this case, the trade agent who is responsible for the sale of the company's goods can complete their services using a foreign trade unit that would also be part of the sales department. This unit would be subordinated to a sales director to whom their activities would also be reported.

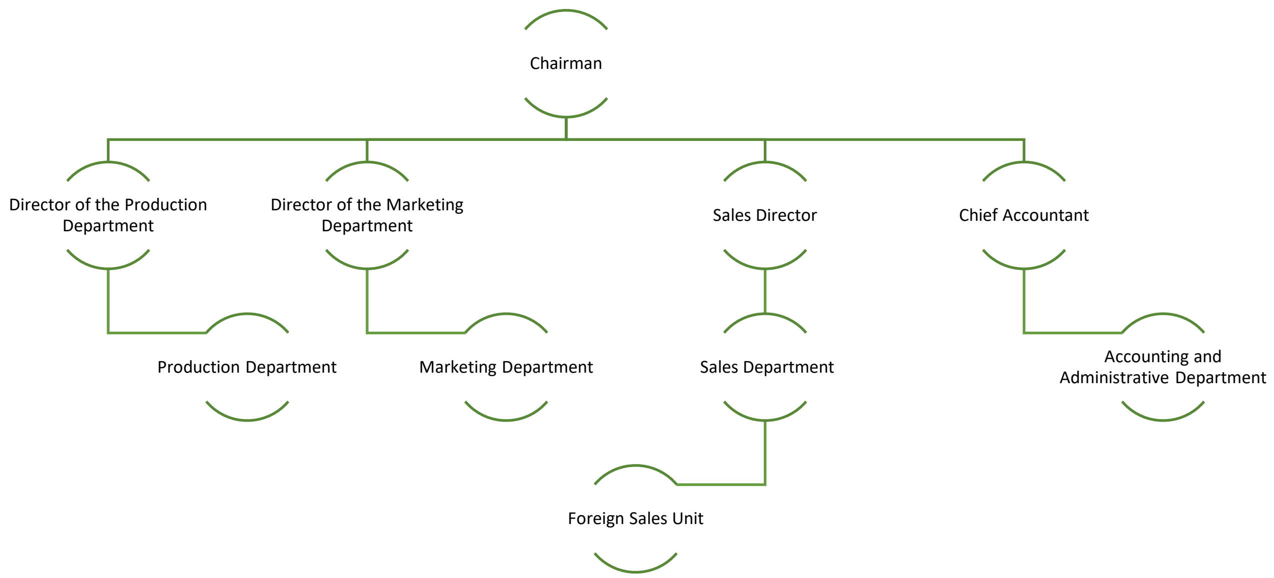

Figure 6 An example of the organisation of an enterprise with a foreign sales unit

The use of this solution does not cause a large increase in the costs in the company, because the unit can be created with the existing sales department employees who have the appropriate qualifications or, where possible by a person specifically employed to operate only within this unit.

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In the case of direct exporting, the entrepreneur is obliged to undertake major changes in the organisational structure of the company. Direct sales of products entail greater involvement of those employees responsible and require the expansion of the current structure to include employees who will be fully responsible for all stages of handling exporting in the company, including:

- Handling foreign payments.
- Product promotion in a selected foreign market.
- Setting prices and forecasting sales.

In this situation, the entrepreneur should decide to create a separate foreign division alongside the sales department. Due to the wide scope of duties of foreign sales employees, this department should be expanded to include a foreign sales manager who would merge the work of the foreign department with other departments in the enterprise, additionally reporting to the sales department director thereby linking the commercial activities of the enterprise.

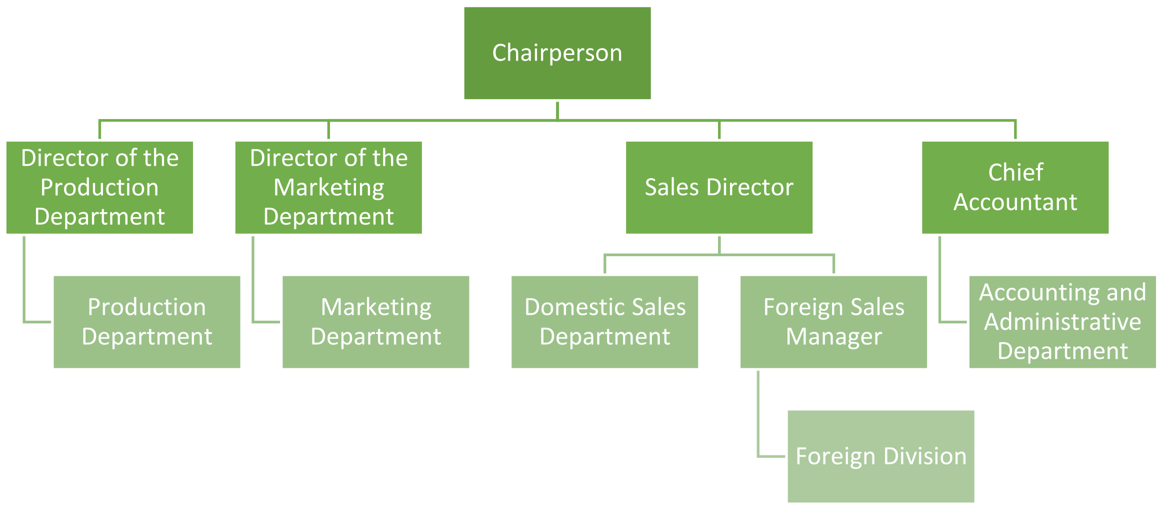

Figure 7 Example of the organisation of an enterprise expanded to include a separate export unit

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1.8 Methods of evaluating your export activities

During the course of export activities, it is worth conducting an evaluation to identify whether these activities are effective and if they add value to the company. Each enterprise will approach the profitability of its exports individually, taking into account various factors. After a year of export activity, the company should evaluate its international trade activities by analysing the following individual factors:

1. Analyse if your export profit has a constant value, what impact do seasonal fluctuations have on profitability, do they cause large decreases? Also answer the following questions: Should you change prices due to seasonal fluctuations? Is your export activity struggling with payment gridlocks, i.e. waiting too long for payment from intermediaries?
2. What is the current structure of export costs compared to export profits?
3. Perform an analysis of your costs relating to the production, handling and shipping of goods for delivery to the representative / target customer.
4. What market position is your product starting to achieve?
5. Do you systematically increase your company's percentage market share? What factors within the market cause fluctuations in gaining the market position of your product? Does the chosen distribution strategy have a positive impact on product sales?
6. What image does your product have amongst your consumers?
   Check how the product / service is perceived by customers, is its image consistent with the planned marketing strategy? If the product has not reached the required level, analyse what actions you should take to change it.
7. What level of recognition does your product have on the market?
   Take actions similar to point six. If the recognition of your brand is not very high, get involved in national and regional expo and trade fairs to promote your brand.
8. How has your company's image been enhanced due to exporting?
9. How has exporting impacted on your understanding of the market? Do you take advantage of the increased knowledge?
10. Is your broker effective in selling your products (in the case of indirect exports)?
11. Is your foreign trade unit effective (in the case of direct export)?
12. Analyse the work of your export departments.
    Are they effective? Did they fulfil the goals planned for the first year? What actions are needed for them to become more effective?
13. Does the company need new quality certifications?

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What kind of authorisation does the company need to become more competitive in the foreign market?

As an Internationalisation Service Officer in your organisation, you will be the first point of contact for small and medium sized enterprises in the area of international trade activities.

In this chapter, basic information about direct and indirect exporting was outlined, the fundamentals involved in developing an export strategy was examined and the requirements for organising a business for exporting were discussed. The following chapters will discuss further methods of expanding a business internationally.

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Chapter 2

Joint Venture - let's strengthen our position!

2.1. What is a Joint Venture?

A joint venture is an International alliance project in which two or more parties get involved in the venture through investment. It is a strategic international development solution for companies that wish to expand their foreign operations, gain access to specialised skills and pool resources for the purpose of accomplishing a new business activity and entry to new markets. The parties in a joint venture can either be individuals, or entities such as firms or government agencies. A joint venture (JV) results in the creation of a new company with shares that each of the parties own. Management and ownership are shared between the JV parties and in most cases manufacturing and marketing are carried out by the local foreign firm rather than the international enterprise (Centinaro, Roncucci, & Vantyghem, 2019). The creation of a joint venture results in an entity that is separate from the partners' individual businesses and interests (Malescu Law, n.d.). In addition to sharing ownership and governance, the joint venture parties also share returns and risks that will arise from this agreement. The formation of a joint venture enables companies to establish a stronger and more competitive position in foreign markets (Channon & Sammut-Bonnici, 2015). Through such an alliance, a company can develop in foreign markets, using the local resources of one partner as well as their local know-how and distribution channels. Furthermore, companies involved in a JV can overcome any potential political obstacles or local bias against international companies and enter a foreign market that may otherwise not have been accessible.

2.2. Motivations for Companies to Enter into a Joint Venture

There are a number of motivations for companies to enter into a joint venture agreement (Vaughan, 2010). These include the following:

- Risk sharing, especially in cases where high production costs might lead to a higher likelihood of failure
- Economies of scale, where individual companies can share resources and achieve global operations
- Foreign market access and overcoming geographical constraints
- Preventing funding constraints in order to develop internationally
- Overcoming acquisition barriers, in the case where an international company minimises the costs and risks of the acquisition of a foreign company.

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2.3. Characteristics of Joint Ventures

Joint ventures have a number of characteristics in common which can be summarised as follows: (Vaughan, 2010):

- Contractual agreement: joint ventures are established by contracts between two or more individuals or organisations consisting of one or more agreements for a specific business purpose.
- Specific limited duration and purpose: joint ventures are formed for a specific business purpose and for a specific time period.
- Joint property: each partner in a joint venture contributes property, cash, organisational assets or other assets, for a specific business purpose.
- Common goals and incentives: partners in joint ventures have common expectations in terms of financial and intangible goals for a specific time frame.
- Shared profits, losses, management and control: participants in joint ventures share identified profits, losses, management and control issues within the partnership.

2.4. Difference between a Joint Venture and a Partnership

Even though joint ventures are a type of partnership, they differ in the sense that joint ventures are limited in terms of their aims, tasks and time period. Partnerships, in general, last for many years, whereas joint ventures only last for a limited period of time and in particular, until the specific goals have been achieved. In addition, member companies of joint ventures keep their company identity separate from the joint ventures, whereas in formed partnerships companies lose their individual identities.

2.5. Dissolution of a Joint Venture

The dissolution of a joint venture is described in the joint venture agreement and can occur for the following reasons: when the aims have been met or it is evident that they cannot be accomplished, when the parties develop new interests, when parties no longer agree with the joint venture's aims, when the duration of the joint venture has expired or when changing market conditions indicate that the joint venture is no longer an appropriate form of alliance or is no longer relevant (Wikipedia, 2020).

2.6. How can Joint Ventures help businesses to enter Foreign Markets?

A joint venture is a form of partnership selected often as a means of entering a foreign market where a company does not have access, local knowledge or local distribution channels. It is a strategic move against competitors, where a joint venture can compete more efficiently by combining clientele, skills and capacity. Alliances such as joint ventures can help a company enter a foreign market by avoiding local prejudice against foreign companies or avoiding potential political conflict and lack of acceptance

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at a national level. It is very often the case that joint ventures are formed between firms and state governments, especially in the oil and gas industry sector or the energy sector in general. They can also prove useful in pursuing access to raw materials, government contracts and local production facilities. International joint ventures can also be beneficial in providing a firm with access to funds that are not available locally or if they wish to export capital (2020).

2.7. Advantages and Disadvantages of Joint Ventures

One of the most important advantages of a joint venture is that it can help a business grow faster, increase its productivity and generate greater profits. More detailed benefits of joint ventures include (NIBusinessInfo) (Rooyen):

- Access to specialised staff, knowledge, new geographic markets and distribution networks or new technology.
- Opportunity to increase capacity and gain expertise.
- Enables the sharing of risks and costs with a venture partner.
- Access to greater resources, for example technology and finance.
- Access to the joint venture partner's customer database to market the company's products.
- Limited lifespan of a joint venture, therefore doesn't impose a large commitment.
- Offers a creative way for companies to exit from non-core business.
- 80% of all joint ventures end up in the sale of one partner by the other.

A joint venture can also pose significant risks to a business. It takes time and effort to build a strong relationship and partnership with another business and it can also present challenges. An unclear agreement can result in a difficult and dissatisfactory joint venture relationship (NIBusinessInfo, NIBusinessInfo.co.uk) (Rooyen).

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2.8. Disadvantages of Joint Ventures

The disadvantages of joint ventures include the following:

- The objectives of the venture are not always 100% clear
- There may be miscommunication between the partners
- Partners have different expectations in terms of the joint venture
- There is an imbalance between both parties in terms of their level of expertise and investment
- The partners have different cultures and management styles
- Leadership and support are not present from the outset of a joint venture
- Creating a joint venture can be more costly than a consortium
- Joint ventures are often short-lived

2.9. Risks of Joint Ventures

Most of the risks associated with joint ventures can be managed by the effective use of various dispute resolution techniques. Methods such as mediation and arbitration can help balance the pros and cons of joint ventures. Some of the major risks involved with joint ventures are (Prowse Chowne LLP Team):

- Lack of precision in terms of the obligations and responsibilities of each individual partner.
- Difference in management styles of each partner that inevitably results in conflict.
- An imbalance in the capital and resources invested by the partners leading to frequent arguments and conflicts of interest.
- Ineffective resolution of conflict.

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2.10. How to Prepare a Joint Venture Agreement

When deciding to create a joint venture, the terms and conditions should be set out in a written agreement. This agreement may help prevent any misunderstandings once the venture is in place and up and running. A written joint venture agreement should outline the issues surrounding the formation of the joint venture, and the legal rights and obligations between the parties (NIBusinessInfo, NIBusinessInfo.co.uk, n.d.).

The joint venture agreement should cover information about each of the participant organisations and the resulting organisation:

Place and Date: (Place of signature and the date the agreement is effective from)

Between: …. And: … (First and second member of the joint venture – or more in the case of additional participant organisations: Names, law within the country that the firms exist, complete addresses of their head offices, names of legal representatives, resolutions of the management boards.)

Description of the project for which this agreement is entered into by the venturers. Purposes of performing this joint venture.

Anyone who wishes to join such a corporate alliance should consult an experienced solicitor. The proposed terms and conditions of a joint venture agreement should include:

<u>1. NAME, PLACE, PURPOSE AND TERM OF BUSINESS</u>

1.1. Name of the joint venture (country whose laws the joint venture will be pursuant to and where all certificates as may be required will be executed).

1.2. Place of business (complete address of the main offices).

1.3. Purpose of the contract (Description of the business the joint venture will perform, number of the contract, amount in Euros).

1.4. The term of the joint venture agreement shall start from the date of signature and will end on …(date).

Possible extensions to the duration can be subject to unanimous agreement of the venturers.

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2. PERCENTANCE OF PARTICIPATION

This section describes:

- the percentage of participation of each partner in terms of their initial contribution (cash or property).
- the distribution of net profits (through dividends or cash payments).
- the distribution of losses and liabilities.
- return (withdrawal) of capital contributions with or without consent.

Joint Venture Partner	Percentage
1.	
2.	

3. MANAGEMENT AND CONTROL DUTIES

This section describes all responsibilities and processes that both parties will have to follow:

- Management. The management of the joint venture could be conducted through a 'Policy Committee' that can hereby be established.
- Number of votes per partner (could be equal to their percentage of participation).
- Insurance coverage plus liabilities.
- Duties.
- Salaries and expenses.

4. APPOINTMENT OF AUTHORITY

This section includes:

- Appointment of Administrative Managing Partner and description of responsibilities.
- Appointment of Project Managing Partner in charge of the project work.
- Appointment of General Manager and description of responsibilities.

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5. ACCOUNTING AND AUDITING

This section includes all arrangements to be made for:

- Bookkeeping
- Internal and external audits
- Accounting method

6. RESOLUTION OF DISPUTES

This section describes how any disputes (that cannot be dissolved in good faith) will be resolved and under which rules.

7. DISSOLUTION-EXIT STRATEGY

This section describes the procedures of dissolution and liquidation of the joint venture.

8. CONFIDENTIALITY

This section describes how to protect any trade secrets that are disclosed (non-disclosure agreements).

9. INTELLECTUAL PROPERTY

This includes a description of the ownership of intellectual property created by the joint venture.

10. INSURANCE

Insurance against loss where reasonable and especially if it is standard practice in the industry.

11. INDEMNITY

Indemnity for both parties involved in the venture.

FIRST JOINT VENTURER	*SECOND JOINT VENTURER*
Authorised Signature	*Authorised Signature*
Print Name and Title	*Print Name and Title*

(AppBusinessinaBox, n.d.), (Καραμπαγιας, 2013)

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Chapter 3
Foreign Direct Investment (FDI)

3.1 Understanding Foreign Direct Investment (FDI)

3.1.1 What is FDI?

To understand the meaning of Foreign Direct Investment (FDI), it is important to analyse the meaning of its various associated concepts.

Investment consists of applying resources (financial / technological / human) to generate value in terms of products / services. For that purpose, we can outline the following resources:

- Financial – consists of the money that is used to get the investment going.
- Technological – consists of having technology that supports the process of adding value
- Human – is the differentiating factor in the process of adding value. This consists of implementing the different capacities of people in the development of innovation and creativity that sustain the capacity to be more efficient, in increasingly globalised environments.

Direct means a relocation, i.e. an investment made in another country.
However, the following must be borne in mind:

- The socio-cultural environment is different from the country of origin, and the rules and standards governing industrial / commercial / labour practices may be different.
- The management of investment processes is the responsibility of each country.
- The 'displacement' must be associated with an advantage assessed by the investor as potentially important for the development of their business (e.g. footwear business); this advantage may also be the implementation in a preferential economic space.
- Increasingly, there is a process of competition between countries in raising / attracting financial and technological resources.
- The rules of business control are those of the hosting country. In this context, each country/state has organisations that help companies with the internationalisation process.

In Portugal there is AICEP – http://www.diasporalusa.pt/instituicoes/aicep-agencia-investimento-comercio-externo-portugal/. AICEP Portugal Global, E.P.E., the Portuguese Agency for Investment and Foreign Trade, is a public entity of a business nature dedicated to the development of a competitive business environment that contributes to the globalisation of the Portuguese economy.

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In Poland, there is the Polish Investment and Trade Agency (PAIH) which supports both the foreign expansion of Polish business and the inflow of FDI into Poland –. https://www.paih.gov.pl/pl

In Italy, there is the Trade & Investment Agency, a Governmental agency that supports the business development of Italian companies abroad and promotes the attraction of foreign investment into Italy – https://www.ice.it/it/chi-siamo

In Greece, the organisation that promotes International trade is the 'Enterprise Greece S.A.' It is designed to promote and support Greece's substantial investment opportunities and to engage the global business community with (first-class) high end export products — goods and services made in Greece – www.enterprisegreece.gov.gr

In Spain, there are the following agencies:

ICEX, a national public business entity whose mission is to promote the internationalisation of Spanish companies and foreign investment – https://www.icex.es/icex/es/index.html. Within the Catalunya Region, there is ACCIO – an agency to support companies' competitiveness. This agency offers different kinds of services to companies aiming to internationalise through different instruments. They have several trade support offices in several countries around the world, they can facilitate direct contacts with local actors and companies, they support the definition and preparation of the internationalisation strategy and provide funds for internationalisation http://www.accio.gencat.cat/ca/serveis/internacionalitzacio/.

Also, there is the Fondo para la Internacionalización (FIEM) whose purpose is to promote the export operations of Spanish companies, as well as Spanish direct investment abroad, by financing operations and projects of special interest for the internationalisation strategy of the Spanish economy. It also finances the technical assistance that these operations and projects require in both developed and developing countries.

In general, financing will be provided mainly in the form of loans, credit and credit lines, although non-refundable financing, technical assistance and consulting services may also be provided to firms, as well as projects and operations when required. https://www.ico.es/web/ico/fondo-para-la-internacionalizacion-de-la-empresa

In Ireland, Enterprise Ireland, is the government organisation responsible for the development and growth of Irish enterprises in world markets – https://www.enterprise-ireland.com/en/

On the other hand, the Irish Development Authority (IDA), is the Irish semi-state body promoting Foreign Direct Investment into Ireland through a wide range of services. They partner with potential

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and existing investors to help them establish or expand their operations in Ireland – https://www.idaireland.com/

Foreign means 'the movement of investors of a specific nationality to another country'.

Therefore, Foreign Direct Investment (FDI) is an investment from a party in one country into a business or corporation in another country with the intention of establishing a lasting interest. The establishment of lasting interest differentiates FDI from foreign portfolio investments, whereby investors passively hold securities from a foreign country. A foreign direct investment can be made by obtaining a lasting interest or by expanding one's business into a foreign country. An investment into a foreign firm is considered an FDI if it establishes a lasting interest. A lasting interest is established when an investor obtains at least 10 % of the voting power in a firm. The FDI process is also always based on the idea that any business has to be competitive and contribute to the globalisation of the economy of a given country / state. Within this process, the main challenge is to add value.

The key factors which increase the likelihood that an SME will export are:

- belonging to a group
- being experienced
- being large (in terms of turnover)
- having the ambition to grow
- being active in the goods sector
- selling to other businesses or organisations, and
- being innovative.

For hosting countries, relocation strategies are based on support at the following levels:

- Fiscal - there are incentives such as tax exemptions in the support of the facilities.
- Access to EU incentive programmes in that country, including operational programmes that encourage investment, whether for material goods or for training, etc.

3.1.2 Factors that promote relocation

Foreign Direct Investment is a key factor in the growth of economies, not only for its contribution to economic growth, employment and exports, but also for the promotion of the country as a global, reputable and attractive brand. Foreign Direct Investment should be promoted and valued, especially in cases where it creates wealth and has a multiplying effect, boosting related sectors or companies. Direct investments in companies' capital (incorporation of companies, capital increases or acquisition

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of shareholdings) are privileged vehicles for the realisation of Foreign Direct Investment, having allowed the countries concerned to become more and more integrated in global value chains, in the most varied sectors of activity.

While more and more multinational companies have established themselves in several countries (Google, Vestas, Natixis), there are also mergers & acquisitions (M&A), driven by a large number of cross border transactions.

One can point out motivations that put countries on the radar of Foreign Direct Investment, for example:

- climate of social stability
- potential for increasing productivity, or
- competitive labour costs.

Nevertheless, it must be taken into account that Foreign Direct Investment, per se, does not guarantee prosperity. This becomes even more evident when sectors with lower added value are considered, which are established in some countries only due to their comparative advantages in terms of labour cost. The initials cost of undertaking an FDI project are fixed as they consist of a once-off cost incurred by the SME to assess its possibilities and understand the regulation surrounding the planned FDI project. These costs include both the monetary and time costs associated with undertaking the investment, as well as the risk associated with the project, which needs to be covered by the return on it. The higher the risk associated with a given investment, the higher the costs. This implies that the costs of undertaking an FDI project are higher, the higher the uncertainty of the foreign relationship and the more complicated the bureaucracy surrounding the regulation. The latter impacts the costs of undertaking an FDI project by increasing the time and money required in preparation of the investment.

The larger the fixed costs of undertaking the FDI project, the larger the projects must be in order to generate a profit. Therefore, the decrease in the average deal size of the projects over time can be seen as an indication that the fixed costs are decreasing, allowing smaller projects to be profitable. The severe impact of the crisis on the European market some years ago, may also have pushed some SMEs to look for better market opportunities outside of their home market, and may thus have been a push factor for smaller FDI projects.

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3.1.3 Methods of FDI

As already mentioned, an investor can make a foreign direct investment by expanding their business in a foreign country. An example of this would be Amazon opening a new headquarters in Vancouver, Canada. Reinvesting profits from overseas operations, as well as intra-company loans to overseas subsidiaries, are also considered foreign direct investments. Finally, there are multiple methods for a domestic investor to acquire voting power in a foreign company which include the following:

- Acquiring voting stock in a foreign company,
- Mergers and acquisitions,
- Joint ventures with foreign corporations, or
- Starting a subsidiary of a domestic firm in a foreign country.

3.1.4 Advantages and Disadvantages of FDI

FDI offer advantages to both the investor and the foreign host country.

Here are some of the benefits for businesses:

- Market diversification.
- Tax incentives.
- Lower labour costs.
- Preferential tariffs.
- Subsidies.

The following are some of the benefits for the host country:

- Economic stimulation.
- Development of human capital.
- Increase in employment.
- Access to management expertise, skills and technology.

The disadvantages of FDI are as follows:

- Displacement of local businesses.
- Profit repatriation.

The entry of large firms, such as Walmart, Mercadona, Pingo Doce, etc. may displace local businesses. They are often criticised for driving out local businesses that cannot compete with their lower prices. In the case of profit repatriation, the primary concern is that firms will not reinvest profits back into the host country. This leads to large capital outflows from the host country. As a result, many countries have regulations limiting foreign direct investment.

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3.2 Types of FDI: horizontal, vertical and export-platform

There are two main types of FDI:

<u>Horizontal</u>: a business expands its domestic operations to a foreign country. In this case, the business conducts the same activities but in a foreign country. For example, McDonald's opening restaurants in Japan would be considered a horizontal FDI.

<u>Vertical</u>: a business expands into a foreign country by moving to a different level of the supply chain. In other words, a firm conducts different activities abroad but these activities are still related to the main business. Using the same example, McDonald's could purchase a large scale farm in Canada to produce meat for their restaurants.

Two other forms of FDI have been observed:

<u>Conglomerate</u>: a business acquires an unrelated business in a foreign country. This is uncommon, as it requires overcoming two barriers to entry: entering a foreign country and entering a new industry or market. An example of this would be if Virgin Group, which is based in the United Kingdom, acquired a clothing line in France.

<u>Platform</u>: a business expands into a foreign country but the output from the foreign operations is exported to a third country. This is also referred to as export-platform FDI. Platform FDI commonly happens in low-cost locations inside free-trade areas. For example, if Ford purchased manufacturing plants in Ireland with the primary purpose of exporting cars to other countries in the EU.

3.3 Key Characteristics of EU SMEs undertaking FDI

According to data from the European Commission (The European Commission, 2016), small and medium-sized enterprises (SMEs) represent 99% of all businesses in the EU and the main factors to determine whether an enterprise is an SME are:

- staff headcount, and
- either turnover or balance sheet total.

Table 1

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: (The European Commission, 2016)

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These ceilings apply to the figures for individual firms only. A firm that is part of a larger group may need to include staff headcount / turnover / balance sheet data from that group too.

SMEs can avail of the following two categories of potential benefits if they meet the criteria:

- Eligibility for support under many EU business-support programmes targeted specifically at SMEs: research funding competitiveness and innovation funding and similar national support programmes that could otherwise be banned as unfair government support.
- Fewer requirements or reduced fees for EU administrative compliance.

SMEs, when undertaking FDI, are more likely than large transnational corporations to:

- Transfer appropriate technology to developing countries.
- Look for joint-ventures partners, rather than establish wholly owned affiliates.
- Have a favourable impact on the trade balance.
- Have more flexible local arrangements and contribute more to the local economy by using subcontracting to a greater extent.

SMEs have the following impacts on economic growth:

- SMEs have played a major role in the development of all the leading economies in Asia (although their contribution differs among countries).
- SMEs contribute about 40 to 60% of all capital investment and about the same proportions in towards productivity growth.
- About 10% of SMEs are growth-oriented and can make a significant entrepreneurial contribution to development in their home countries and to the host countries through FDI.

According to the Annual Report on European SMEs (Publications Office of the European Union, 2018) only a small number of SMEs (4%) undertake FDI in the EU, although there is variation across Member States. SMEs employing 50-249 staff, with turnover exceeding €10m and with growth of more than 25% between 2008 and 2014 were more likely to undertake FDI than the average SME. Firms that are part of an international group were also more likely to undertake FDI, perhaps due to access to resources provided by other companies in the group. While the above firm characteristics are all significantly more likely to result in an SME deciding to invest abroad, the results should be interpreted in the context of low levels of FDI activity by SMEs overall.

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According to the OECD (OECD, 2016), more than one third of European SME investors undertake more than one investment. SMEs that invest in multiple FDI projects are more likely to make their first investment within the EU. For SMEs in EU countries, other EU countries are the destination in a little under half of all recurrent projects. This implies that recurrent SME investors from the EU keep investing within the EU. SME investors from the candidate and EFTA countries gradually reduce their share of investments within the EU, the more projects they carry out. SMEs from these countries undertake close to two thirds of their first projects within the EU. However, this number is reduced to close to one third for subsequent projects. EU SMEs undertaking multiple FDI projects continually increase the size of the projects within the EU, while the projects outside of the EU remain at a constant level. Most likely, this is due to the standardised rules within the EU.

The fact that SMEs tend to continually increase the size of their projects within the EU, as they invest in multiple projects, suggests that SMEs can utilise the experience they gain from one project to the next. This reduces the risk of investing, allowing the SMEs to continue to increase the size of projects. While most SMEs from the EU that invest multiple times either invest exclusively within the EU or outside of the EU, several EU SMEs also carry out investments both within and outside of the EU. Of these, around half make their first investment within the EU, while the other half undertakes their first FDI project outside the EU.

In order for SMEs to undertake investments abroad, they need to be productive enough to overcome the fixed costs of setting up an affiliate in a different country and to compete successfully against incumbents in that market. One way in which SMEs can improve their productivity is through engaging with foreign investors in their home market. Foreign firms hold technical, operational and managerial knowledge that local firms can tap into and improve their productivity, via so-called productivity spill overs. European firms of all sizes, in general benefit from productivity spill overs arising from European inward FDI, but SMEs and smaller firms benefit especially. As European SMEs become more productive, they are also in a better position to undertake outward FDI. Inward FDI may thus help facilitate outward FDI by European SMEs and other firms.

According to Epson's annual report (Seiko Epson Corporation, 2018) there were a total of 25,683 FDI projects undertaken by European SMEs over the period 2003- 2015. This is close to 30 per cent of the total 87,087 FDI projects completed by European enterprises in the same period. The total deal value of SME FDI is more than €900 billion, which is around 19 per cent of the total value. From these figures it is apparent that SMEs are highly important for the aggregate FDI patterns, highlighting the relevance of analysing the FDI patterns of these firms. In this same study, every investment was categorised according to its sector and type. It was found that 12,806 projects by European SMEs were Mergers and Acquisition (M&A) deals, while the remaining 12,877 were greenfield projects. For both types of FDI projects mentioned, this is close to 30 per cent of the total number of FDI projects undertaken by all European enterprises. Hence, SMEs are not over or underrepresented in either of the two FDI types relative to all firms. The M&A deals are on average larger than greenfield projects, with an average deal size of €92 million for M&A deals compared to an average project size of €31 million for greenfield investments. This is lower than the corresponding figures for all firms, where the average deal sizes are €158 million and €42 million for M&A deals and greenfield projects, respectively.

Table 2 shows that the number of SME FDI projects has been increasing every year from 2003 to 2015 (except for the years 2008 to 2009). The aggregate deal value, on the other hand, has not reached the pre-crisis level. Hence, the average deal value has decreased over time. This indicates that the barriers to undertake FDI projects have been lowered during the period 2003-2015, allowing smaller projects to be carried out. Further, this has shown that SMEs are slightly overrepresented in FDI projects in the service sector.

Table 2 Number and average deal size across firm sizes, 2003-2015

			Share of FDI projects across sectors			
	Share of all firms	Share of all FDI projects	Services	Manufacturing	Other	Average deal size (in EUR millions)
Micro	93%	26%	29%	21%	25%	45
SME	6%	29%	32%	27%	27%	50
Large	1%	45%	39%	52%	49%	121

Note: The shares of all firms reported in column one are taken from the Small Business Act (SBA) Fact Sheets and cover the EU. Each investment is classified as either services, manufacturing or other, where other includes agriculture, mining, quarrying and construction.

Source: ESPON FDI (2018) based on data from BvD's Zephyr and Financial Times' fDi Markets databases (Sunesen & Henriksen, 2018, p. 5)

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Chapter 4
New technologies' role in internationalisation - it's simpler than you thought!

4.1 Introduction to the advantages and disadvantages of new technologies

4.1.1 Types of new technologies

New technologies have an impact on all areas of life and all sectors. Nowadays, new technologies rely on digital solutions, which means that digitalisation allows more aspects to be represented using an electronic medium and introduces changes to the business. Therefore, digitalisation in e-commerce implies taking a business one step further, into the digital space. SMEs and start-ups are especially adaptable to the introduction of new technologies, which gives them a competitive advantage over larger companies, which need more time to consider and implement selected ICT solutions.

New technologies are disrupting the way businesses operate, i.e. introducing innovation in the form of new concepts, ideas or solutions that will support development. Disruptive technology makes previous technology that was used in a business obsolete, thus initiating the acceptance of new ICT solutions to boost performance.

SMAC (Social, Mobile, Analytics, Cloud) technologies are applicable in various industries, supporting the transition of businesses to digital businesses. However, it is the integration of all of these technologies that facilitate business development and drive innovation.

Social: this refers to social media platforms, which are an effective way to reach, interact with, target, acquire and maintain customers, as well as social technologies that make social interaction possible e.g. VoIP service. The familiarity with and presence in social media is necessary for those businesses that want to remain online.

Mobile: this relates to mobile technologies and platforms, which have changed the way individuals communicate, work or shop. The e-commerce shift to mobile phones has been strongly influenced by social media.

Analytics: this relates to data which enables an understanding of how individuals behave online. Data analytics can mean a variety of things, concerning different indicators, and can also predict future behaviour, thus it should be a priority, especially in e-business.

Cloud: this relates to cloud computing, offering a new way to store data, but also to access technology and the data anyone needs, either the business or a customer who has been granted access. Clouds also facilitate system backup and system monitoring.

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Some other (disruptive) technologies as of 2020 include:

Fifth-generation wireless technologies (5G). This is next generation wireless Internet connectivity, using a variety of spectrum bands, which increases downloading and uploading speed, so that data is transmitted more efficiently.

Artificial Intelligence (AI). Businesses can take advantage of AI, e.g. using voice / facial recognition or analysing data to make predictions. AI is based on computer algorithms that are recognised by companies to foster not only supply chain management, but also decision support technologies with an increasing role in the future of e-commerce.

Virtual Reality (VR). With this disruptive technology, reality is entirely replaced with the computer-generated simulation of a three-dimensional image or environment, so the user does not interact with the real world.

4.1.2 Advantages of using new technologies

Some of the advantages of using new technologies are as follows:

Communication. Digitalisation offers a new means of communication and faster technologies. This includes hosting meetings online, virtual walks, cloud sharing etc. which all save time and allow companies to take advantage of the global network and stay in touch with clients. This also improves internal communication through the use of collaboration platforms or by customer relationship management systems.

Connectivity. Wireless networking technology (Wi-Fi) is the main communication mechanism providing connectivity, especially to mobile devices. More network users are assessing it via smartphones and tablets, which supports real time communication and staying connected. Connectivity is the need to remain in contact and new technologies make it possible.

Accessibility. The Internet provides better accessibility to information and simplifies research or enhances enriching knowledge. It is usually the place to refer to on matters that require quick responses or to compare information.

Possibilities. New technologies bring innovation to different sectors, e.g. medicine or automotive, and introduce solutions that would not be possible without the support of technology e.g. sensors.

Productivity. Computers and automatisation processes have allowed companies to collaborate more effectively, regardless of location, and the adaption of new digital devices to assist in training on the job, supporting workplace activities and monitoring performance indicators.

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Data storage. Cloud storage is a particularly useful solution enabling files and folders to be stored in virtual spaces, accessed by multiple users and shared across networks. Businesses can also install dedicated links on their websites to make catalogues of products available, for example.

Costs. Technologies, although they are usually associated with high investment costs, can reduce businesses expenses in the long run. Once the communication and productivity in companies is supported by new technologies, a reduction in staff costs and travel will occur, for instance.

Time. Information technology supports storage and analysis. Documents that are stored in a database are easier to find, thereby easier to analyse and provide fast answers in terms of where to introduce improvements to the business based on analysed data. Data exchanges are faster also across the Internet. But also, individuals can save more time when robots or other Internet of Things (IoT) technologies take over their duties e.g. 3D printing of prototypes.

Precision. Technology enables the performance of tasks with more precision and a higher degree of accuracy. This is especially connected with better data analysis and providing exact amounts of information in the context of ICT.

Promotion. The Internet is the first place where a company can speak about its business and its products/services due to its pervasiveness and increased potential to reach audiences on an international level. With the incorporation of various technologies such as VR, AR, 3D and 360-degree views, or even simple solutions like videos or attractive graphics, businesses can replace text only content marketing with new ways of online promotion.

Sales. Technology has enabled online sales, which impacts domestic and international trade. More customers prefer e-shops to traditional stores, where they are not limited by time and in most cases have the same options to choose from. Tourism is also a sector that benefits from online sales, where product offerings can be easily compared online.

Payment. New ways of purchasing are the result of digitalisation. Many merchants are using bitcoins as well as other digital currencies. Transactions can be finalised through payment gateways and money transfers are easier.

Multi-channels. New technologies introduce new means of interacting with consumers. Emails and live chat can now be combined with personalised marketing campaigns, triggered text messages, and sponsored advertising or social media interaction. There are more channels that clients can choose from, which also means it becomes more difficult to capture their attention and track online activity, but it also requires more effort in being present on multiple web pages.

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4.1.3 Disadvantages of using new technologies

Some disadvantages of new technologies are as follows:

Evolution. The introduction of new technologies results in the need to accommodate new circumstances. This means that if one business is using a technology, it will also impact another business and how it is positioned in the market. A business that is reluctant to introduce solutions that their competitors are offering can be left behind and their possibility of reaching international markets is lessened. It is important to note that markets differ from each other, and the tools and strategies that are used, should be tailored to a specific market. A mode of communication that may be the norm in one country, may be a novelty in another country.

Dependence. New technologies have had a huge impact on human behaviour. Individuals are now using technological devices to perform simple mental processes that were once possible to do without the use of technology. Over dependence on technology can also affect a business' operation if it is very dependent on internet connectivity and is without an internet connection, the data stored across the cloud or services offered to customers will not be available.

Security. High-profile cyberattacks continue to happen regardless of the more advanced technology supporting security and safety that is available. This is also related to big data and the increasing amount of information that is stored online and across the cloud. Therefore, it is not only a matter of securing passwords and the back end of a website, but developing a system for tracking, detecting, reporting and combating any undesirable activities that could be targeted at online activities.

Cost. The investment in new (Industry 4.0) technologies is associated with high investment and most start-ups or SMEs are not in the position of being able to invest in the newest technologies. On the other hand this may result in not keeping up with competition.

Workforce. Technological discoveries have the potential to replace humans in their duties. This means that work that could be previously completed by humans can now be done by robots or machines. As a result more jobs will be made redundant, as more processes become automated.

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4.2 Cybersecurity & I.P. protection

4.2.1 How can a company ensure security during international transactions?

Security is fundamental for any online activity and e-commerce is a specific environment, where a huge amount of data is shared and stored. However, it is not only a case of securing business data, but also protecting sensitive customer data, enabling safe browsing and secured payments, which are just a few examples. When considering internationalisation, more measures may be required and will also be linked to the rules and conditions of the markets that a business will be targeting.

For any business planning to start selling online, security measures are critical. Any information that goes online is prone to cyberattack. Although a business can introduce new measures once a system is attacked, which will become effective from that moment onwards, previously stored data will still be exposed to a risk. This is why the implementation of security measures is a necessity, which should also involve regular and precise control measures, including regular updates of software and browsers in order to be able to detect any cyberattacks before they cause any harm.

Online security is quite often associated with online payments, which is in fact the case. In this respect encrypted (coded) transmission of data between the consumer and the seller, especially credit card details is a prerequisite. This should also include the ability to confirm both who the seller and buyer is. However, before providing online payments to customers, there are other measures that are necessary to implement. These start with securing the business' own network(s), especially securing the server from third party attacks, both from outside (the Internet) or from inside (the LAN's), and securing the server from unauthorised persons accessing the customer's data without their consent. Other basic security measures include SSL certificates and security seals.

An SSL Certificate links the domain name, server name or hostname with the organisational identity (i.e. company name) and its location. It is the first step to documenting that an e-commerce site is protected. The purpose of its implementation is to secure connections from a web server to a browser, specifically to secure credit card transactions, data transfer, logins and social media browsing. An e-commerce site that has a SSL certificate will have a padlock or green bar next to the HTTPS protocol on the address bar, previously http ('s' in https stands for secure).

Security seals (also known as trust seals) document the adherence of an e-shop to a privacy policy, when the last security scan was conducted (i.e., for malware or viruses) and if the website is safe. There are two types of security seals, *server verification* and *site verification*. The first will scan the hosting server for the elimination of any potential danger. The second will protect users from inserting undesired scripts into viewed pages (cross site scripting) and tampering user data, which may void

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transactions or the destruction of data (SQL injection). An e-commerce site that has a trust seal will have a badge or 'secured' / 'verified' message (e.g. Norton Secured) on its page, but also in many cases on the address bar, and its legitimacy can be checked by clicking on this icon to go to the page that verifies the authenticity of that seal. Another indication that the site is secured is the 'protector's' green name in the browser's address bar.

Online payments are especially vulnerable to cyberattacks and fraud and the problem will continue to increase due to the growing popularity of online and mobile shopping. Cybercriminals steal sensitive information and card-not-present (CNP) transactions are a huge target for them. Consumers prefer using credit cards (or cards in general) for online transactions. The European Central Bank estimates that CNP transactions represent more than 60% of the card fraud. Other common examples of online fraud in e-commerce include:

Merchant Identity Fraud: when a cybercriminal sets up a merchant account that is similar to that of a legitimate business, followed by making charges on stolen credit cards before the real cardholder realises what has happened.

Card Theft: when a fraudster obtains credit card information which can be used to make a purchase such as card number, expiration date, and CVV/CVC.

Customer Identity Theft: when a cybercriminal obtains key details of personally identifiable information that are then used to make a purchase.

Card Testing: when a fraudster uses stolen cards to make frequent low-value purchases.

Package Interception: when a fraudster uses a stolen card to buy physical items and then intercept or reroute the package during delivery.

Phishing: when a cybercriminal tries to acquire sensitive data, such as a username, password, credit card details etc., related to emails or websites.

False Demand for a Refund: when a (fake) cardholder files a chargeback instead of attempting to obtain a refund, therefore a (fake) customer wants to get money back for a legitimate purchase.

Malicious redirect: when a cybercriminal redirects to an infected site.

Pagejacking: when cybercriminals attack websites and redirect customers to untrusted pages.

Other cyberattacks that can be easier to detect and eliminate include the following:

Malvertising: when fake advertising campaigns (characterised by spelling mistakes, incorrect product, etc.) are spread, infecting webpages.

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Suspicious pop ups: when fake messages appear on screen, downloading malware to the computer once they are clicked.

Defacement: when a cybercriminal replaces a site's content with their name, logo, and/or ideological imagery.

Some additional measures necessary to be implemented in order to protect against the types of fraud mentioned above and to guarantee transaction security, include the PCI DSS Certification (Payment Card Industry Data Security Standard), a security measure that has been created to increase the level of security for card users and decrease credit card fraud; the Address Verification Service (AVS) to verify whether a purchaser is the card's owner through verification of the card holder's billing address, and Card Verification Value (CVV), also known as the *Card Security Code* (CSC) to verify that the purchaser has the card in their possession – the last two apply only to credit card transactions and AVS do not apply to all countries. 3D Secure is an additional security layer for online credit and debit card transactions that adds an authentication step for customers making online purchases.

Additionally, tracking IP addresses, card numbers and other elements that can be associated with transactions that seem to be fraudulent, are important security measures. E-businesses should also make sure to provide information about international currency exchange rates and that all information is provided in the language spoken by the target market. Depending on the country targeted, different security measures may be required, and the decision whether a business decides to implement them or not will also impact on the business' ability to reach a new market.

Apart from the basic fraud protection solutions previously mentioned, there are also more advanced tools on the market, each providing a suite of fully integrated fraud prevention and detection checks before a transaction or verification request is processed. They should be chosen based on the type of e-commerce site, size of the business, number of customers and the potential to reach new markets.

4.2.2 I.P. Protection and GDPR

Intellectual Property (IP) refers to various aspects of creativity in the minds of individuals and groups and is protected by law. It is also the ownership of a particular product or service, which makes it an important component of e-commerce, where product / service descriptions, images, videos or other data is shared. As trade over the Internet must be protected, using technological security systems and IP laws should be equally addressed, or else IP can be stolen. Examples of IP are *patents*, *trademarks*, *copyrights*, and *trade secrets*. E-commerce and online businesses are based on product or patent licensing, also trademarks, which if not protected can cause harm to the business. Therefore, IP is closely connected with any sensitive data and security and this relates to GDPR.

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GDPR stands for General Data Protection Regulation under which personal data collection is governed by the consumer's consent that they agree that their data is collected and stored. This means it is not possible to collect, store and use data without a customer's permission. The General Data Protection Regulation (GDPR), of 14 April 2016, adopted on 25 May 2018, was designed to protect EU citizens. The regulation introduces limitations to both data collection and data use, explains data protection and data privacy, and limits data use without customer alienation.

The protection of personal and sensitive data is obligatory, as well as the distinction between them, as different levels of protection may be required. Personal data, apart from names, addresses or bank account details, are cookies and IP addresses and biometric data will be classified as sensitive data. An e-commerce site will come in contact with a huge amount of personal and sensitive data, therefore safety measures must be introduced from the very moment a business has a visitor on the webpage (especially if the site is using cookies, has already collected data from the visitor, or when they sign up for an e-newsletter) and during their conversion to becoming a customer (setting up an account, making a purchase, entering data). In any case, businesses are obliged to explain to customers why they are asking for their data and that they are responsible for protecting the customers' data. This information should also be available for customers to consult at any time (e.g. in the privacy policy or in any other place on the website that is easy to find).

Digitalisation makes it easier to collect data, but with the introduction of GDPR the amount of data collected drops significantly, since customers are more careful with information they share online. Businesses are also starting to understand that they do not need to collect so much data from customers, additionally building trust of those customers that think businesses are taking advantage of their data and not necessarily protecting it. In e-commerce, data collection and data storage is not necessary for the purpose of completing an order, but it can be vital for the purpose of other activities, e.g. analysing consumer's online behaviour or their subscription to an e-newsletter. Whichever the case may be, the consumer must always confirm that they agree for the website / e-commerce provider to collect their data, which applies under GDPR.

Supporting e-commerce security and guaranteeing consumers' online activities, and therefore the protection of their rights online is part of The Digital Single Market Strategy of the EU (launched in May 2015). The main proposals of this strategy include payment services and banning geo-blocking, among others. In terms of payment, the Payment Services Directive (Regulation (EU) 2015/2366) was set up to increase consumer rights, guarantee safe and faster payments, describe refund rights, give clear information on payment methods and promote mobile payments. As a response to geo-blocking, the Regulation 2018/302 of 28 February 2018, adopted on 3 December 2018, puts an end to geo-

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blocking, facilitating the ease of e-commerce activities (selling and buying outside the country of residence) and increasing sales within the EU. Geo-blocking imposed limitations not only on consumers and businesses, but also on economies. Moreover, consumers received additional protection in April 2018 by the proposals of a New Deal for Consumers which obliges online market places to inform consumers if they are buying from a trader or an individual, if their search result is pre-paid by a trader and under what conditions, as well as allowing consumers to cancel a digital service purchase contract within 14 days. As of July 2021 new VAT rules for online sales of goods and services came into force, which simplify VAT rules for the sales of goods online and also combat tax fraud. The EU is regularly introducing new rules for the protection of online consumer rights and improving e-commerce performance. More information in this respect can be found on the European Commission Shaping Europe's digital future policies pages (European Commission, 2020).

4.3 Trends analysis

4.3.1 What impacts trends analysis?

Data analytics and information technology are the backbone and the basis for innovation and new business models. With the rise of digitalisation and the automatisation of more processes, technology makes it possible to analyse any data, regardless of the sector or business area. A huge support is the Internet of Things (IoT) which is the core element of the Industrial Revolution 4.0, introducing new computerised actuating, monitoring, processing, sensing, scanning and various other capabilities for data management. The IoT is generally used to refer to the connection between consumer goods. According to the European Commission, the IoT could grow from about 9 billion connected devices in 2017 to 20-30 billion by 2020 and more than 55 billion by 2025. This is the result of the digitalisation phenomena and the fact that we are living in a fully connected ecosystem. Yet, the IoT is more for businesses, than individuals, as the solutions that are developed are chiefly for the benefit of factories and industries (e.g. drone technology for parcel deliveries, big data analysis facilitating customer management). The IoT as a disruptive technology is growing in popularity and with the development of technology, newer solutions will replace those existing nowadays. Current examples include smartphones that can be used to lock and unlock doors remotely (digital locks) or monitor buildings (smart buildings). Chronologically, going back in time, in 2000 smart meters were invented, in 1991 the World Wide Web had its debut and in 1974, ATMs were introduced, among others. Possible future developments may include Man-Machine Mind Meld (MMMM) - with the ability to control minds as well as machines and the collaboration between robots or Facebook for Things evolving from the IoT.

The cloud and big data were among the first innovations within Industry 4.0 and most businesses already know how to manage them, but other advances, such as Artificial Intelligence (AI) and additive manufacturing (3D printing) are continuously growing in popularity, with applications in different industries, including e-commerce. Another trend that can be expected to be highly influential in the near future is in-memory computing (IMC). Since the cost of memory has decreased, in-memory computing has become a mainstream technological solution for a variety of benefits in the area of analysis. It is expected that up to 90% of large organisations will be generating some sort of revenue from data as a service (DaaS) in 2020. Data as a Service is a cloud-based technology that allows customers to access digital files via the internet.

Also augmented analytics is emerging to become the dominant method used across all sectors. Augmented analytics are the result of combining AI (artificial intelligence) techniques and machine learning to create a new way of creating, developing, sharing and consuming analytics. Growing virtualisation will also substitute current ways of communication. Another popular technology is avatars, digital characters replacing the physical representation of the speaker while communicating via digital devices, which could shortly be replaced by virtual assistants.

4.3.2 Choosing online channels to analyse

Giving the effects that new technologies are having on businesses, keeping track of trends is an absolute necessity. As companies, especially start-ups and young entrepreneurs, are aware of the power that social media has nowadays, the trends across these networks should be a key focus when analysing a business's online presence. Social media in fact plays a key role in company branding and many studies have shown that being active on social media enables businesses not only to reach more clients, but also to engage directly in communication with them, thereby influencing their decisions and delivering targeted information. As social media are among those networks supporting personalisation, and personalisation is forecasted to be the dominant feature of Industry 5.0 in the future, an obvious statement to make is that social media will enable companies to grow.

Social media also enables businesses to research their competitor's performance and to gauge the immediate reaction to information published about their company as well as tracking market trends, including online customer behaviour. It can also be a means of communication with international customers in their own language or at least in English. When deciding to trade outside one's own country, consideration must be given to which language to use. With social media a business can decide to manage an account using a single market and a specific language. If this is the case, a business should adopt a consistent approach and the website should also be available in the same language(s).

The decision on which social media channels to use will depend on the type of product / service offered by the business, as well as the market the business is targeting (different channel preferences

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by country) in additional to the amount of time the business can devote to social media. The most popular channels are LinkedIn, Twitter, Facebook, Instagram, TikTok and Pinterest. Therefore, social media can be part of a business strategy and not just an additional feature.

This does not mean that websites are less important. It is still a recommended tool when starting an online business and an inevitable element of e-commerce. Websites provide important information to consumers and are usually consulted for information about policies or contact details. Websites, in contrast to some social media pages, offer the possibility of expanding their structure, e.g. by installing more plugins for the purposes of communication (live chat) or marketing (personalised product recommendations).

4.3.3 Analysing trends

Analysing trends is an essential function for any online business. This will enable a business to understand the impact e-commerce has had on the business and also to identify areas for improvement. Web analytics tools can be used to research the popularity of a business's website, to establish who is visiting the site, when they are visiting it, what pages are attracting the most attention, what visitors are looking for, at what point do they decide to buy a product / service and at what point they decide to leave the page etc. Google Analytics is a recommended analytics tool. It helps to build a complete picture of a business's online performance, including a business's website, its social media presence, the performance of its marketing campaigns, product / service presentation, and interaction with connected systems such as CRM or other customer touchpoints. The data which can be obtained through an analytics tool can result in converting page visitors to customers, if the business analyses the data properly (and regularly) and makes the necessary steps leading to this increase in revenue.

In order to start using the recommended analytics tools a business needs to have a Google Account, so that they can track visitors assigned to a specific account (e-commerce). The Google Help Center offers tutorials on how to start using the analytics tool and how to analyse data.

Some important information that Google Analytics provides, includes pages on Behaviour (what pages the visitors are actually interested in - which ones they visit most often, how long they spend on pages and from what pages they exit the website), Acquisition (how visitors reached the business's website - direct search, social media, organic search, referral - and what is the exact split, the impact of Google Campaigns – if being used, network referrals to the page) and Audience Overview (how many people visit the site daily, when is the visiting peak time - when do most visitors visit, often as a result of an additional activity, e.g. sending a newsletter by email with direct links to website pages - how many new visitors does a site have and how many returning visitors are there, what is the bounce rate -

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persons visiting only a single page, which is not necessary something bad, since this page may be what they were searching for, what is the average session duration - how long visitors are staying on the website, what countries visitors come from – which is important for international sales).

The real-time overview report provides information on top referrals, top active pages, top social traffic, top locations and top keywords – a summary of general information about the website traffic. The conversions report is an additional element of the analytics tool that includes e-commerce tracking (collecting data on product sales, billing locations, product performance, sales performance or time to purchase), but also multi-funnel reports to check how marketing channels work together to create sales and conversions.

Precise analysis of data is extremely important in terms of international sales, where a business will be required to invest more time and money. Will all the information collected via website analytics tools, a business will be in the position of choosing those channels of communication (acquisition data) and putting more focus on those pages (audience overview and behaviour data) that are attracting the most attention. As a result, a business should be able to decrease the bounce rate (indicator referring to visitors leaving the web site) and increasing conversion thereby generating more leads. Research conducted by PayPal (PayPal, 2018) shows that businesses perform better if they analyse website analytics and keep track of their business activity online.

4.4 E-commerce platforms & online advertising

4.4.1 Platforms in e-commerce

Modern customer service has introduced the trend of *customer-centricity*, aided by new technology, especially mobile solutions and social media, which is already changing customer service management. E-commerce itself offers different types of platforms that additionally support customer service. *Online platforms are strong drivers of innovation and increase consumer choice*, improve efficiency and competitiveness of the sector, and facilitate communication. Although we can distinguish between two different types of innovative platforms: communication platforms and transaction platforms (or e-commerce platforms), they sometimes have the same functionalities, imposed by the peculiarities of e-commerce.

E-commerce platforms are a virtual place where supply and demand 'come together' to complete a transaction. They can be divided into online marketplaces and online sellers (or resellers). The first can also act as a reseller and an example of this is Amazon. The second can also use the space of a marketplace or operate on its own website. When setting up an e-shop on a website, the business will need to choose an e-commerce platform. The most common examples of this type of software

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include: Shopify, Magento, Open Cart, Zen Cart, WooCommerce, Symphony Commerce, BigCommerce or OsCommerce. Each of these platforms offers everything that an online store requires, and also enables the developers to create and customise the store based on their business requirements.

There are many reasons why an e-commerce platform is used. Initially a business will notice that they are easy to implement, inexpensive, complex in the amount and type of solutions provided and they provide customer support immediately after implementation. In the long-term, they can result in a decrease in business costs and they can increase customer information and improve communication, not only between a business and its customers, but also between staff.

Other platforms, such as Customer Relation Management (CRM), support e-commerce businesses in streamlining their activities, which means the automatisation of many processes, including communication inside (between staff) and outside (potential customer and customer) the company. On the basis of data that customer service employees enter into the system, they can control the conversion from potential customer to customer, followed by the customer receiving notifications concerning placed orders, etc. The implementation of this type of platform saves time and generates new leads. CRM examples include: SugarCRM, Oracle's Siebel CRM and Microsoft Dynamics.

Another type of platform is Enterprise Resource Planning (ERP), which can connect parts of a business requiring large amounts of manual processing to integrate with other departments, as well as centralising and automating data and processes. ERP deals mostly with back-end information, whereas CRM manages customer information and other more front-end data. ERP examples include: Sage ERP X3, Oracle E-Business Suite and Microsoft Dynamics.

The prices of both CRM and ERP systems vary widely based on the size and needs of the company. As such, integrating these tools can be hugely beneficial, both in terms of customer satisfaction and business efficiency.

All the above-mentioned platforms can also be classified as Customer Data Platforms (CDPs), since they are collecting data, although they were initially defined as marketing tools. CDPs collect, unify, identify and funnel data to improve customer experiences, inform product decisions or fuel commercial decisions.

4.4.1 Marketing online

What constitutes good online marketing is good visual identity – in terms of a business's brand, product or service. In e-commerce once a business starts using the Internet as the main channel to interact with its clients, the presentation starts from the moment they open the browser. From that moment on, the business is being assessed on the basis of what information is published online, i.e.

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how often others mention the business's brand / service and what information is published, whether the business is positioned higher (or lower) in comparison to other similar businesses of this type. This highlights the importance of a business's presence on a website or at least on a social media channel, otherwise they are not regarded as having any presence at all. The type of content provided on the business's website as well as the presentation of that content will determine whether or not the visitor will decide to continue browsing.

For businesses just starting to enter the virtual space, an important consideration will be the brand / business logo, which can be a starting point to building any company's position online and at an international level. It is easier to associate a business / service with a logo (visual representation), than with a name (text representation). A logo is not a strategy, it is the clothing your business / service should wear. Additionally, clients associate a logo with the level of service that is offered.

Good graphics, up-to-date descriptions and well thought out page structures will impact on the positioning of an online site in terms of SEO. Search Engine Optimisation (SEO) refers to website positioning, i.e. the position a business's website has on the most popular search engines. As Google is regarded as the most used search engine, it is worth investing in Google Ad Campaigns, as information on the campaign's performance will be provided by Google Analytics. Website analytics is in fact closely connected to website positioning and therefore digital marketing.

Digital marketing is any online marketing activity. Content marketing is a type of digital marketing that focuses on creating and distributing content for a target audience. Its ultimate goal is to drive a profitable customer action in e-commerce or on a website. Some examples of content marketing include: blog posts, videos, podcasts, infographics, white papers, case studies, and ebooks.

The main types of online marketing (apart from SEO) include:

Search Engine Marketing (SEM). A paid strategy, similar to SEO, but which does not use organic results; businesses pay each time users click on the ad to their website.

Social Media Marketing (SMM). It can take the form of paid ads, promoted posts or sponsored stories, but can also involve no cost if channels are managed well and regularly maintained. It also includes activities like listening to what customers have to say, engaging in conversations or sharing content. According to HubSpot, Facebook is the primary content distribution channel for marketers today. (HubSpot, 2020).

Inbound marketing. This involves content marketing, SEO, and social media marketing – all of these attract audiences, engage users, and generate leads.

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Affiliate marketing. This involves advertising a third party company's product one's own website while earning a commission for each sale that was made.

Email marketing. This is the use of email to promote one's products or services. It can take the form of newsletter campaigns, although less popular due to GDPR requirements.

Mobile advertising. All advertising campaigns should also be adapted for mobile devices or at least follow a responsive typology, which is imposed by digitalisation and the ubiquity of mobile technologies. As of 2019, mobile devices, excluding tablets, generated about half of all website traffic globally (HubSpot, 2020).

Video advertising. This usually uses the PPC method; businesses only pay when someone engages with an ad through a video. This type of advertising is sometimes also associated with influencer marketing due to the increased number of vloggers and YouTubers. YouTube is the fourth most-used social media platform by marketers today (HubSpot, 2020).

Display advertising. This can have the form of display ads or banners, tailor-made landing pages and popups. Display ads differ from other ads because they do not show up in search results, but are found on websites and blogs to redirect user's attention to the company's product.

Native advertising. These are sponsored ads at the bottom of pages, suggested examples for users to click on.

Pay per click (PPC). These are ads that advertisers only pay for when a user clicks on them.

Remarketing. Also known as retargeting, a cookie-based mechanism that follows the user around the internet, to show ads of products / services related to their previous interest.

Before choosing from any of the above marketing tools, it is important to firstly engage in market research and identify not only who the business's customers are, but also what their needs and expectations are. Other activities that must not be neglected in e-commerce is researching competitors and engaging in good planning. Only then will a business be ready to step in to the virtual world and go international.

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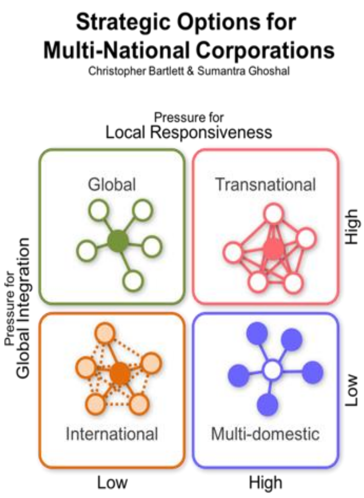
Chapter 5
Your internationalisation strategy.

5.1. The internationalisation strategy: key elements and different types

The internationalisation strategy is a business plan to guide companies' commercial transactions taking place between entities in different countries. It can cover either the company's supply chain or its sales or it can also cover both of these business functions. In other words, the internationalisation process does not only refer to selling products abroad, it can also refer to buying or manufacturing products (or parts of them) in countries different from the one where the company was originally established. The design of a comprehensive, consistent, successful internationalisation strategy requires analysing international markets and resources, defining goals, understanding market dynamics and developing different scenarios and it should answer these questions: WHY? WHERE? HOW?

5.1.1. Barlett & Ghoshal Model: different types of internationalisation strategies

Once a business has decided why and where they are expanding internationally, they then need to think about how to expand and decide on the type of strategy to adopt and implement. This analysis is based on the Barlett & Ghoshal Model which focuses on two main forces that raise a series of questions, as follows:



Force for local responsiveness:

- Do customers in each country expect the product to be adapted to meet local requirements?
- Do local companies have an advantage based on their ability to be more responsive?

Force for global integration:

- How important is it for the product standardisation to operate efficiently?
- Is a consistent global branding approach required in order to achieve international success?

These strategies help companies to achieve profitable growth in different global markets. In this chapter the differences among these strategies will be analysed and their benefits and risks will be outlined, thus enabling businesses to choose which strategy is the most suitable one for them.

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5.1.2. Multidomestic Strategy: Low Integration and High Responsiveness

Companies adopting a multidomestic strategy aim to meet the needs and requirements of local markets worldwide by customising and adapting their products and services extensively. Additionally, they have little pressure for global integration. Consequently, multidomestic firms often have a decentralised structure with subsidiaries operating with relatively high autonomy and independence.

Advantages

- Maximise benefits of meeting local market needs through extensive customisation
- Local businesses treated as separate businesses

Disadvantages

- Decision-making decentralised
- Different strategies for each country

Example: Nestlé

5.1.3. Global: High Integration and Low Responsiveness

Global companies are the opposite of multidomestic companies. They offer a standardised product across the world and aim to maximise efficiencies to reduce costs as much as possible. Global companies are totally centralised, and the subsidiaries have a big dependence on their headquarters. Their main role is to implement the parent company's decisions, acting as pipelines of products and strategies. This model is also known as the Hub and Spoke model.

Advantages

- Highly centralised
- Focus on efficiency (economies of scale)
- Standardised products

Disadvantages

- Little sharing of expertise

Example: Pfizer

5.1.4. Transnational: High Integration and High Responsiveness

Transnational companies have characteristics of both global and multidomestic firms and aim to maximise local responsiveness, but also to gain benefits from global integration. Companies produce and sell somewhat unique and standardised products in different markets. With this strategy, the firm tries to combine the benefits of global scale efficiencies with the advantages of being locally responsive; it simultaneously requires both centralisation and decentralisation. Managers have to think globally, but also customise products to the local markets.

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Advantages

- Global promotion of the product
- Maximise local responsiveness, but also gain benefits from global integration
- Wide sharing of expertise (technology, staff, etc.…)

Example:

Disadvantages

- Complex to achieve
- Requires many economic resources

5.1.5 International: Low Integration and Low Responsiveness

An international company has little need for local adaption and global integration. The majority of the value chain activities is kept at the company headquarters. This strategy is also often referred to as an export strategy. Products are produced in the company's home country and sent all over the world. Subsidiaries, if any, function more like local distribution channels. Large wine producers from countries such as France and Italy are great examples of international companies.

Advantages

- Low adaptation to the local markets
- Decisions made in company headquarters
- Production in origin of company

Example:

Disadvantages

- Possible product incompatibility
- Logistic costs

5.1.6. Common international expansion entry modes

The most common market entry modes will now be discussed. The strategies are split into equity and non-equity modes, depending on the level of commitment each mode requires. A non-equity model is a strategy where an organisation expands into new markets without having to make investments in areas such as local facilities. On the other hand, an equity model is close to customers. Market entry choice depends on a large number of factors, such as company resources, product characteristics and market distribution. Companies do not always use the same strategy for all markets.

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Exporting

Typically exporting is the easiest way to enter an international market, it involves the sale of products and services overseas from the home country using agreements with a local company, distributor or agent.

Advantages

- Fast entry
- Low risk

Disadvantages

- Low control
- Low local knowledge
- Impact of transportation

Licensing and Franchising

Licensing and franchising are business arrangements in which one company gives another company permission to manufacture its product for a specified payment.

Advantages

- Fast entry
- Low cost
- Low risk

Disadvantages

- Less control
- Licensee may become a competitor
- Legal and regulatory issues

Partnering and Strategic Alliance

Partnering and strategic alliances involve contractual agreements between two or more enterprises stipulating that the involved parties will cooperate in a certain way and for a certain time period to achieve a common purpose.

Advantages

- Shared costs and investment reduced risk
- Seen as local entity

Disadvantages

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- Higher cost than others
- Integration problems between two corporate cultures

Acquisition

An acquisition is where a firm gains control of another firm by purchasing its stock, exchanging the stock for its own, or, in the case of a private firm, paying the owners a purchase price.

Advantages

- Fast entry
- Knowledge
- Established operations

Disadvantages

- High cost
- Integration issues with HQ

Greenfield venture

A greenfield venture involves the process of establishing a new, wholly owned subsidiary (also called a greenfield venture). This is often complex and potentially costly, but it affords the firm maximum control and has the most potential to provide above average returns

Advantages

- Local market knowledge
- Can be seen as an insider who employs locals
- Maximum control
- Seen as local entity

Disadvantages

- High cost
- High risk due to the unknown
- Slow entry due to setup time

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5.2 Company diagnostic tools: internal and external environment features and SWOT analysis

To carry out a correct and complete analysis of the company, it is necessary to apply an orderly methodology that identifies its strengths and weaknesses. The following sections will outline this process.

INTERNAL ANALYSIS OF THE COMPANY → EXTERNAL ENVIRONMENT FEATURES → SWOT ANALYSIS → DIAGNOSIS

5.2.1. Internal analysis

The first step should involve classifying the company's competitive capabilities according to its strengths and weaknesses for the internationalisation process. In some cases, they may not be relevant. In addition, two strengths and weaknesses that are considered to be of great importance for the company's internationalisation strategy can be added.

COMPETITIVE CAPABILITES	STRENGHTS	WEAKNESSES	NOT RELEVANT
Geographic location			
Available production capacity			
Technology level			
Financial resources for working capital			
Financial resources for investments abroad			
Foreign markets information			
Commercial network and contacts abroad			
Human resources prepared for internationalisation			
International experience of human resources			
Knowledge of languages			
Brand image			
Motivation for internationalisation from the management team			
Ease of decision making			
add one strength			

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add another strength			
add one weakness			
add another weakness			

5.2.2. External analysis

This involves classifying the following factors related to the company's international and sectorial environments, as opportunities in the case of positive factors or threats if they are negative factors. In some cases, they can be irrelevant. In addition, two opportunities and threats that are of significant importance for the company can be added.

ENVIRONMENT AND SECTOR	OPORTUNITIES	THREATS	NOT RELEVANT
Decrease in barriers to foreign trade (tariffs, quotas)			
Technical barriers to foreign trade (certifications, approvals)			
Economic integration of countries (EU, NAFTA, MERCOSUR)			
Widespread use of the internet			
Improvement in transportation systems			
Maturity of the internal market			
Emerging markets appearance (as manufacturers)			
Emerging markets appearance (as consumers)			
Concentration of business ownership			
Increased power of distribution			
Emergence of new products			
Changes in consumer tastes			
Add another opportunity			
Add one opportunity			
Add one threat			
Add another threat			

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5.2.3. SWOT Analysis

A SWOT (strengths, weaknesses, opportunities, and threats) analysis is a framework used to evaluate a company's competitive position and to design an appropriate strategic plan. A SWOT analysis assesses both internal and external factors, as well as current and future possibilities.

This involves ranking the factors based on the outcomes of the internal and external analysis.

ORDER	STRENGTHS	WEAKNESSES
1		
2		
3		
4		
5		
6		
	OPPORTUNITIES	THREATS
1		
2		
3		
4		
5		
6		

5.2.4. Diagnosis

The next step is based on previous results, and involves selecting five fundamental aspects/elements that the company has to take into consideration during the planning and implementation of its internationalisation process.

1	
2	
3	
4	
5	

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5.3. Identify and understand the most interesting target markets

There are many theoretical papers explaining how companies should conduct research to identify opportunities in international markets. Undoubtedly, the central question is, in which one of the 180 plus markets should the company choose to engage in international trade? Which one will demand the company's products and services? It is necessary to act with pragmatism and common sense as this decision is one the most important ones impacting on the SME's success in internationalisation.

In general, when choosing which market to operate in, attention should be given to those markets that can be considered to be thriving in terms of the company's products. This is an important factor, but not the most important one. Businesses need to measure the markets not only from a quantitative point of view but also in terms of the distance between markets.

5.3.1 Analyse international data

The first step involves understanding the situation of the business's product/s in the global market, and cross reference this trade data with the global data. To understand the classification of the business's product/s, the Harmonize Commodity Description and Coding System (HS) (UN Trade Statistics, 2017) or TARIC code in the EU (European Commission, 2020) are used. These codes are essential in order to identify trade data, duties, import barriers and possible limitations.

Once the business has identified its products, it should also analyse which markets are importing its products and in which markets it is easier to do business for their own country. There are several helpful platforms, such as TRADE MAP (International Trade Center, 2019). In this phase, the business should avoid the temptation of choosing the biggest markets, the SME service officer should analyse other factors that will be outlined in the next section.

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5.3.2 Measure the distance between countries

The SME service officer need to identify in which markets the company could be successful: this will involve analysing different factors and understanding how they influence the SME's competitiveness in the target market.

Geographic-Political factors

In a global economy with 21st century logistics, geographical distance is not such a problem as it was in the past. However, it is usually the case that countries that are closer in proximity to each other have more similar characteristics in terms of other barriers such as cultural, administrative, economic, etc. However these neighbouring markets can also result in increased competition. Using this framework, logistics will affect a business's competitiveness. A business needs to consider if their product will be more competitive if grouped in small shipments or if on the contrary it is necessary to have full shipments.

Geopolitical factors can be the most important barriers to access a market. A business must analyse how their competitors' products arrive in the target country. In the Australian market, for example, it is probable that every company sends goods by ship and this affects all competitors. It is also important to identify if trade sanctions imposed by governments on products will affect the business's products.

Cultural factors

There are a lot of different cultures world-wide that influence the way products are consumed. It is important for businesses to ask the following questions:

- Will all customers want the same identical product?
- Should the product be modified?
- Are those customers going to want them delivered in the same way?

Frequently, these barriers emerge from administrative barriers, for example if a business wants to export meat and other products such as milk to Islamic countries they will need "Halal" certification.

Administrative/economic factors

Administrative/economic factors can be some of the most difficult barriers for a company to overcome, particularly if it is not prepared to deal with regulations and a different type of legal system. In this case the company could fail even it has the best product on the market. These administrative regulations are sometimes used by countries to protect their own indigenous companies.

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Globalisation has contributed to the generation of groups of countries that, based on their policies, share harmonised criteria, and have free trade agreements between them. The Regional Trade Agreements Database from the WTO (World Trade Organisation, 2020) can be consulted for the signatory countries.

CONTINGENCY	DUTY	CERTIFICATES REGULATIONS	SOCIAL AND ECOLOGICAL DUMPING
Quantitative barrier that limits the quantity that countries can import, such as fishing quotas	Tax applied to goods, can be fixed or a percentage	Document that attests that the product meets the standards required to be imported	The practices of some countries of choosing looser environmental and social legislation, allowing their companies to sell more cheaply worldwide.

Economic barriers are closely related to administrative issues. Some influencing factors are the market's purchasing power, currency and currency fluctuations and local production capacity. These overseas barriers can be viewed on the WTO database page (World Trade Organisation, 2019) using the TARIC code or the European Database (European Commission, 2020).

When negotiating sales contracts, currency is important, as some contracts are long term and if a company accepts local currencies that are not stable, it can be exposed to fluctuation risks. This is why it is better to choose stable currencies like EUR, USD, JPY or GBP.

Trading bloc map 2019[4]

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5.4 Company readiness for the implementation of an internationalisation strategy

The internationalisation of SMEs has increased in terms of its importance on global markets. An increasing number of SMEs are interested in selling their products in international markets through exporting. Having a suitable strategy in place will determine their degree of success. Selling abroad can be seen as the first step towards internationalisation but, as previously explained, internationalisation goes far beyond selling products abroad. Significant difficulties emerge when a company wants to engage fully in internationalising the company, for instance when they want to manufacture their products in other markets or if they want to sell their product directly in other markets.

For example, in order to succeed in this second goal, a company will need to implement a stronger export philosophy in the company and identify how to make it easier for buyers to become customers. In order to overcome the barriers described in section 5.3 above and to be able to internalise the processes necessary to succeed in its internationalisation strategy, the company needs to be prepared in terms of having the appropriate economic, human and marketing resources as well as sufficient time. The process requires perseverance over a significant length of time as introducing products in overseas markets requires a much longer time than in the local market.

An auto evaluation test can be completed to establish if the SME is prepared for this. This involves answering some key questions using a tool such as "The seven tudes of international expansion tool" (Ettenson, 2020).

Though this test, the SME service officer will measure different company capabilities, such as:

ATTITUDE	Level of priority given to global business expansion
APTITUDE	Having the right knowledge and skills to succed
MAGNITUDE	Aligning the scale and scope of the overseas opportunity with its goals and capabilities
LATITUDE	Adapting its marketing policies and practices to the ones required by the new market
RECTITUDE	Adapting to local legal and ethical practices while maintaining corporate compliance
EXACTITUDE	Facing some financial ambiguity/risks and market uncertainty
FORTITUDE	Committing to global initiative even if facing setbacks

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5.4.1 Economic readiness

Once all of this is under control and the company has the internal structure prepared for internationalisation, the company can be confident that it has sufficient knowledge and prepared adequately in economic terms. In general terms, the dynamics are very similar to those of the domestic market, but the distance between buyer and seller can be affected when dealing with businesses (B2B). International businesses have additional risks that need to be taken into account in the signed international trade contracts, which define the obligations of parties. Formal examples of international templates are available on the International Trade Centre website (International Trade Centre, 2010):

Distance, reliability, trustfulness, security and economic capacity are all key factors to be included in the contract when choosing the payment method (iContainers, 2020).

The SME's level of preparation for international business will determine the INCOTERMs that will be selected for the transaction. INCOTERMS (Tiba Team, 2020) define parties' (buyer and seller) obligations, costs and risks associated with the global or international transportation and delivery of goods. These rules are defined by the International Chamber of Commerce (ICC) and accepted by governments, legal authorities, and practitioners worldwide for the interpretation of the most commonly used terms in international trade.

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5.5 Internationalisation strategy: design and implementation

In previous sections, we have seen how the SME Internationalisation Service Officer can support companies in carrying out an overarching internal and external analysis before designing and implementing its own international strategy. The following section outlines how to implement the final steps.

Set the goals of the Internationalisation Strategy

While the goal of every business is to gain more customers, an SME's goal should be more specific and should identify the following goals: What are the sales goals for year one, year five, and beyond? What level of customer retention can the SME realistically expect? How much time and money do they expect to spend on the expansion? How long will it take to see a return on investment? It is important to ensure that the SME's goals are aligned with its product/service and industry: it should set realistic targets with an assumed budget, so that it can use these goals as a benchmark for its own progress.

Knowing and understanding the competitors

To do well in any market, a business needs to understand the local competitors and how they approach the market. Each market has its own mix of competitors and cultures that define how an industry works.

Plan the marketing strategy

When the markets of interest to the company have been identified, the overall marketing strategy should be planned. This involves answering the following questions: Is it possible to use the same message in all markets? Does the business need to adapt the message? Will the company maintain the same brand globally?

Focus on a few markets

The business should classify the target markets into three kinds of countries using the Pareto principle (Wikipedia, 2020), and segment them in terms of strategic, complementary and other countries. Different strategies need to be carried out to succeed in all countries with the budget prioritising strategic countries.

Human resources and budget

An appropriate budget as well as key (adequate) and trustworthy people should be assigned. These will consist of professionals who know the company well and have a very high degree of adaptation and willingness to expatriate. This requires a high level of emotional intelligence (empathy, flexibility, communication, adaptation, etc.).

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Pilot test

Before developing the entire internationalisation plan, it is recommended to choose a market as close as possible to the one/s in which SMEs have already been successful and do a pilot test first.

Mistakes to avoid

The following mistakes need to be avoided.

Myopia – It is critically important to validate the business model abroad, to evaluate the “distances” between the company and its markets. These include both "Physical distances" referring to the number of intermediaries between the business and its consumers and “Cultural distances” which involves considering that new consumers are members of other cultures and realising that it may be difficult to foresee or impose a specific model of product use.

The flight forward – It is important that the SME realises that a delicate cash / viability situation cannot be resolved by just selling abroad.

Banalisation of the return on investment – Entering a new market requires the company to develop the local brand, its customers, and the distribution system. The return on investment can require more time than in the domestic market.

Improvisation – A reactive attitude to the internationalisation process can result in poorly planned out actions. Sometimes, the SME can be overly controlled by a range of actions that are difficult to change as it may have entered markets following suggestions from agents, contacts, partners, etc.

Insufficient resources – Internationalisation is not an easy and cheap process, and the return on investment is not immediate. The SME has to prepare adequately using the necessary resources to succeed.

Implementing the correct controls

There are three essential types of controls:

1. Visual controls. These include checklists, dash boards, scorecards, budgets, etc. They allow the SME to monitor that the progress is following the foreseen steps and achievements. If that is not the case, they provide an alert and request that the SME takes the appropriate corrective actions and fix the identified problems.
2. Procedural controls. These include different kinds of controls such as having two unrelated parties that internally check the SME’s money flow, a standard review process for all new personnel hired, new standardised sales concessions empowering the sales team. All controls should follow established procedures to provide consistent and secure results.

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3. Embedded controls. These are controls that do not require any additional actions to the ones already in place and foreseen by the company management system. These can include standardised contracts, automated data backups, and specifically designed financial controls that work automatically in the background to protect the business from poor decisions or behaviour.

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