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EXPORT AS A FORM OF SME-INTERNATIONALISATION AFTER THE CRISIS - EXPERIENCES OF THREE EUROPEAN REGIONS

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Export as a form of SME-internationalisation after the crisis – experiences of three European regions[1]

Andrea Éltető[2]

Abstract

European small and medium-sized enterprises were severely hit by the international crisis of 2008 and export activity – as a form of internationalisation - was an important component of the recovery. This paper concentrates on the post-crisis period of the Iberian, Baltic and Visegrád countries. As for born global firms have spread and these countries are strongly involved in global production networks, the theory of international new ventures and the network approach can especially be appropriate for them. The significance of SMEs in employment, value added and export and their pace of recovery is different in the three regions. Apart from the structural rearrangements in exporting enterprises, the geographical direction of exports has also changed temporarily towards non-EU markets after the crisis. Based on existing enterprise surveys the second part of the article focuses on the export enhancing and hindering factors in the post-crisis period. Overall, product features and manager attitude proved to be the most important in export competitiveness. Lack of finance and contacts, strong foreign competition and high market entry costs are the leading export barriers for SMEs.

JEL Code: F10

Keywords: SMEs, export, export barriers

1. Introduction

European small and medium-sized enterprises (SMEs) were hard hit by the international crisis of 2008. The pace and extent of recovery were different along the regions. Export activity was an important component of this recovery providing revenues to the firms and countries. All these phenomena had been more pronounced in the periphery areas of the EU. The aim of this article is to compare the export behaviour of SMEs in the Iberian, Baltic and Visegrád countries.

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Foreign trade is still the most popular form of internationalisation among SMEs. More than 26-30% of European SMEs were involved in exporting or importing between 2006-2009 while in other modes of internationalization less than 8% were active (EIM 2010). Foreign trade activity of SMEs even increased after the crisis as a consequence of domestic market shrinkage. Exporting companies usually are also importing ones. As the enterprise-trade statistics show, the value of exports is almost completely given by two-way trader firms, who also import and export. In this paper we focus on the export side as a form of internationalisation.

As Wach (2014) points out, the available statistical data on internationalisation of SMEs are often collected at different time intervals with different methodologies, making a comparative analysis difficult. However, certain general indicators can still be gathered. Regarding SMEs' export activity, data are available from the Eurostat Comext Trade Enterprise database. The SME Performance Review regularly made by the EU Commission[3] monitors the development of SMEs in each EU country. The Small Business Act (SBA) Fact Sheets are published each year and provide a general view on the distribution and role of firms according to their size in the economy.

The structure of the paper is the following: first a short literature review on internationalisation theories is provided, then the structure and significance of the small and medium-sized enterprises in the three regions and the characteristics of their export activity are described. Finally the study concentrates on the factors that help and hinder the export of these firms, comparing the available surveys prepared after the crisis.

2. Short literature review on export as a form of internationalisation

According to the economic literature, internationalisation of SMEs can have specificities. SMEs are not just smaller large enterprises, because they have also some different features: less capital, less information, but more dynamism and flexibility (Antalóczy - Sass 2011). According to the accepted broad definition: internationalisation is "the process of increasing involvement in international operations" (Welch -

[3] http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review-2016_en

Luostarinen 1988 p.36). The process can also be reversed in time and it can take various forms, such as import, export (ad hoc or permanent), expansion/investment abroad, cooperation with or supply to multinational companies. Theories on internationalisation can be grouped under three main approaches: stages, network and international entrepreneurship approach (Lin 2010). Large number of studies deal with these approaches and their sub-categories (see a broad summary eg. in Laghzaoui 2011; Incze 2010), here we focus on their relevance regarding export activity.

The most cited basic stage model is the Uppsala model (Johanson, J. - Wiedersheim-Paul, F. 1975; Johanson - Vahlne 1977 and their other works), describing internationalization as a process of gradual learning through experiences gained from foreign markets. Thus, internationalization is a process of four sequential steps where each consecutive step means an increased resource commitment: 1. irregular export activities; 2. export through independent agents; 3. establishment of an overseas sales subsidiary; 4. establishment of manufacturing subsidiaries abroad. Stages are also geographical: international activity targets neighbouring countries first, then more distant but culturally similar countries and finally physically and culturally far-away economies. In this process experimental knowledge, which can only be acquired through personal experience is the most important to reduce "psychic distance", which is the sum of language, cultural and political differences.

In the following decades the Uppsala model received more and more critics and its relevance for SMEs is restricted[4]. Major points of critics are that internationalisation process can also stop or be reversed, it can start with other factors than export (import, license, etc), firms can jump stages and the model neglects the effects of networks and service sector specialities. From these critics newer internationalisation theory branches emerged (see later).

Another stage model is the Innovation-Related Model supported by a number of researchers (eg. Cavusgil 1980; Reid 1981) who consider the internationalization process as an innovation for enterprise and therefore provide another, but also stepwise perspective. The steps are based on the export share in the turnover of the enterprise.

[4] The Uppsala model was based on four case studies of Swedish large multinational companies: Volvo, Sandvik, Atlas Copco, Facit.

The degree of engaging in export is also gradual in this model according to three main stages (Leonidou - Katsikeas 1996): 1. pre-export stage: the enterprise is active only in domestic market and prepares to export; 2. export trail stage: the enterprise starts to export irregularly; 3. advanced export stage: the enterprise exports regularly and conceives other forms of commitments to international markets. Although the Innovation-Related Model highlights the importance of certain factors like managerial knowledge, motivation and behaviour, its sequential feature was criticised and proved to be less relevant for SMEs. Authors (eg. Gankema et. al. 2000 and others[5]) showed that SMEs can jump over the steps immediately and others may stop the internationalization process before arriving at the final step. The observation of activity and behaviour of SMEs had led to the introduction of new approaches of internationalisation.

The network approach emphasizes that firm networks are fundamental for SMEs to be able to develop their limited resources. Johanson - Vahlne (1990) themselves indicated the importance of enterprise networks. Also other studies (Johanson - Mattson 1988, Coviello - Munro 1997) pointed out that the establishment of financial, technological and commercial relations with the other partners of the network enables the firms to extend their activities internationally. SMEs rely on network relations to select the market and these relations can facilitate or accelerate the internationalization process. In the past two decades the growing importance of global production chains made network internationalisation of SMEs especially relevant.

The entrepreneurship approach denies the sequential stages of internationalisation, showing the existence of born global firms or international new ventures (Rennie 1993, Oviatt - McDougall 1994, Cavusgil 1980). These can export or invest abroad right from the start. The case study evidences have brought a new perspective on SMEs' rapid international development and several studies have been prepared afterwards. A common feature of born global firms is that the management adopts a global vision from the foundation of the enterprise and embarks on rapid internationalization. These firms are usually innovative, knowledge and high-tech intensive, utilising the reduced info-communication and transport costs. The study of these ventures is important for

[5] See more works in Laghzaoui 2011.

example for export promotion policy and for management studies (Rasmussen-Madsen 2002).

In our examined three regions –as everywhere - also exists a mixture of different SME types regarding their internationalisation methods. The hypothesis of this study is that the crisis gave an impetus for SMEs to expand or begin export activity. Thus, the theory of international new ventures and the network approach can be appropriate for the periphery economies discussed here. Especially the Visegrád and Iberian countries are strongly involved in global production networks.

Apart from this, there are authors that call the attention to the importance of non-linear internationalisation. This means that firms can exit foreign market(s) or reduce its export significantly and later they can reenter these markets. This re-internationalisation can take place several times, can be easier for smaller firms and depend largely on managerial attitude (Welch-Welch 2009; Vissak 2010; Javalgi et.al. 2011; Swoboda et.al. 2011). The nonlinear behaviour can be especially relevant for the economies analysed in this article in the period after the crisis.

Regarding the motivation for internationalisation (export), literature distinguishes between push and pull factors (Etemad 2004; Danik, et al. 2016). Push factors are for example the worsening domestic economic conditions, regulatory constraints, limited or no growth opportunities on the domestic market, excess capacity, managerial proactive attitude. Pull factors can be the foreign market opportunities, development of info-communication, technology, etc. In our case the severe domestic impact of the international crisis can be a considerable push factor.

3. Enterprise structure

The overwhelming part (98-99%) of companies in all European countries consists of SMEs. However, their weight in value added and employment is much less. The tables below show data for the nine countries in the three region. In the Baltic economies SMEs have determining role (Table 1).

Table 1. Share of companies according to size, 2015, % Baltic countries

	No. of enterprises			**Persons employed**			**Value added**		
	EE	LV	LT	EE	LV	LT	EE	LV	LT
Micro	90.4	91.4	91.5	31.0	31.5	27.3	26.5	23.3	17.3
Small	7.8	7.1	6.9	23.8	24.1	25.2	22.2	22.3	25.0
Medium	1.6	1.4	1.3	23.2	23.3	23.7	26.4	26.5	28.1
SME	**99.7**	**99.8**	**99.8**	**78.0**	**79.0**	**76.2**	**75.0**	**72.1**	**70.3**
Large	0.3	0.2	0.2	22.0	21.0	23.8	25.0	27.9	29.7

Source: 2016 SBA Fact Sheets

In *Estonia* the number of micro-enterprises and their share in employment increased radically after 1994. In the early 2000s SMEs were active mainly in traditional /low-technology sectors. As the SBA Fact Sheets show, after the crisis (between 2010 and 2015) SME (particularly micro firm) value added rose by 46%, while employment increased by 14%. *Latvia* was traditionally industrialised, but after 1990 the service sector became more and more dominant. The crisis had severe impacts on the economy in 2008-2010. Afterwards SMEs grew strongly, value added increased by more than 45% and employment increased by 16% between 2010 and 2015. However, both value added and employment still remained below their 2008 level. Regarding *Lithuania,* in 2010-2015, SME value added increased by more than 50% and SME employment increased by almost 20%. As a result, SME value added in 2015 was above its level of 2008 but SME employment has not yet fully recovered.

Table 2 shows that SMEs in the Visegrád countries are more labour-intensive/less productive than the EU average (and than the Baltic SMEs): in 2015 they produced only 52-57% of value added but they accounted for 68-71% of total employment. Among the three regions the share of SMEs in value added is the lowest in the Visegrád countries.

Table 2. Share of companies according to size, 2015, %, Visegrád countries

	No. of enterprises				**Persons employed**				**Value added**			
	PL	CZ	SK	HU	PL	CZ	SK	HU	PL	CZ	SK	HU
Micro	95.0	96.1	96.8	94.1	36.2	31.7	41.1	34.4	17.8	20.1	27.0	18.1
Small	3.8	3.1	2.6	4.9	14.5	17.6	14.3	19.2	14.3	14.3	13.5	16.3
Medium	1.0	0.6	0.5	0.8	18.2	18.9	15.9	16.2	20.4	20.5	16.8	18.0
SME	**99.8**	**99.8**	**99.9**	**99.8**	**68.9**	**68.2**	**71.3**	**69.7**	**52.6**	**54.9**	**57.3**	**52.5**
Large	0.2	0.2	0.1	0.2	31.1	31.8	28.7	30.3	47.4	45.1	42.7	47.5

Source: 2016 SBA Fact Sheets

The *Polish* economy recovered relatively rapidly from the crisis producing positive annual growth rates since 2010. SMEs contributed to this development: their value added increased by 3.3 % per year between 2010 and 2015. Their employment grew by 0.5 % per year in the same period. In 2015, the *Czech* economy got back to its 2008 level of value added. Small companies delivered only 90 % of the value added they created back in 2008, while medium-sized firms slightly exceeded their 2008 level of output. Total SME employment appeared to be largely unaffected by the crisis, job losses of small and medium-sized firms were largely absorbed by increasing employment in microenterprises. *Slovak* SMEs experienced an aggregate fall of 3% in value added and stagnation in employment between 2010 and 2015. After a sharp downturn, SMEs have started to recover since 2014. In *Hungary*, total SME employment stagnated in 2010-2015, SME value added grew by 11%. As a result, SMEs almost fully returned to their pre-crisis level of value added in 2015. At the same time, SME employment was still 7% below its 2008 level.

Table 3 shows the significance of SMEs in the Iberian economies. These firms in *Spain* have not yet recovered from the crisis. SME value added and employment in 2015 are still 28% and 22% respectively below their 2008 levels. However, in 2014 for the first time the SME sector experienced growth. Similarly, the crisis still prevails in *Portugal*, the SME value added fell by 21% in 2008-2012. The decrease in employment lasted until 2013, later employment and value added have increased. In 2015, SME employment and value added were still 18% and 12%, respectively, below pre-crisis levels.

Table 3. Share of companies according to size, 2015, % Iberian countries

	No. of enterprises		Persons employed		Value added	
	PT	ES	PT	ES	PT	ES
Micro	95.2	94.8	41.3	41.1	23.8	25.5
Small	4.1	4.5	20.6	18.7	22.8	18.3
Medium	0.6	0.6	16.2	13.2	22.5	17.5
SME	**99.9**	**99.9**	**78.1**	**73.0**	**69.0**	**61.4**
Large	0.1	0.2	21.9	27.0	31.0	38.6

Source: 2016 SBA Fact Sheets

To sum up, the crisis had a radical negative effect on small and medium sized enterprises in the Baltic countries but they experienced a strong growth afterwards. Iberian SMEs were similarly hard hit but could not recover to the same extent. SMEs in the Visegrád countries were less influenced by the crisis and experienced a more moderate growth after. The tables show that the importance of large companies is by far the highest in the Visegrád countries. With similar share in the total number of firms here large companies employ more persons and give more value added than in the Baltic and even Iberian countries.

4. Export of SMEs

According to the EIM (2010) survey, between 2006 and 2008 generally 25% of EU SMEs had direct export activity. This proportion remained similar after the crisis.[6] The majority of our nine countries showed figures around this average, but there are two extremes: in Hungary only around 18% of SMEs exported and in Estonia more than 50%.[7] These data refer to direct exports. Indirect exports (with the inclusion of an intermediary) can also have some significance in these countries[8].

There is a considerable difference among the three regions concerning the exported value of SMEs. Table 4 shows that SMEs had by far the largest role in the Baltic

[6] 2016 SBA Fact Sheet European Union, p.25.

[7] Figures for the Czech Republic, and Portugal are also above 30%.

[8] For Estonian companies for example between 2008 and 2011 there was a huge increase in indirect exports (from 6% to 20%, Eurofound(E), 2013). The main reason is that Estonian new SMEs generally lacked export related knowledge and skills, half of exporters fulfilled ad hoc export orders. Only every sixth company had an export strategy and export budget.

economies in 2008, meanwhile in the Visegrád countries over 60% of exports was provided by large companies (giving only 1-2 percent of total number of enterprises). Iberian economies were "in between", with somewhat less role of large enterprises in export.

Table 4. Distribution of exporting firms by size, number and value, %

Employees	0-9			10-49			50-250			250 or more		
	No.	Value		No.	Value		No.	Value		No.	Value	
	2013	**2008**	**2013**	**2013**	**2008**	**2013**	**2013**	**2008**	**2013**	**2013**	**2008**	**2013**
Spain	65.7	10.3	10.4	24.3	14.0	14.6	7.7	23.4	22.8	2.2	52.3	52.1
Portugal	65.9	7.7	10.6	24.7	12.7	16.4	6.0	26.1	25.5	1.2	45.4	42.5
Estonia	74.6	13.5	22.6	18.8	21.7	16.7	5.6	37.3	33.1	1.0	15.9	27.6
Latvia	64.8	11.0	18.8	25.1	23.4	20.7	7.2	36.1	39.2	1.3	27.7	18.2
Lithuania	60.1	6.5	12.5	29.7	13.2	15.4	8.6	25.2	26.3	1.6	32.7	45.8
Poland	63.7	5.4	5.6	23.8	7.8	9.7	9.6	19.7	20.0	2.8	67.0	64.7
Czech R	61.6	4.5	3.7	17.2	8.1	6.5	5.7	19.6	15.3	1.5	63.1	44.1*
Slovakia	65.0	7.1	8.9	17.6	16.6	6.2	5.7	11.5	27.5	1.4	62.4	54.9
Hungary"	71.2	5.5	7.0	20.3	5.7	8.6	5.9	14.4	18.2	1.5	66.1	53.0

Note: There is usually certain percent "unknown" group given in the database. Therefore the cells in rows does not necessarily add up to 100%.

*The share of "unknown" group is extremely large (30.5%) in Czech data, so this figure can be much larger. "Data for 2013 are from the Hungarian Statistical Office.

Source: Calculations based on Eurostat, Trade by Enterprise Characteristics

After the crisis some rearrangements took place. In Estonia and in Lithuania the export role of large companies increased significantly, but in Latvia it decreased. In Slovakia the weight of medium firms and in Hungary the weight of micro firms increased in exports. It should be clear that Table 4 refers to all exporting firms, producers together with only traders. Data show a different picture if we separate firms in industry and in the trade sector (Table 5).

Table 5. Distribution of exporting firms by size, sector and value %

		0-9		10-49		50-250		250 or more	
		2008	**2013**	**2008**	**2013**	**2008**	**2013**	**2008**	**2013**
Spain	Industry	1.7	1.6	10.4	11,1	25.1	25,2	62.9	62,1
	Trade	30.8	39.2	22.8	22.2	19.5	16.8	26.9	28.1
Portugal	Industry	2.6	4.9	9.6	11.1	30.3	29.5	54.4	53.5
	Trade	31.7	29.6	29.1	36.4	11.4	12.3	8.6*	3.9*
Estonia	Industry	4.5	7.3	15.6	11.9	39.0	37.6	24.6*	43.2
	Trade	35.1	52.8	41.4	30.8	17.7	16.0	0.6	0.4
Latvia	Industry	1.0	2.4	12.4	13.7	42.6	48.1	42.7	34.0
	Trade	22.6	32.4	33.9	27.2	30.7	30.9	10.6	4.9
Lithuania	Industry	0.7	0.8	5.0	5.8	24.6	25.2	69.7	68.3
	Trade	21.3	33.3	37.2	32.4	35.8	29.1	5.8	5.1
Poland	Industry	2.1	1.4	4.8	5.2	17.3	18.1	75.8	75.3
	Trade	20.1	21.7	22.0	28.8	32.3	27.8	25.6	21.6
Czech R.	Industry	1.3	0.8	4.7	5.1	19.4	20.8	73.7	73.2
	Trade	20.3	23.7	26.0	27.0	22.3	22.6	17.1*	15.6
Slovakia	Industry	1.7	1.5	4.3	3.8	13.0	14.8	80.5	79.9
	Trade	41.3	44.7	32.1	23.3	10.0	21.3	8.2	5.0
Hungary	Industry	2.1	3.4	3.1	3.9	13.5	16.6	80.1	76.1
	Trade	62.7”	71.3	12.0	8.7	15.7	11.1	8.4	0.5

Note: There is usually certain percent “unknown” group given in the database. Therefore the cells in rows does not necessarily add up to 100%.

*share of the unknown group is large (more than 14%) “ estimation

Source: Calculations based on Eurostat, Trade by Enterprise Characteristics

The role of SMEs in trade sector export is much higher than in the industry. The discrepancy is the largest in the case of micro-enterprises, their share in industrial export is negligible but their role is the most important in trade. There are certain differences among the three regions. The share of micro enterprises in trading activity is the largest in Hungary and in Slovakia. Micro firms have also significant weight in the Iberian trading sector. Regarding the small firms, their share in trade export was everywhere among 20-36% in 2013, the only exception is Hungary with a much lower figure. The share of medium-sized enterprises is the largest in Latvia, Lithuania and Poland in the export of the trade sector.

Industrial export in the Visegrád countries is clearly driven by large companies (their share is above 70%). This share decreased only to a very small extent between 2008 and 2013. This shows that SMEs could not really gain considerable ground here. Large companies have also significant (above 50%) role in the industrial export of Portugal, Spain and Lithuania and this has not changed in the post-crisis period. However, in Latvia there is a significant decrease in industrial export share for the large firms and their role is just above 30% being the lowest among the examined countries. Here medium-sized enterprises have a decisive weight in the export of the industry. Situation is similar in Estonia, with only a somewhat bigger role of large companies.

Having seen some rearrangements in the company-size structure after the crisis, let us observe whether there were changes in the direction of exports. For the exporting European SMEs geographically close markets are the most important, that means mostly the EU area. A thin stream of literature speaks directly about "Europeanisation" of the firm as sub-category of internationalisation or globalisation. Wach (2016) enumerates those authors that deal with this topic. Harris and McDonald (2004) defined the enterprise Europeanisation as internationalisation within the European Union.

Indeed, EU markets are the most important targets for European SMEs. The main markets are the five largest EU economies (UK, Germany, France, Spain, and Italy) as well as the Netherlands and Austria. On average, internationalised European SMEs achieved almost 90% of total turnover from the single European market (Wach 2016).

The question is whether the crisis reinforced this Europeanisation or just the opposite? The country-level foreign trade data show a geographic rearrangement between 2008 and 2013, (increased share of non-EU countries within exports) for the given countries. This is confirmed by enterprise-level trade data. In these years after the deep crisis Spanish and Portuguese SMEs increased their exports to non-EU markets more than to the EU. The trend is similar for Latvia, Poland, Slovakia and the Czech Republic too (exceptions are Latvian and Slovakian micro enterprises). This geographical rearrangement, however, proved to be temporary. Later, in 2014-2015 as country-level export data show, the weight of the EU increased again in exports. For the countries in the observed three regions the significance of neighbouring countries as export targets increased (Antalóczy - Éltető 2016). It seems thus, that the EU still remains the most important market, with even reinforced weight.

5. Export increasing factors

This part of the article relies on those studies that focus on the post-crisis period surveying exporting enterprises. Such surveys, although not numerous, but do exist for some Baltic, Visegrád and Iberian countries. We look for similarities and differences, with a special focus on SMEs.

As well known, state promotion and business environment are important external factors to help SME- export. Here we do not deal with the topic of export promotion policy and tools in these nine countries (on these see Antalóczy - Éltető 2016 more detailed). However, apart from external support there are several internal factors that depend on the companies themselves and can help them to export and increase their competitiveness. These factors still can be grouped into three major categories. One group is the product characteristics of the firm (its quality, development, adjustment, its production cost reduction). Another group consists of the features of own workforce (specialised, qualified employees, expertise). Managerial behaviour belongs also here, which can be one of the most important push factor behind exporting. Foreign market-related factors form a third group. Finding customers, contacts, network, marketing belong here for example. Table 6 summarises survey results on the importance of these three groups for the companies in the nine countries. Product-related and managerial factors proved to be more essential than foreign market activities.

Table 6. Importance ranking of internal barriers

	Product-related factors	**Managerial, employee-related factors**	**Firm activity on the foreign market**
Spain	Most important	Very important	Important
Portugal	Most important	Very important	Important
Estonia	Most important	Important	Very important
Latvia	Important	Most important	Very important
Lithuania	Most important	Important	Very important
Poland	Important	Most important	Very important
Czech R.	Most important	Very important	Important
Slovakia	Most important	Very important	Important
Hungary	Important	Most important	Very important

Source: own compilation based on local surveys

Company surveys detail several aspects that enhance export and competitiveness. Some of the surveys especially discuss international new ventures (INVs). According to an *Estonian* survey on exporter firms, the competitive advantage of these[9] is in the quality of their products, good contact network, low production cost, professional expertise of employees. As a factor that raises export competitiveness the most[10], finding new customers proved to be at the first place, followed by product development. Regarding Estonian successful small and medium-sized international new ventures, Mets (2016) concludes that entrepreneurial ecosystems (accessible markets, human capital, funding, support and regulatory systems, education) are effective incentives for the companies to internationalise rapidly, overcome the spatial and distance limitations traditional SMEs have. A *Latvian* survey on exporters (Putniņš 2013) defines several factors contributing to export success. Exporters are larger, tend to be more productive, more innovative, proactive and risk taking, and therefore have higher entrepreneurial orientation. Very important factors of export success are having an exporting vision, conduct research on export markets, marketing activity. For *Lithuanian* companies (Korsakiene 2014) own products or services are the major strengths for export/internationalisation followed by the search for new opportunities and having

[9] Estonian exporters competitiveness study final report 25/11/2015. Ministry of Economic Affairs. https://www.mkm.ee/sites/default/files/2015-11-26_-mkm_eksportooride_konkurentsivoime_uuringu_lopparuanne.pdf

[10] Estonian exporters competitiveness study, Veeli Oeselg Ernst & Young Baltic AS, 2015.10.07 Kredex. http://kredex.ee/public/Veeli_Oeselg_MKM_eksportooride_uuringu_tutvustus.pdf

information on customers. Skilled labour and personal relationship appear among motivation to internationalise.

Regarding *Spain* González – Martín (2015) finds that SMEs with foreign capital export more and take part in global value chains more intensively than domestic ones. Weak domestic demand elevates the probability of exporting. However, even if internal demand is increasing, 80% of SMEs intend to continue its international expansion in the coming years according to a survey ordered by the Spanish Committee for Company Internationalization (CEDI)[11]. As for the key factors of export success, companies mentioned first competitive prices, than adequate human resources, the brand and establishment of strategic alliances. It is interesting that 73% of the responding firms consider that public support has not been decisive in their internationalization, although the majority calls for public support for trade promotion and for export financing.

Using financial accounting data of *Portuguese* companies between 2010 and 2013, Correia - Gouveia (2016) emphasize the role of innovation and investment in enhancing export activity.

Direct sales to external customers are the most used by a large majority of Portuguese SMEs surveyed in a study conducted for the Portuguese Chamber of Commerce and Industry in 2016.[12] This survey also demonstrates that the majority (69%) of SMEs maintained their existing structure and has not made major internal changes in financial, human resources or information system-areas. Only some of the firms hired more workers or created an international department with teams dedicated to foreign markets.

In the case of *Polish* international new ventures Danik - Duliniec et al. (2016) found that the major internal drives behind rapid internationalisation were the founder's personality, managerial reaction to an opportunity abroad and own network of relations, former cooperation experience. The main external factors of foreign expansion were business opportunities abroad and possibilities to enter in multinational network.

[11] http://www.camara.es/estudio-sobre-la-internacionalizacion-de-la-empresa-espanola. The survey gathers the opinion of 1,385 executives from exporting companies.

[12] https://www.publico.pt/2017/01/12/economia/noticia/para-muitas-pme-a-internacionalizacao-e-sinonimo-de-exportar-1758073

International new ventures have been on the rise in *Czech Republic* too since 2000, mostly due to governmental support of innovation incubators and start–ups (Reková 2016). Danik et al. (2016) compared some features of the Czech and Polish INVs based on surveys. Having a managerial international vision proved to be very important in both countries. Czech INVs typically start their expansion in the neighbouring countries within the CEE region. The product innovations were more important for the Czech companies in the internationalisation process.

Innovation proved to be essential for the *Slovak* firms too. The survey of Horská - Gálová (2014) proves that two thirds of successfully internationalised firms implemented innovation and mainly product innovation in the last three years. In *Hungary*, according to the survey of Szerb et al. (2013) the main success factors of significant exporter companies are the following: good quality products, excellent contacts, language knowledge, competitive prices, qualified employees and managers, developed technology, adaptation to international standards, having information on foreign market possibilities. The study of Kazai - Pecze (2014) compares the successfully exporting SMEs with the stagnant ones during and after the crisis. During the crisis successful export-oriented companies proved to be better in having adequate strategy, detailed action plans, multiple visions and quicker reactions than stagnant firms. Thus, strategic thinking and implementation was better. Successful exporters rationalized the product range, improved production efficiency, developed new products and looked for new markets. The majority of successful exporters was capable of monitoring the surrounding environment and was prepared to give adequate answers to its changes. Successful exporters proved to be better in forecasting the effect of the financial crisis.

6. Export barriers

Assessing export barriers is important because it may help to understand why some firms fail or are not successful in internationalization. Surveys based on questionnaires can provide information on barriers that exporting firms perceive. Even if a barrier is not very significant, belief in that can refrain companies from export. The usual distinction is between internal export barriers (depending on or stemming from the firm itself) and external barriers (Leonidou 2004; Narayanan 2015).

Internal export barriers refer to the firm's abilities and competences. Leonidou (2004) sorts international barriers into three groups: functional (personnel and production capacity problems), informational and marketing (logistics, distribution, price, promotion) barriers. There can also be other kind of grouping, for example: human resources constraint, financial barriers and limited information (Lejárraga et. al. 2014). For European SMEs the greatest internal barrier has been generally the price of products (EIM 2010). This was followed by high costs of internationalisation and product quality. Human capital and language barriers were ranked lower. Finding qualified labour is usually the most difficult for micro-enterprises. However, large companies employ more generically skilled workers and in smaller firms labour skills can often be more aligned to the work tasks.

External barriers can be home-based or target market-based. Leonidou (2004) groups these barriers to procedural, governmental, task and environmental barriers. External barriers refer to domestic policies, administrative burdens, bureaucracy, lack of information, exchange rate risks, but also to regulations on foreign markets (tariffs, quotas and rules of origin). Non-tariff barriers (technical standards, licensing procedures and certifications) can be very costly for SMEs due to fixed costs (also for smaller amount traded). Complex custom procedures, export controls, and lack of transparency pose also additional difficulties to exporting SMEs. Even exchange rate fluctuations may have a worse impact on SME exporters than on large exporters (Cernat, et.al. 2014). For several reasons, SMEs are more vulnerable to the effects of trade barriers than larger companies (Fliess and Busquets 2006). Large companies can mitigate internationalisation risks by diversifying operations, intrafirm trade strong lobbying for favourable regulations, etc. SMEs usually have limited resources and capabilities to influence policy.

External barriers can affect certain countries differently. The World Economic Forum publishes yearly its Enabling Trade Report with an index that measures the factors, policies and services that facilitate and restrict trade in goods across borders. Main areas of observation are: market access, border administration, transport and communications infrastructure and business environment. Table 7 shows the important barriers of export for the countries discussed in this article.

Table 7. Most problematic factors for exporting, 2015

	EE	LV	LT	ES	PT	PL	CZ	SK	HU
Identifying potential markets and buyers	28.4	21.2	15.6	21.9	19.5	24.0	27.1	25.4	18.2
Access to trade finance	5.6	13.8	9.8	17.3	15.2	9.4	9.7	11.6	11.1
Technical requirements and standards abroad	9.2	11.7	12.7	7.7	7.9	11.1	13.3	12.6	11.3
Inappropriate production technology and skills	9.3	11.2	8.1	8.9	9.4	4.0	8.3	6.7	16.0
Difficulties in meeting quality/quantity requirements of buyers	10.8	10.5	9.5	4.2	7.7	9.8	6.1	10	15.4
Access to imported inputs at competitive prices	13.1	7.90	9.8	3.8	8.0	5.9	8.3	9.8	8.3
High cost or delays caused by international transportation	3.8	6.20	4.7	4.2	6.1	5.5	4.0	4.6	5.0
Tariff barriers abroad	4.5	4.30	7.1	9.1	9.7	5.4	9.8	6.1	2.0
Burdensome procedures at foreign borders	5.6	4.20	6.6	11.0	5.3	9.1	3.4	5.3	1.9

Source: World Economic Forum, Enabling Trade Report 2016 economy profiles

Definitely the most difficult factors are to find partner, finance the export and meet the foreign technical requirements. Additionally, for Hungary and Lithuania (Estonia) meeting requirements of buyers and inappropriate production technology proved to be also very important problems. Tariff barriers are more hindering for Portugal, Czech Republic, Poland than for the others.

Apart from this general picture, we can identify from company surveys[13] other relevant export barriers perceived especially by Baltic, Iberian and Visegrád SMEs in the post-crisis period (Table 8). For *Latvian* SMEs the major barriers of export are access to qualified employees; access to funding (including access to credit) at reasonable cost; high competition; lack of current assets. Furthermore, Latvian companies are quite passive in using communication networks (Eurofound (L) 2013). The results of Putniņš,

[13] The surveys are generally based on 100-300 answered questionnaires per country.

(2013) indicate that direct exporters consider strong price competition in the foreign market as the most serious obstacle to their export activity. This suggests that international competitiveness of Latvian firms is comparatively low. Other significant barriers include: capital requirements; lack of contacts in foreign markets; and issues of mutual trust. In addition, firms mentioned: risk and uncertainty, lack of export expertise within the company, difficulties to obtain bank credit, expensive insurance and transport costs, bureaucracy.

The *Estonian* Ministry of Economic Affairs[14] and Kredex[15] (the export promotion agency) published two large surveys in 2015 on the competitiveness of Estonian exporters, including the most important internal and external problems of export. As main internal problems the companies marked the lack of capital for export investments, insufficient foreign contact network, sales and marketing skills, high production costs, insufficient equipment and technology. Regarding external factors fierce competition on destination markets was by far the hardest barrier, followed by fluctuating demand, protectionism, shortage of qualified labour in home country, excessive bureaucracy, unfavourable tax environment.

In *Lithuania* the survey of Korsakiene (2014) included internal barriers as follows: high start-up costs, limited financial resources, limited management skills, lack of marketing knowledge, communication issues. The obtained results show that intense competition abroad was the most important, followed by high costs, different standards, bureaucracy.

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[14] Estonian exporters competitiveness study final report 25/11/2015. Ministry of Economic Affairs. https://www.mkm.ee/sites/default/files/2015-11-26_-mkm_eksportooride_konkurentsivoime_uuringu_lopparuanne.pdf

[15] Estonian exporters competitiveness study, Veeli Oeselg Ernst & Young Baltic AS, 2015.10.07 Kredex. http://kredex.ee/public/Veeli_Oeselg_MKM_eksportooride_uuringu_tutvustus.pdf

Table 8. The most important perceived export barriers

	INTERNAL BARRIERS	EXTERNAL BARRIERS
Spain	lack of financing, insufficient labour force	lack of access to credit, regulations on external markets
Portugal	lack of qualified labour, inability to develop new products, cultural/language differences	high transport and insurance costs, difficulty in obtaining foreign representation, lack of state incentives
Estonia	lack of capital, lack of contacts, insufficient skills	high competition abroad, changing demand, protectionism
Latvia	lack of qualified employees, lack of finance, lack of foreign contacts	high competition abroad, high risks, bureaucracy
Lithuania	limited resources, insufficient skills, lack of marketing	high competition abroad, high costs of export, different standards
Poland	lack of proper marketing, lack of finance, management errors, product adaptation	instable business environment, bureaucracy, exchange rate fluctuations
Czech R.	lack of competencies, skills, and experience, lack of financial resources	high market entry costs, lack of international networks, insufficient state support
Slovakia	financial difficulties lacking experience, insufficient technologies and innovation	high competition abroad, high market entry costs, economic crisis
Hungary	limited financial resources, limited managerial capacities, lack of knowledge on foreign markets	high market entry costs, high transport costs, insufficient state support for export

Source: own compilation based on local surveys

The survey of Pinho - Martins (2010) defined export barriers for *Portuguese* SMEs. They found that the major export barriers are “warehousing and controlling the physical product flow in the target market”, degree of attractiveness of the sector, cultural/language difficulties, slow payment by foreign buyers, lack of qualified export personnel. Somewhat different are the results of the survey of Queiros (2015), where the main external barriers for internationalization and export were the difficulties in obtaining reliable representation abroad, in granting credit facilities, lack of state incentives, difficulties in identifying foreign business opportunities, excessive transport and insurance costs and lack of information on external markets. Important internal barriers were the difficulties in adapting the design of exported products, inability to develop new products.

Hinting to the effects of the crisis in *Spain*, González – Martin (2015) points out that indebtedness of SMEs affects the probability of exporting negatively, because it decreases the capacity of undertake exporting costs. In fact, 56% of Spanish companies consider that the lack of financing limits their international expansion with bank credit being the most demanded financial tool. These are the main conclusions of the survey commissioned by the Spanish Business and Management Committee for Internationalization (CEDI)[16] and published in 2015. Among the most important challenges companies highlight the selection of a partner, regulatory aspects or lack of funding.

In *Poland* Danik - Kowalik (2015) analysed the threats to international expansion of a firm based on interviews. The relatively frequently named threats included errors in managing the company, fears concerning political instability and bureaucracy, lack of financing, too low domestic market potential, exchange rate fluctuations/currency instability, economic crisis. SME managers[17] consider export too risky, there is not enough knowledge of the market or language, product adaptation can be problematic, Polish brand is weak. Apart from this, SMEs usually do not have long term business strategy, and they are not familiar with export development programs. According to a study carried out in 2015 on the state and prospects of internationalization, the exporters see the following additional barriers in the development of activities in the international markets: legal and procedural restrictions, politics and bureaucracy, problems with billing and foreign partners.[18]

Barriers for *Czech* exporting SMEs were identified by Pollard - Jemicz (2010). Key external barriers include the lack of international networks and distribution channels, the growing intensity of domestic and foreign competition, insufficient government support, bureaucracy, poor payment discipline, etc. As main internal barriers they have identified the lack of capacities and suitable competencies and skills, lack of

[16] http://www.camara.es/estudio-sobre-la-internacionalizacion-de-la-empresa-espanola
[17] http://aobiznes.pl/aktualnosc/305-7-barier-ktore-zniechecaja-polski-sektor-msp-do-eksportu
[18] https://www.arp.gda.pl/plik,4057,znaczenie-internacjonalizacji-w-rozwoju-firm-i-regionu-szanse-wyzwania-i-bariery-prezentacja-pwc-krzysztof-burkot.pdf p.15.

management knowledge and experience, lack of financial resources. According to Toulová, et al. (2015), the biggest barriers for Czech exporters are lack of language knowledge and lack of local environment knowledge. Third biggest barrier is high cost of market entry. Other barriers are administrative issues, cultural differences, geographical distance and finding local partners. Reková (2016) made a survey among Czech born globals on export barriers, where 54% of the respondent firms found that the biggest barrier is high market entry cost. Negative state policy expectations (political situation, legislation changes, etc.) were also described as barrier, such as the inability to find experienced staff and representatives.

According to a survey among *Slovak* entrepreneurs and family businesses the biggest obstacles of international business are changing taxes, ignorance on foreign markets, financing difficulties, foreign competition[19]. The survey of Kaputa et al (2016) enumerates similar major barriers for exporters: foreign competition, financial difficulties to enter foreign market, transportation costs, different legislative environment, standards, certificates, lack of information, low level of innovation in the company, lack of experiences in foreign trade, language barrier, bureaucracy in foreign country, necessity to adjust the product. As Malega (2017) points out, internal barriers are also important for Slovak SMEs, mainly the lack of knowledge and experience in the area of management and marketing and backwardness in the area of new technologies.

The *Hungarian* Development Bank annually prepares a survey on different topics among SMEs. The 2014 spring survey focused on export activity[20] and according to the results, the main barriers of export are the costs of introducing a product to a foreign market, high transport costs, lack of export support. Human capacities within the firm are most problematic for micro-enterprises. Difficulties of financing are also the most important for micro and small firms. Lack of finance and export support is crucial for those companies who have financial problems otherwise. Competitiveness problems are apparent if further export expansion is planned. In the survey of Szerb et al. (2013) companies considered export hindering that there are not enough foreign

[19] The private sector in Slovakia in 2014 http://www.pwc.com/sk/sukromni-vlastnici

[20] MFB Indicator 2014 spring: https://www.mfb.hu/aktualis/mfb-indikator/mfb-indikator-10-2014-tavasz

representatives to support expansion, there is no adequate domestic promotion, transport costs are high, foreign contacts are missing, financial resources and information are insufficient, domestic administration is inadequate or managerial activity is weak.

As seen, the various surveys in the nine countries enumerated several different export barriers. As a common feature, lack of capital or financial difficulties is the most important for the SMEs, regardless of the geographic region. Among external obstacles high competition and high costs are those common factors that all SMEs perceive as serious. For SMEs in the Visegrád countries that are relatively well integrated into global production networks, lack of contacts is not among the strongest barriers, however for the Baltic firms this is very important.

7. Conclusion

The significance of SMEs in employment, value added and export is somewhat different in the Baltic, Visegrád and Iberian economies. Comparatively SMEs represent less weight in the Visegrád countries but their pace of recovery from the crisis was here the quickest. Export activity was a strong component of the recovery everywhere. The role of the EU as destination had temporarily weakened but was later reinforced.

Based on existing enterprise surveys in the post-crisis period the study intended to detect the factors that contributed to the export increase of SMEs. Product-related and managerial factors proved to be the most important contributors. Identifying export barriers is important for the companies themselves and also for the economic policy in order to help overcome them. Although elements, like lack of contacts, skills, technology were named as serious internal hindering factors, shortage of capital proved to be the hardest barrier for SMEs. This is understandable after a deep crisis and it seems that there are no differences among countries in this respect.

Regardig external export barriers, firms in all three regions consider the high competition on the target markets as most serious problem. This shows that competitiveness of SMEs on the EU periphery should be strengthened. Either included in global production network or not, a firm can be competitive if its business environment is clear and stabile, if its employees and managers are well qualified, competent and if it is able to adapt and develop its product. Therefore besides the targeted SME incentives general economic policies and laws (tax, innovation, education) of a given country can be even more important.

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