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# **Internationalisation of SMEs in Leeds and Wakefield: A Summary of Findings**

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## **Introduction and Rationale**

The debate on SMEs development and expansion is an ongoing issue many countries are trying to tackle. In other words, whilst many SMEs are trying to internationalise their businesses to achieve competitiveness and development (Bianchi et al, 2018; Galvao et al, 2018; Pena-Vinces et al, 2017; Huggins & Strakova, 2012; Ruzzier et al, 2006; Nummela et al, 2006; Javalgi et al, 2011; Konopielko & Bell, 1998; Thwaites & Wynarczyk, 1996), there are still many regions in Europe, which are not developed in this sense and many SMEs have not reached their desired potential.

An Innovation-related model (Imodel) proposed exporting as a good model for internationalisation of SMEs and the process is embedded in learning and understanding international behaviour of firms (Gankema et al, 2000; Ruzzier et al, 2006). Internationalisation, in general, is, however, conditioned with networking and international orientation (Cunningham et al, 2012) and the extent to which SMEs will internationalise depend also on “international travel, being born abroad, having studied or worked overseas, access to global networks or foreign language capabilities” (Cunningham et al, 2012, p. 247, see also Madsen & Servais, 1997). According to the Knowledge-Based View (KBV) approach, networking is essential for exporting but also knowledge and experience and the way this can be applied to the internationalisation process (McDougall et al, 2003; Westhead et al, 2001; Cunningham et al, 2012).

The COMPETE IN project was established to explore opportunities for internationalisation of small and medium-sized businesses (SMEs) in Italy, Sweden, Spain, Poland and the UK with a particular focus on regions and regional approach. The regional approach is linked to EU’s strategy of tackling unemployment, poverty and social exclusion, and the initiative of tackling these issues regionally started with the Social Economy Unit in 1989 (Molloy et al, 1999; Mawson, 2010) and this programme got expanded during the 1990s when EU started to fund various programmes to encourage regional development (Konopielko & Bell, 1998), which eventually resulted with policy ‘Europe of regions’ (Galvao et al, 2018). IN the UK, regional differences in development have been heavily debated by the media and were part of elections campaign in the last General Elections where the current Government promised ‘levelling up’ and investing more into regional development (Davenport & Zaranko, 2020).

In the previous stage of the COMPETE IN project, we already explored and identified several international opportunities and initiatives (Topić & Devins, 2019). The analysis of available

initiatives has identified opportunities not just for internationalisation in itself, but also for support and funding, which are available across the globe in countries such as Mexico, Saudi Arabia and Brasil, for example. The report also identified some successful cases where countries or federal states launched successful programmes which have now been completed. Table 1 shows a summary of opportunities abroad and the focus of these programmes and initiatives.

**Table 1. Selected International Best Practice Cases**

<b>Country (region)</b>	<b>Inward Investment</b>	<b>Exporting</b>	<b>Attraction of Investments</b>	<b>Penetration of Territories</b>	<b>International Partnerships</b>
Canada (Ottawa)	✓		✓		
China (Chengdu)	✓		✓		✓
Brasil (national initiative)	✓	✓	✓		
USA (Boston)	✓		✓		✓
Australia (Queensland)	✓		✓		
Canada (Quebec)	✓	✓	✓		
USA (California Silicon Valley)	✓		✓		
Mexico (ProMexico initiative)	✓		✓		
UAE (Smart Dubai)	✓	✓	✓		✓
USA (Florida – REDI Initiative)	✓	✓	✓		

Source: Topić & Devins, 2019, p. 6

The analysis was meant to help participating partners identify the best opportunities and the best practices, which can be both used by SMEs in participating countries as well as help partners identify and offer development opportunities to regional SMEs.

For this report, we conducted a survey with SMEs based in Wakefield and Leeds to explore to what extent SMEs in the region internationalise and export their goods and/or services to help identify barriers towards the internationalisation of SMEs. In that, we asked SMEs to identify reasons why they are not internationalising their business, for those who do not do so, and also where they export and how they found those opportunities for those who already engage with internationalisation/exporting. In addition to that, we also asked whether SMEs hire graduates and advertise for placements to explore to what extent are young people involved in working with SMEs and their role in internationalisation.

Since this study was conducted during COVID-19 pandemic and severe local and national restrictions that caused hardship and disruption to many SMEs, particularly for those based in the north of England (such as Leeds and Wakefield), the number of respondents is only 23, however, these answers still give a useful insight into views of SMEs about issues identified above that can be further explored in other studies as well as used for identifying and designing development opportunities for regional SMEs.

## **Results**

In this section, results are presented and summarised in two categories, exporting and student and graduate employment. Overall, it seems that SMEs in Leeds and Wakefield are networking and trying to create opportunities, which is recognised as essential (Cunningham et al, 2012). However, at the same time, they lack the skills to actively engage with the internationalisation of their businesses (Cunningham et al, 2012, p. 247, see also Madsen & Servais, 1997; McDougall et al, 2003; Westhead et al, 2001).

### Exporting as part of the business

Out of 23 SMEs which participated in the survey, 16 does not export as part of their business. Out of seven who do export, the foreign markets are diverse with respondents mentioning mainland Europe, the Middle East, Asia, the USA, Australia, Canada and Seychelles.

Those SMEs who do not export cite a variety of reasons, such as not selling anything that can be exported, being a new business and starting first in the UK, but also a lack of information and skills required to do any exporting or doing business abroad. In the latter, SMEs quote lack of information from authorities such as local councils and also digital skills but some also quoted uncertainty because of Brexit, lack of impartial advice and language barriers.

For those who already export, SMEs quoted networking in the UK and abroad and attending events domestically and internationally as main drivers of exporting and internationalisation of their businesses. Events quoted include

- Biobased Coatings Europe
- European Coatings Show
- Packaging Innovations and The Retail Institute
- Calderdale Business Hub
- Leeds Digital Festival
- Digital City Festival
- EMA
- RegTech Talks
- No Code Lab
- She Can Prosper
- Lean In Leeds
- Forward Ladies
- CLTA in the USA
- Chinese Teaching Conference in the UK
- DTI webinar
- Institute of Asset Management Conference and
- RICS Conference.

The variety of events mentioned by only seven SMEs who engage in export already shows the wealth of opportunities to create networks and upskill since participants quote a wide variety of opportunities including webinars and actual events such as festivals and conferences.

#### Student Placement and Graduate Opportunities

Student placements are again offered by a small number of SMEs, namely seven and those who offer placements report positive experiences such as,

“They bring the knowledge and experience of the new technologies and platforms being used by their generation. We can then assess and if appropriate integrate these into the product offering of the business”

“As a charity, long term placements have enabled work to be done that we would not have the resource for. The work then has a direct positive impact on the community”

“Yes, we offer a variety of placement opportunities. The people that come to us view the business differently to us or from a different perspective and have offered suggestions as to how we could do something else or in a different way to usual practice which has been more efficient to the business”.

These answers illustrate positive experiences of engaging with students who bring different skills and also help in getting the work done that otherwise would not be possible to resource. The majority of SMEs who accept placement students use University placement offices for finding students, and some SMEs also quoted job websites such as Indeed and their websites and social media. However, when it comes to hiring graduates, the majority of SMEs is not engaged with promoting these opportunities, and some cite very specific reasons for this practice, such as,

“As a relatively small company, we do not have the resource to upskill them to make them productive in very specialised areas we operate in. To hire them would be unfair to them and impact our business”.

Therefore, it seems as if SMEs do not engage with offering placements or hiring graduates, which likely has an impact on creativity and diversity of the workforce, however, in a post-Brexit Britain severely impacted by COVID-19 pandemic, this practice might particularly affect the employability of young people as a preference for employability is given apparently to more senior candidates. Given that diversifying the workforce brings enormous benefits, particularly linked with creativity and innovation, the lack of this practice is likely linked with a previous finding of SMEs not having knowledge or skills, which may be linked to not knowing how to hire students and graduates or what benefits they might bring to the organisation.

## **Conclusion and Recommendations**

In conclusion, it seems as if many SMEs are not very active when it comes to exporting, internationalisation or collaborating with students and graduates, the last two being known for increasing innovation and creativity. However, the reason for this is not the lack of interest as much as lack of skills, knowledge and funding, which opens up a possibility for future development. Therefore, the following recommendations can be outlined:



- SMEs should consider upskilling using, in the first instance, short practical courses improving digital skills. For example, Leeds Beckett University already has the New Technology Institute, which offers a variety of useful short courses such as WordPress website design, Search Engine Optimisation (SEO), project management skills, etc. These courses would benefit SMEs as they could provide owners with skills they need to improve their businesses and the ability to identify opportunities for business development.
- SMEs reported a wide variety of networking events and trade shows they attend as beneficial. Identification and analysis of these events, and its dissemination to SMEs in the region more widely, would be beneficial to SMEs until upskilling is achieved and this information would provide valuable insight for Universities on networking opportunities, which can be further shared with students interested in starting an SME or working with SMEs.
- Universities should engage more proactively in promoting placements and graduate employment to SMEs to increase awareness of student and graduate contribution to innovation, creativity and diversity, which would be beneficial for both SMEs and Universities (who already have to report on graduate employment).

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