



REGIONAL ACTION PLAN FOR SME INTERNATIONALISATION IN CANTABRIA, SPAIN

‘SME EXPORT PATHWAY SUPPORT’

This Regional Action Plan was developed as part of the SME Internationalisation Exchange (SIE) Interreg Europe Project, in which the Official Chamber of Commerce of Industry, Services & Navigation of Cantabria (COCIN) is a project partner.

The SIE project aims to review and improve SME Internationalisation support policies and programmes while tackling the challenges faced by small companies exporting their goods or services. The project brings together a network of seven partner organisations from different European regions as well as wider groups of local stakeholders from each of the 7 partner regions.

Background and Regional Context:

The internationalisation of the economy in Cantabria is strongly influenced by the productivity and business characteristics of the region. Cantabria is one of the smallest regions in Spain, and its GDP per capita is slightly below the country average.

In terms of productive specialisation, the weight of the industrial sector in Cantabria is basically limited to a few branches of industrial activities. The lack of other manufacturing activities, as well as the lack of certain branches of services activities (such as wholesale trade) explains the relatively low number of SMEs in Cantabria.

Exports in Cantabria represented 18.7% of the GDP of the region in 2016, whilst imports represented 14.5%. The weight of exports has experienced a smooth upward trend since 2003. Imports collapsed as a result of the 2008 economic crisis and have not recovered their previous level.

Cantabrian exports and imports are concentrated in a small number of sectors associated with manufacturing activities. The sum of the manufacturing of motor vehicles, basic metals, chemical products, food products, fabricated metals, rubber and plastic, machinery and equipment and electrical equipment accounts for 80% of exports and 66% of imports in the region. A key pattern of international trade is intra-industrial trade in these sectors.

Exports in Cantabria are very concentrated in a small number of enterprises: the 5 top exporter enterprises represented 36.2% of total exports during the last few years, while the top 10 accounted for 53.2% of total exports. Only 3.1% of the enterprises in the region are exporters.

As part of phase 1 of the SIE project and with support from the University of Cantabria, COCIN conducted a survey among regional companies about internationalisation barriers; according to this data among the internal barriers related to the capacity and capabilities of the enterprises, the most important factors are the lack of funding (67%), insufficient language skills (53.6%) and the small staff structure or size (50%), followed by the lack of qualified personnel (43.1%). Lack of productive capacity is only considered a barrier to internationalisation by a small percentage of the enterprises.

As regards the external barriers to internationalisation related to the information and uncertainty in international markets, the most important factors are the lack of awareness of international trade regulations (65.8%) and operations (65.5%) and the export procedures (62.6%). Other significant barriers are the problems to identify customers in international markets (45%), the lack of knowledge of the techniques to identify markets to internationalise (51.8%) and the lack of appropriate information on foreign markets (49.1%).

Policy context:

This Action Plan aims to influence the **Cantabria ERDF Operational Programme (2014ES16RFOP008)**.

The regional OP emphasises the importance of SME internationalisation for the development of the Cantabrian economy and Priority 3b & d is aimed at "Improving the Competitiveness of SMEs". In particular, the OP focuses on:

- The development & application of new SME business models, particularly for internationalisation
- Supporting the capacity of SMEs to grow in regional, national and international markets, and to engage in innovation processes

These strategic objectives are not only part of the regional ERDF programme but also the RIS3 for Cantabria and they seek to address the following issue:

- Regional companies suffer from reduced critical mass and low levels of co-ordination. This hinders their access to international markets and their ability to mobilise resources to achieve growth and innovation.

This action plan aims to influence these priorities and also to respond to the findings of the Regional SME Internationalisation study work carried out by the University of Cantabria in the SIE project.

Inspiration & Solutions from the SIE Project:

After observing all of the SIE project case studies that different regions presented to representatives from Cantabria during the first phase of the project and also through the comparative study work that was carried out for all SIE partner regions, we learned that the European SMEs face similar problems and difficulties when they decide to extend their business into new, international, markets. Lack of knowledge, specially about procedures and regulations, but also how to access to finance or simply how to choose which market is the most appropriate, are some of the problems that can be pointed all through Europe.

Many aspects of the SIE case studies are already being implemented in the Cantabrian context. The region already has a clustering program implemented by SODERCAN. Also provides internships alongside ICEX in Spanish Economic and Commercial Offices through the world (during 2019 in Dubai, Toronto, Santiago de Chile and Casablanca) and offers economic aid to companies to hire those who joins the program after their year abroad, covering somehow Molise and Nbank cases. The two best cases that are not actively implemented in the region right now are the one presented by Kent and the one presented by Nouvelle Aquitaine which offer scope to directly tackle some of the barriers that regional companies mentioned in Cantabria:

- **The 'Parcours de l'Export' (Export Pathway) programme** brings together a range of very structured support services and providers into a coherent package accessible to SMEs in Nouvelle-Aquitaine, France
- **Kent International Business** – an umbrella programme bringing the different support agencies and programmes together in the county to clarify what was previously a confusing support offer

The SIE case studies focused on three different areas: enhancing human capital, facilitating clustering and developing networks of support. All of those three focuses could be beneficial for the Cantabrian enterprise network and elements of these are embedded within this action plan.

Actions:

This action plan will take key elements of successful programmes observed during Phase 1 of the SIE project, specifically those run by the Nouvelle Aquitaine region and Kent.

We chose to adjust some of the ideas collected during the study visits and apply them in the best way possible to the regional context in Cantabria. Specifically, this action plan will enable the region to improve the way in which SMEs are supported through the different steps of the export process. Whilst the suite of services available to Cantabrian companies is already quite comprehensive and in line with other regional good practice examples demonstrated during the SIE project, the way in which companies access these services and the way in which the providers of these services contact companies to promote them will be improved through this action plan. This will add value to the way in which SME internationalisation support services are implemented in Cantabria in order to enhance the competitiveness of the small sample of companies with a view to creating a bigger and more ambitious programme based on the lessons learned during the study visits after the initial action plan is implemented.

The following actions will be implemented:

1. Identify companies with export potential in the region using different methods:

First of all, COCIN has a wide experience and network through the regional companies due to the experience working on internationalisation for many years. Therefore, we are able to identify companies which have export potential but are not performing as well as they could be due to different issues; lack of trained staff or time, lack of resources or lack of access to funding. They do not participate in the regional internationalisation programmes as much as we would expect. We will reach these companies and offer them a more personal and individualised support package based on lessons learned from SIE.

Also, a department within COCIN offers helps and advice to entrepreneurs looking to start their business. Some of those projects have, in the mid-long term, export potential. Also, some of them are related with internationalisation from the very beginning, either because they are importing a product or because they are

looking to export a Spanish one. Even though those projects are, normally, in the very early stages of development, they could benefit from our support.

Finally, with the right framework and dedicated staff time, we will conduct a more thoughtful research through the regional enterprise network to identify more companies with internationalisation potential. At the present time, from reading local specialist newspapers and magazines, find some companies that could benefit from our help but, mainly due to lack of time, the follow up we are able to do is very limited. Establishing a framework within this project will help us to reach them on a more successful way.

This was inspired by the program "Parcour l'export" presented by Nouvelle Aquitaine and how they interview companies to check if they are suitable for international markets or not. The action was also influenced by the experience shown by other members of the program since companies tend to present similar issues when trying to export their product.

2. Initial export assessments with SMEs

This will involve individual visits to companies to carry out a product and staff analysis and establish a company export background.

We will make use of an existing survey for the assessment interviews but we will roll-out its use as a key part of this action plan. The survey will capture useful information for the internationalisation capabilities measurement in the region. This will also borrow heavily from the Nouvelle Aquitaine approach to testing companies on how ready they are to face international markets.

Individual visits will be conducted and also interviews with companies responsible to evaluate how much are they willing to face the international markets.

Again, this activity was inspired by the French program and their special assessment to companies. This had to be adjusted to COCIN reality and resources. Those assessments will also benefit from information given by other members of SIE and their experiences.

3. Export Plan Development with SMEs

After the initial assessment with SMEs, we will help those companies which are considered to have export potential to define an export plan and provide individualised information about interesting and potential markets to the company. Companies approaching COCIN or SODERCAN will be assisted with export advice through providing a series of helpful recommendations (not obligatory for the companies to follow), meaning we will not force the companies to follow our guidelines since we are not giving them any finance.

Those recommendations will cover some aspects COCIN does not provide help to the companies yet. COCIN will point out which markets could be more interesting to the companies considering their products and their staff capacities. Also, they will be advised in how to approach these markets (how to look for potential clients, how to look for trade fairs, if they need to improve their websites...). All of those activities are not done yet by COCIN. Our approach is to help companies that are already in the next step of internationalisation, with dedicated and experienced staff whom already chosen their markets.

The companies will be encouraged to take part in the different activities that are co-organised by the local stakeholders in Cantabria. For companies who are in an early stage of internationalisation we provide them with support and advice on how to take early steps and also how to access to the different internationalisation projects available for regional companies.

This information will include: which export support plans are available and are interesting for the company, both national (ICEX) and local (SODERCAN). This will include: how to ask for business itineraries or contact databases in selected markets through ICEX services, how to participate in trade fairs, how to participate in trade missions and trade fairs organized by SODERCAN and the Cámara de Comercio de Cantabria, how to apply for grants etc.

Finally, this action was influenced both by Kent and by Nouvelle Aquitaine's actions. First, Kent inspired this action by their "one stop shop" approach to information about helping SME's. Instead of giving it a wider scope COCIN chose to take that idea in an individual way and present companies this this information at the same

time it is filtered to them in a way it is easy to analyse. Second, once again it was inspired by Nouvelle Aquitaine's program and the information they provide to their clients. Once again their program had to be adapted to COCIN resources and staff.

These 3 actions were designed to tackle, in a more individual approach, some of the barriers the companies cited in the SIE Phase 1 study work, especially those involving lack of funding, lack of knowledge about export procedures and markets and lack of specialised staff within the organisations. As this is an action plan, we will begin with a testing phase and, if it proves successful, a wider approach will be scoped out and pitched to stakeholders to find a way to mainstream the activities within the regional context, also addressing the challenges set out in the regional ERDF policy instrument.

How will these actions influence the ERDF Policy Instrument?

Through actively targeting new companies and making the internationalisation support offer available to SMEs in Cantabria a lot more clear and straightforward, these actions will directly respond to 'directly developing and applying new SME business models for internationalisation' and 'supporting the capacity of SMEs to grow in international markets'. Since one of the key reasons the regional companies quoted as critical in their internationalisation process is their lack of specific staff dedicated to the process, COCIN could provide help and support to a small number of these companies during the early stages trying to make up for this lack of knowledge within the companies. This will act as a support services for growing in international markets in a way COCIN does not apply yet.

Also, as it has been pointed out before, other key issue for regional companies is their lack of size, so a program dedicated to help those companies in a more specific way could be more helpful than trying to apply a wider scope to approach international markets, a policy that could easily be more beneficial for companies that already had taken the first steps in their process.

The actions in this action plan will not be directly financed by the ERDF programme in Cantabria as COCIN was unable to respond to a specific call for proposals under the programme to implement these activities but nevertheless, the results of the action plan will be shared with the Region which is part of the local stakeholder group and will therefore succeed in influencing activities in the region which meet the challenges outlined in the OP.

COCIN will meet every two months with the contacts responsible for ERDF in the region and also with SODERCAN, as a stakeholder, to make sure the possible benefits of this program are well spread within the region. In those meetings the information will be shared with organisations that, if the program proves to be interesting, study to widen its scope in the future or use the lessons learned during it to potential new policies in the future.

Players involved

The action plan will be implemented by COCIN with support from SODERCAN (a key member of the local SIE stakeholder group) since the 2 organisations cooperate very closely on internationalisation projects. Coordination will mainly consist of the selection of companies, looking for candidates or finding more efficient ways to approach existing SME contacts.

COCIN will report back to the Cantabria Region which owns the ERDF OP in the region to inform them of how this new approach to structuring SME internationalisation support in Cantabria and proactively identifying companies in the region with export potential will contribute to the objectives and priorities outlined in the OP.

Timeframe

The action plan will be implemented between September 2019 and the end of December 2020.
Action 1 and 2 will be taken during 2019 and the first semester of 2020.
Action 3 will be taken with companies selected by COCIN after Actions 1 and 2. Ideally it will start in April 2020 but could start before for some of the companies.

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Costs:

The costs involved in overseeing the implementation of this action plan will consist of staff time from Cantabria Chamber of Commerce with support from local stakeholder group representatives (primarily SODERCAN).

General Information:

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Official Signatures:

Date: 26/09/2019

Signature: _____



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Stamp of the organisation _____