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Stream 3 - Critical Perspectives on International Business

Business Support for Internationalising Companies in the United Kingdom: questioning the influence and relevance of the exporting model

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Policy, strategy and structure of support to UK companies seeking to internationalise their operations has always been characterised by the simultaneous and more or less interchangeable use of the terms ‘exporting’ and ‘international trade’. This paper reviews government and regional policy and provision of support to companies in the East of England. On the basis of empirical national and regional studies, it proposes that the majority of such provision is focused on exporting companies and that other forms of internationalisation, except inward investment for the last decade or so, are largely unprovided for. The paper demonstrates that publicly-funded support is poorly aligned with company needs and that better market segmentation practices are needed to respond to the increasing complexity and diversity of the internationalisation strategies employed by small and medium enterprises.

The paper will start by providing a context in terms of policy objectives and drivers at a regional and national level. In order to evaluate the general pattern of provision, the paper will present a summary of the findings of a recently completed audit of export services for SMEs. We will then present the initial findings to emerge from an 18 month study of the internationalisation activities of SMEs within one English region (the East of England), in order better to understand the types and modes of international activity adopted by SMEs, the process of internationalisation in SMEs, and the degree to which policies and provision address the needs of internationalising SMEs.

Recent policy initiatives in the East of England, including a review of business services and a drive for the promotion of more mini-multinational companies will be reviewed to assess progress in the realignment of public policy and command structures and the intended improvement of support to companies with high-growth potential. The nature of this potential, including the role of international procurement, partnerships and outsourcing will be considered and its fit with emerging policy will be evaluated. The place and prominence of exporting in the academic literature and in public policy will be assessed in relation to the diversity and complexity of small firm realities.

Policy Review

In recent history, responsibility for promoting overseas trade has been located within the Department of Trade and Industry and has been housed within dedicated organizations, such as the British Overseas Trade Board in the 1970/80s, which have tended to change in structure and title as a result of changes of government following General Elections. Many of the key features of the policy tend to remain intact despite structural change, however. For example, the responsible organizations have always sought to leverage market knowledge and contacts possessed by the Foreign and Commonwealth Office for the benefit of companies being supported. Within one of the world’s most mature free-market economies, support for firms seeking to export is sometimes questioned by those see this as an inappropriate use of public funds. If companies wish to export, why should they not bear all the costs and risks of doing so? As we will see later, the form of support in question is primarily on a micro-level, i.e. the provision of advice, training and market information, most of it match-funded by the government. There are few fiscal or capital support mechanisms in this area. This kind of export support has however been practiced by all governments in recent years on the basis that that international trade is a crucial element in delivering a thriving business sector, which in turn creates jobs, prosperity and wealth to pay for high quality public services (Girma, Greenaway and Kneller, 2001). Greenaway’s study (2003) asserts that companies which export usually benefit by
becoming more productive. ‘Our analysis points to a significant initial productivity effect on entry. Specifically, productivity growth is between 2 per cent and 4 per cent faster in the year of entry than in the period before entry.’

The latest large-scale evolution of policy saw British Trade International established in May 1999 to bring together the joint work of the Foreign and Commonwealth Office and the Department of Trade and Industry in support of British trade and investment both overseas and in the United Kingdom. Trade development and outward investment activities are now delivered under the banner of Trade Partners UK and inward activities under the banner of Invest UK. In 2003 these two organizations were merged to create UK Trade and Investment. UK T&I is the prime means of organizing and delivering public sector support in this area. All government-subsidised support for companies wishing to export operates through UK T & I on one level or another (see Section 2 for further details). It is a national organization but is increasingly developing a regional focus through its alignment with general business services which are coming under the influence of the Regional Development Agencies (RDAs).

A key trend in the delivery of policy objectives and business support in the UK is regionalisation (Johnson et al., 2000). In terms of export and internationalisation, Trade Partners UK introduced a series of Regional International Trade Directorates to co-ordinate, deliver and implement the Corporate Plan. Each region has developed an international trade strategy which outlines a set of objectives, targets and actions. Within East of England, the focus for the paper, the East of England Development Agency (EEDA) and Trade Partners UK published the International Trade Strategy for the region in August 2001. Overall, it sought to increase the number of active exporters from 3500 in 1999 to 4000 in 2004. Over the same period the total goods value exported would increase from £15.6bn to £18bn. Interestingly, it noted that the East of England did not simply follow the geographic distribution of UK exports and as a result, a major thrust of the strategy should be to improve export activity with Europe. Like other regional strategies throughout Europe, the strategy espoused the values a policy of cluster development, along the example of the Cambridge Phenomenon, in the light of the diversity in the region’s economy. This has been perceived as a vehicle to sustaining and enhancing economic growth and a greater coordination of support activities.

In more recent times, the government has accelerated the trend towards regionalisation by giving Development Agencies a key role in the management of business support services by placing BusinessLinks under their wing. Current policy therefore seeks to improve national competitiveness by reinvigorating the regions. The provision of support for exporting companies is being aligned with the general economic strategy of those regions. In this respect, the protection of jobs and prosperity is achieved by the securing of inward investment as well as the exporting of goods and services. National and regional policy in the UK therefore reveals a predilection for a concept of international trade which embraces inward investment, international partnerships and importing as well as exporting. In the East of England UK Trade and Investment and Invest East of England have created a joint company to improve the interaction between outward and inward trading activities, networks and support.
An Evaluation of Support Provision

There is a wealth of evidence within the academic literature and government statistics that demonstrate that exporting is the predominant mode by which SMEs engage with international markets and trading. Since the mid 1990s, there has been a great deal of debate around the exporting activities of small and medium sized enterprises (SMEs), in both a regional and a national context. A brief review of the academic and practitioner literature highlights a number of perceived benefits to businesses from exporting. These include exposure to differing ways of doing business (Barclays Bank, 1996), additional demand for the product or service of the business (Julien et al., 1997) and opportunities for modifications of existing products and new product development. The successful development of export markets by SMEs has also been recognised by government as critical to enhancing the competitiveness of these businesses and hence to the strengthening of regional and national economies. It is these public benefits - principally the generation of a larger number of more secure jobs - that provide the basis for the substantial expenditure of government funds in the support of private businesses. In the United Kingdom, for example, policies have drawn upon research by Girma, Greenaway and Keller (2001) that provides evidence of causal link between exporting and improved business performance.

The front-line concern with exporting is still reflected in the literature of UK Trade and Investment. The following are, in terms of investment and delivery, its key programmes and services nationally:

- Passport to Export:
- Managed Market Entry –
- Export Communication Review Scheme:
- Overseas Market Introduction Service (OMIS):
- Trade Development Service:
- International Business Schemes – Support for Exhibitions and Seminars Abroad (SESA):
- Solo Show Support Scheme:
- New Products from Britain:
- Sector Focused Missions.

Though there is evidence that inward investment has become a key area for the future:

*UK Trade & Investment* is the Government organisation that supports both companies in the UK trading internationally and overseas enterprises seeking to locate in the UK.

Known previously as Trade Partners UK and Invest UK, both part of British Trade International, our new single identity signifies our continued commitment to meet the needs of companies operating worldwide.

Our role is to help companies realise their international business potential through knowledge transfer, and on-going partnership support.

British companies looking to start up or expand their overseas business interests, and organisations keen to operate in the number one business location in Europe, will find UK Trade & Investment a valued partner.

(Source: UK Trade and Investment website.)
Academic Literature Review

The past twenty years has seen an explosion in research in the area of internationalisation of small and medium-enterprises (SMEs), which has resulted in a considerable body of academic literature and thinking. In part, interest in this area of research has been stimulated by the growing debate on globalisation, its impact on the development of SMEs and the entrepreneurial response required by businesses to deal with increased competition (Ibeh, 2000).

It also reflects the activities of Governments in a large number of developed and developing market economies who have introduced a range of policies and programmes to support the internationalisation of SMEs, as part of wider economic policies to tackle balance of payment deficits and enhance the competitiveness of local and regional economies. In the United Kingdom, for example, the Wilson Review (1999) led to the formation of Trade Partners UK\(^1\) and an explicit regional structure by which to provide support to assist SMEs to engage with, and develop international markets. There are similar explicit structures of support for internationalisation and SMEs in countries such as Australia, France, Spain and the United States (Nothdurft, 1992).

At a micro-level, such support is provided to assist and enable businesses to exploit opportunities in overseas markets and address the barriers and challenges associated with doing business in international markets. A brief review of the academic and practice-related literature highlights a number of benefits associated with exporting and internationalisation including: exposure to different ways of doing business, opportunities for product development modification and development; sources of additional and new business; and opportunities to develop joint ventures and strategic alliances.

However, a critical review of this literature raises a number of issues in terms of the impact and usefulness of this body of understanding. For example, both Julien et al. (1997) and Sear and Hamilton (2003) question whether this mass of research activity and published material has afforded a clearer view of the key issues surrounding the internationalisation of the SME. It may, in fact, simply serve to increase our lack of understanding in this area and has resulted in the formation of a number of myths and misconceptions upon which a number of policies and programmes of support for SMEs have been developed and introduced. The academic propensity to create problems, models and theories has led to a tendency to conceptualise the experiences of the SME in fragmented, atomised and unrepresentative terms which are poorly suited to the solutions to the problems that businesses actually encounter (Aldrich and Martinez, 2001).

Rather than generating a better understanding of the nature and dynamics of the competing tensions in the face of which owner-managers and managers of SMEs need to make decisions, academics and researchers have too often preferred to generalise, hypothesise and model-build across sectors, regions or markets. This focus will only be exacerbated by the latest trend within Government for evidence-based policy. Accordingly, a number of contradictions and competing tendencies have emerged which have created a number of mis-matches between policy developments and the realities facing the SME within their trading environments (Gibb, 1997).

Much of the literature on the internationalisation of SMEs remains dominated by the exporting activity of firms. A recent search under academic journals in Business
Source Premier yielded 1030 returns for exporting and 353 for importing. This is clearly not an exhaustive study but most specialists in the area would agree that the figures are not far off the mark. Large numbers of the returns under exporting concern an assessment of the efficacy of government support systems and there is a paucity of data about firms that export without resorting to these sources of support. Indeed, when we remember that the vast majority of firms, anywhere between 60-80%, do not look to the government in this connection, it is clear that academic thinking is very unadventurous.

Furthermore, a great deal of the literature about SME internationalisation continues to be obsessed with two concepts which are dated, simplistic and statistically almost insignificant: the incremental model used by the behaviourists and the born global model.

The behaviourists

The Uppsala (U) model (Johanson & Vahlne 1977, 1978, 1990; Johansen & Wiedersheim-Paul 1975) is also referred to as process theory of internationalisation or stages model:

- It is based on the behavioural theory of a firm (Cyert & March 1963, Aharoni 1966) and on the theory of the growth of a firm where internationalisation is a gradual involvement process (Penrose 1959)
- Internationalisation is seen as incremental process, depending on firm experimental knowledge of foreign markets which reduces uncertainty for management. Commitment of resources into development of foreign sales activities follows
- Johansen & Vahlne (1977) propose a Dynamic model most suitable in observing steps of internationalisation. This model seeks to explain the chain of international activities the company goes through and the order in which foreign markets are entered


- The innovation model (Andersen 1993) is based on Vernon’s (1966) international product life-cycle. The various stages of internationalisation are distinguished along the ratio of export sales to total sales, representing the extent to which a firm is involved in export activities
- Stage one represents a firm that is solely interested in the domestic market and not interested or willing to experiment with exporting, whereas stage five represents a firm where the export sales to total sales ratio is 40 percent or more with the firm being heavily dependent on foreign markets (Gankema et al. 2000)
- SMEs adopt exporting activities through a number of stages from “uninterested” to “committed involvement”
- A detailed analysis of the micro-based activities that shape and direct the internationalisation decisions by SMEs is largely under-researched

The Uppsala model, the key driver behind the behaviourist approach, was based on a study of 4 firms. Its popularity is almost totally due to the fact that it lends support to the dominant government support systems practised in the UK and most other
countries. Although one could suggest that the literature has in some sense ‘moved on’ from this simplistic view of SME internationalisation, at the same time, the fact that the global trading environment has undergone massive changes in the form of deregulation, technology and sources of competition has remarkably failed to dislodge this model from the mind of most researchers.

The ‘born global’ phenomena

- Three important theories incorporated:
  “International new ventures” or “INVs” (McDougall, Shane & Oviatt 1994)
  “Global startups” (Oviatt & McDougall 1994)
  “Instant internationalisers” (Preece, Miles & Baetz 1999)

- “Born global” theories developed by McKinsey & Co. 1993 survey of SMEs recently started to export, scholarly use by Knight and Cavusgil 1996; provided reason for existence and empirical definition of a “Born global”

- Madsen & Servais (1997) focus on knowledge of foreign markets of manager or founders, which reduces uncertainty and thus accelerates internationalisation. Difference between traditional company and born global is managers personal experience, relations and knowledge of market conditions

  “organisation that from inception seeks to derive significant competitive advantage from the uses of … in multiple countries”

- Implement global strategy from inception, increasing number of companies act increasingly different to existing framework, especially stage theories
  “Born global phenomenon presents an important new challenge to traditional internationalization theory” (Knight & Cavusgil 1996, p.17)

- Concept of INVs regarded as most broad and comprehensive one used in literature since it also accounts for existence of born globals (see Exhibit 1, Knight & Cavusgil 1996)

Table 1: Traditional vs. Born Global capabilities

<table>
<thead>
<tr>
<th></th>
<th>Traditional</th>
<th>Born Global</th>
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</thead>
<tbody>
<tr>
<td>Importance of Home Market</td>
<td>Competitive advantage and Basis for internationalisation</td>
<td>Weak or no home market at all Percepcion of World as one market with opportunities rather than risk</td>
</tr>
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Capability to internationalise

<table>
<thead>
<tr>
<th>Experience and knowledge are important for success</th>
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<tbody>
<tr>
<td>Born globals have prior knowledge of foreign markets</td>
</tr>
<tr>
<td>1. Greater international experience of entrepreneurs – prior knowledge reduces uncertainty and risk</td>
</tr>
<tr>
<td>2. Manager increase speed of learning and internationalisation</td>
</tr>
<tr>
<td>3. Burgeoning capacity communication technologies – acquire knowledge, develop strategies and maintain relationships</td>
</tr>
<tr>
<td>4. Decision maker characteristics</td>
</tr>
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<tr>
<th>Psychic Distance</th>
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</thead>
<tbody>
<tr>
<td>Psychic distance changes over incremental process</td>
</tr>
<tr>
<td>Minimization of relevance of psychic distance</td>
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<table>
<thead>
<tr>
<th>Influence of Firms Strategy (Johanson &amp; Wieders. 1975)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sceptical in regards to strategy and of marginal importance</td>
</tr>
<tr>
<td>Focus and pace of internationalisation are dictated by competitive strategy to seize a leading position or niche market</td>
</tr>
<tr>
<td>Intimately involved in internationalisation (McKinsey 1993)</td>
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</table>

<table>
<thead>
<tr>
<th>Importance of Networks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Needed to commit resources and gain knowledge</td>
</tr>
<tr>
<td>Key resource of born globals</td>
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<tr>
<th>Time to internationalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internationalization is a gradual process</td>
</tr>
<tr>
<td>Accelerated internationalization</td>
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</table>

The born-global model as discussed above was greeted with revolutionary fervour in the 1990s yet has failed to evolve to encompass more than a small number of companies in new knowledge-based sectors. Whilst it had the virtue of disturbing the grip of the Uppsala model, it remains distinctive mainly because its newness and simplicity. We should not be misled by this. The idea that highly-geared hi-tech companies funded by venture capital and able to exploit international professional and academic networks to exploit global markets from day one helps us better understand the position of and prospects for all SMEs in international business is representative of the majority is nonsensical. Yet it persists.

**Research Findings**

If most current thinking is based on a small sample of SMEs, most of which have been researched because they are clients of government support services, we clearly need to look elsewhere to know what is actually happening to and within SMEs.

We will first of all cite a pan-European study of SMEs to get a fuller picture of trading activities.

We will then present the findings to emerge from an 18 month study of the internationalisation activities of SMEs within one English region (the East of England), in order better to understand the types and modes of international activity.
adopted by SMEs, the process of internationalisation in SMEs, and the degree to which policies and provision address the needs of internationalising SMEs.

The Observatory Study questioned 7745 companies across 20 countries and found the following forms of internationalisation activities:

- Foreign supplier (importing only) 30%
- Exporting only 18%
- Collaboration, primarily with foreign SMEs 3%
- Subsidiary, branch or joint venture abroad 3%

Note: The above percentages cannot be summed, since individual companies may figure in several categories.

Exporting, then, is by no means the only way that companies interact with international markets. Far from it, importing is economically, if not politically, more important to firm productivity and efficiency through effective costs management. Importing can of course be done well and be done badly, yet little governmental or academic support or guidance is available to help companies source materials more competitively.

Apart from the direct benefits obtained from importing, the authors report on a further apparent one:

‘Of all SMEs, 18 per cent use only import, without exporting or having foreign establishments. Another 12 percent have imports in combination with export or foreign subsidiaries. Hence, of the 13 per cent in the group engaging in more complex forms of internationalisation, almost all have a foreign supplier.

An interesting finding is that exports seem to be much more frequently combined with a foreign supplier than as an isolated activity. Only 6 per cent have just exports, but 10 percent of SMEs have both foreign suppliers and exports. This might indicate that having a foreign supplier somehow supports or promotes export-related activities. This hypothesis is supported by a Dutch study showing that importing SMEs are prompted to export by the fact that they are trading with foreign firms’.

So importing is a means of network building and trade development. As such it is surely as likely to promote productivity, competitiveness and even innovation as is exporting. These benefits will be manifested on a macro-economic levels in the form of jobs created and sustained. The particular relevance of this to the United Kingdom’s economy is further stressed by the Observatory Study. At 23% we have fewer companies importing than the European average of 30%
The second source of evidence is ‘Competing Effectively in International Markets’ (CEIM), a study carried out for the East of England Development Agency.

The evidence below draws on the key findings and issues to emerge from an 18-month research project funded by the East of England Development Agency and carried out by Anglia Polytechnic University. The aim of the CEIM project was to identify successful aspects of international business planning, resource management, international networking, market intelligence gathering and global skills and knowledge development that can be made transferable across business sectors via training, educational, development and recruitment programmes.

The majority of studies into related areas completed both within the region and nationally have either been quantitative or qualitative whereas the CEIM study is rather rare in that it is both quantitative and qualitative. 1200 firms were interviewed by telephone to map international activity within the eastern region. This was then followed up with face-to-face interviews with 80 firms on their premises lasting between 1 and 2 hours with either the owner-manager or the individual responsible for international action to gain insights into why and how firms become involved in international activity, and of course, why they sometimes do not, how they manage their international activity, what problems they encounter and where they go to find solutions. In this way we have been able to explore the underlying issues behind international activity to provide valuable insights into the company experience.

As alluded to in the literature review above, within the academic and support communities, the terms exporting and internationalisation are often regarded as interchangeable. That is, there is an underlying assumption that exporting and internationalisation for all practicable purposes mean one and the same thing. Hence examples of internationalisation stage models discuss primarily exporting activity and international trade strategies from agencies within the UK focus largely on encouraging exporting within SMEs. Evidence from the CEIM study however, demonstrates that in reality the situation is far more complex and that exporting is only one type of international activity.

Table 1 below categorises interviewed companies within the East of England according to the international activities in which they participated. Within the region, the most popular internationalisation mode is exporting, but only slightly fewer organisations engaged in importing. More importantly, more than half of all internationalised SMEs engage in two or more forms of international activity, such as exporters who also import.

Table 2: Modes of internationalisation amongst East of England SMEs

<table>
<thead>
<tr>
<th>Type of activity</th>
<th>Frequency</th>
<th>% of cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exporting</td>
<td>430</td>
<td>77</td>
</tr>
<tr>
<td>Importing</td>
<td>349</td>
<td>62</td>
</tr>
<tr>
<td>International Production</td>
<td>44</td>
<td>8</td>
</tr>
<tr>
<td>Recruitment</td>
<td>15</td>
<td>3</td>
</tr>
<tr>
<td>Intellectual property</td>
<td>16</td>
<td>3</td>
</tr>
<tr>
<td><strong>Sample base</strong></td>
<td><strong>560</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Anglia Polytechnic University (2003)
Table 3: Internationalisation by sector amongst East of England SMEs

<table>
<thead>
<tr>
<th>Region</th>
<th>Totals</th>
<th>Region % of cases</th>
<th>Primary % of cases</th>
<th>Secondary % of cases</th>
<th>Tertiary % of cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exporting</td>
<td>430</td>
<td>77</td>
<td>68</td>
<td>93</td>
<td>72</td>
</tr>
<tr>
<td>Importing</td>
<td>349</td>
<td>62</td>
<td>84</td>
<td>59</td>
<td>62</td>
</tr>
<tr>
<td>Production</td>
<td>44</td>
<td>8</td>
<td>11</td>
<td>5</td>
<td>9</td>
</tr>
<tr>
<td>Recruitment</td>
<td>15</td>
<td>3</td>
<td>11</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>IPR</td>
<td>16</td>
<td>3</td>
<td>0</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Sample base</td>
<td>560</td>
<td>19</td>
<td>129</td>
<td>412</td>
<td></td>
</tr>
</tbody>
</table>

Source: Anglia Polytechnic University (2003)

An examination of the three broad sectors (primary, secondary and tertiary) suggests that exporting is most prevalent in the secondary sector and importing in the primary sector (see Table 2). Some 62 per cent of internationalised SMEs are involved in direct importing.

‘When we started we looked around and the best quality at the price was Spain and so we went over there walked around the food markets, approached some of the producers and now we import everything from there’

Wholesaler, Norfolk.

Moreover, that drive to international trading activity through importing is driven by sales rather than any incremental strategic actions:

‘We import chickens from Spain and sell the wings to Hong Kong. About 3 years ago they had a huge health scare in Hong Kong and banned all poultry imports. I didn’t know what to do, so I rang my competitors who said they knew this was coming and had already shifted their imports to the Caribbean. I said, oh my God, I haven’t. So I rang the St. Lucia Board of trade in London, got some names and caught a plane there. We’ve been exporting there now quite successfully for three years now.’

Poultry Importer, Norfolk

On other occasions, it is part of the complexities of supply chain management for SMEs within the current global economy:

‘For many years we imported most of our pianos from Russia, but now we get almost all of them from China. Well, the total UK market is 7,000 pianos a year, and this factory near Beijing makes around 100,000 a year of extremely good quality at about half the price of the Japanese models.’

‘We are part of a buying group here is the UK and so we buy a full container of pianos in China and get them shipped over. … in fact doing it this way means it costs less per piano to import them from China than it does to bring them over from the docks in Bristol.’

Musical instrument retailer, Cambs

Interestingly, smaller SMEs are just as likely to be involved in importing as medium sized organisations. Only a minority of businesses claimed to have an involvement in international production but tended to be within the medium size group of SME suggesting that the managerial and/or financial resources necessary for such ventures may be substantial.
Therefore, there is evidence that for the majority of internationalised SMEs exporting does not mean the same thing as internationalisation. Most internationalised SMEs are engaged in both exporting and importing and policy interventions on behalf of the support community need to reflect this situation to remain appropriate to the SME experience.

Conclusions

This paper has argued that the reality of SME internationalisation is more complex than the way in which it is portrayed in public policy and academic literature. Small firms are behaving in an environment which is so complex that policy and research is having difficulty keeping up with it, on an empirical level at least. We all know that things are more complex now but we have yet to map that effectively into our policies and theories. The result is that small firms are as disenchanted as ever, if not more, with public agencies and academic theories. To be specific, this raises questions on several levels that we should be addressing. On an academic level we should be asking:

- What is the interaction between the two main trading functions of importing and exporting within an enterprise and its business process?
- Can this interaction be modelled? If so, on what basis, sector or skills, for example?
- Is this multi-directional flow of goods being accompanied by a flow of ideas and innovation, directly or indirectly?
- Is this flow of goods changing the pace and patterns of subsequent stages of internationalisation, i.e. foreign direct investment?

On a policy level we need to consider:

- Are existing structures appropriate or do our support services need to adopt an intrinsically more international approach to markets and firms?
- How we can help companies and entrepreneurs begin and then enhance their ability to exploit these opportunities?

Furthermore, the evidence presented about public policy and academic literature need to be evaluated in terms of their relationship to each other. Which is a motor of progress and which is a brake on it? Top marks can be given to neither but the authors would argue that there are more beacons of forward thinking in the area of public policy than might be expected. In the UK, regional policy has permitted the admission of more new ideas in the last decade than in many years previously. Whilst this does not yet explicitly stretch to the integration of importing, there are signs of initiatives which encourage an inclusive approach to inward and outward investment. Replicating this in the area of importing support might help companies both reduce costs and boost their exporting activities (Fletcher, 2003).

Integrated and inclusive are not adjectives one can readily apply to the academic research. For example, we need to know a lot more about companies which internationalise without the support of the government. Too much of the work undertaken simply reduces the firm to a series of narrow, measurable factors in its relationship with its environment which, when aggregated, make the findings of the inquiry inapplicable to the firm itself. Much closer and more diverse engagement with
companies is required to enrich the range of models available to describe the international SME and its behaviour in an extremely complex global business environment. The lack of attention given to importing and its impact on the firm and the economy is a clear example of the shortcomings in academic thinking.

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