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Internationalization of local SMEs: Molise study

**National and regional policies,
constraints and opportunities**

By

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Executive Summary

Molise Region is partner of the “SME Internationalisation Exchange” (SIE) Project which aims to improve internationalisation support policies in 7 European partner regions. As part of this project, research work is required in each region to assess the current situation relating to SME internationalisation. Similar research work will be carried out in all 7 partner regions to enable some comparative analysis.

The motivations of a study on internationalization

The study aims to assess the current situation in the Molise region in the field of internationalization of businesses - particularly for small and medium-sized enterprises - and analyze the main processes underlying the potential path of openness abroad, understanding the role of support covered by national and regional institutional actors.

The scenario of International, national and regional trade

The increasing openness of modern economies to trade, favored by political factors, economic and technological, encourages companies to follow large markets, dealing with a growing number of competitors, both on foreign and domestic arena. The current world economic stage is characterized by a general rebalancing, with advanced countries who see widening margins for their exports to new markets, while conversely they are forced to endure the unrelenting competition from emerging countries both on domestic markets and in those already established in the past. World economic scenarios appear, especially after the crisis started in 2008, turbulent: terrorist threats, Brexit, new protectionist policies, are only some of the elements that affect - is not yet clear with what effects - the nations’ growth processes.

- **Italy** remains one of the leading countries in terms of export participation, maintaining good market share, albeit with dynamic variables depending on the geographical areas and with respect to the change of scenarios arising from the crisis.
- **Molise** is a region in which prevail imports compared to exports, with good signs of growth of exports after 2013. With approximately 30% of the total, are included products such as raw material (among which are **primarily tubes, pipes, profiles, cables and related accessories in steel**), followed by the **chemicals** (chemical, plastic and rubber) with 20.75%, **baked goods and flour** with 11,13%, **parts and accessories for motor vehicles and their engines** with 10.69%; all other sectors registered percentages lower than 10%.

- The study contains also the details of the **interchange** between Molise and **SIE partners**.
- In Molise there are **407 exporters**, a limited number compared to other regions also in terms of average value exported by operator.

Molise business structure

Molise economy is based on a substantially “traditional” productive structure, with about **31,000 (active) enterprises**, of which almost 33% in the agricultural sector and in main percentage individual companies (66%).

- The sectorial breakdown of companies for the two provinces shows, in both local contexts, the prevalence of activities related to agriculture, commerce, construction and manufacturing; improves the performance in the housing sector and catering (tourism).
- The main part of enterprises is composed by a staff number fewer than 10 units.
- For Molise, with respect to outward investments, there are only 20 companies that have invested abroad and 36 foreign companies participated.

Molise region and the processes of internationalization

The structure of the institutions and organizations dedicated to the support of the internationalization of enterprises (“**Country system**”) is remarkably complex, affected by legislation stratification over time and often disorganized, that the recent rehabilitation and reorganization have only partially attenuated. The Italian system is divided into a number of agencies and entities both abroad and in Italy (ICE, SACE, Simest, Chambers of Commerce, Embassies, Regions, ENIT).

- Several **internal and external barriers** hampering businesses, especially in Molise, in their internationalization processes. The characteristics of local contexts where businesses are located have a significant effect on the degree of internationalization, which must be added to single company profile.
- In Molise must be registered **low levels of productive internationalization**. The region, although it has begun again, over the past few years, a good growth path in terms of import-export dynamics, is characterized by limited exchanges (by value and number), as well as for a number of obstacles (small **firm size**, low **productivity**, shortage of **managerial skills**, low levels of **innovation** and **networking**, severe difficulties to find the **financial resources** needed to finance expansion projects in foreign markets), that are common to many Italian companies, especially in the south.
- Economic **policy measures** aimed at reducing the costs of transport to overseas markets, to increase the level of human and social capital and to improve the efficiency of public administration can contribute significantly to the internationalization of Italian and local companies.

- The regional program document **ROP ERDF-ESF 2014-2020** of the Molise Region includes various measures to support internationalization with a specific allocation of € 2,647,524 (Action 3.3.1).

Methodological aspects

In order to collect “on field” additional information about the specific difficulties and the obstacles that companies and institutional actors operating in Molise have to face to implement or initiate the process of internationalization, especially for obtaining successive indications of regional policy within the project, **2 questionnaires** have been structured, respectively reserved to companies and stakeholders (for details and evidence see Appendix A and B). In appendix C) are included some tables and statistical data.

As part of the study, it has been also included a theoretical model (at the same time very operational) to assess the attractiveness of the areas / foreign countries by companies. It is, essentially, a **matrix that allows to rate the various factors of attractiveness**, in order to select a country to start with import / export activities.