

DELIVERABLE D3.3

Best practices on SMEs' internationalization

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EXECUTIVE SUMMARY

The main goal of the document is to provide the reader with useful information and insights about the best practices showed by SME in their internationalization activities within the ELCA internationalization project.

The project provided several opportunities to SMEs to be involved in discussions, presentations, visits and meetings with overseas markets. However, as each market present unique conditions and economic cultural context, it appears important to gather together the experiences with the specific purpose to improve the support of SMEs' internationalization.

As the ELCA internationalization project focuses on the sector of advanced materials, it automatically involves several aspects of manufacturing and logistics, setting well defined conditions for cross-national collaborations.

1 TASK 3.2 - MONITORING OF ACTIVITIES AND BEST PRACTICE

1.1 Main objectives

The main objective of the task 3.2 is to identify the best practice that some of the SMEs followed during the ELCA internationalization activities. While the ELCA partners offered different opportunities to explore foreign markets throughout the program, SME showed different approaches and behaviours in taking advantage of these opportunities getting different levels of involvement in the project.

The main goal of the task is – after having completed the exploratory initiatives in the identified markets – to highlight the best practices on the internationalization level of activities in order for the clusters to be able to provide useful insights to SMEs which will be interested in approaching the same markets.



1.2 The markets

The ELCA Internationalization project identified initially 5 potential international markets for European lightweight solutions, respectively:

- India,
- United Arab Emirates, with a specific focus on Dubai and Abu Dhabi, the major and richest emirates
- Latin America – with a focus on the Chilean market
- Japan
- USA

Generally, SMEs' have been the principal beneficiaries of the ELCA internationalization activities and have been involved since the beginning, taking into account the different priorities and sectors identified in the deliverable D1.1 (Lightweight opportunities and partnership competences).

At the end of the entire ELCA internationalization project the consortium is able to draw some general conclusions concerning the motivations, the needs and the barriers for SMEs when tackling a complex topic as the internationalization towards countries with specific economic and business cultures.

Firstly, the consortium has been able to understand better the motivations for the involved SMEs in the internationalizations.

The first and most frequent driver for attending our activities and initiatives is the economic and business growth. Mostly of the SMEs involved in fact had as a priority the opportunity to grow opportunities that could be associated with international markets. In particular, the SMEs who participated in our activities presented their activities and products enhancing the innovative aspects of their own solution. The need of growing profits into new markets is indeed an intrinsic aspect of the entrepreneurship, however reducing the dependence from a single or a smaller number of markets counted as the main driver for international activities.



Secondly, a significant motivation identified within the project is the research for new knowledge. As multiple initiatives planned an exchange of information between stakeholders from Europe and the target markets, several SMEs had the opportunity to understand the R&D priorities and the commercial needs in different part of the world, which present huge difference with the European one. The investment of time in this understanding, event if not met as an economic return in the short term, has been defined as an important step in order to keep track of potential opportunities (present and future) in the sector in which the SME operates.

The two above have been the two major motivations for the internationalization of the European SMEs during the project.

As on one side ELCA consortium has been able to identify the main drivers for internationalization, on the other the project gave the opportunity to monitor and recognize the most common barriers for SME which want to internationalize.

A first level of barriers which has been overcome partially thanks to the ELCA internationalization is the informational and contact barriers, that is the identification of overseas partners and customers. The presence of intermediary organizations such as the clusters organizations has been a fundamental pillar of the internationalization activities, giving the opportunity, for European SMEs operating in the field of advanced materials and lightweight to drastically cut – particularly in terms of time - on the cut of identifying overseas stakeholder. A good example is offered by the matchmaking event organized by ELCA Internationalization in collaboration with EBTC, the European Business Technology Center which mainly work for connecting European and Indian companies and agencies. This collaboration gave the opportunity for SMEs to directly identify potential and interesting Indian contacts, without having the need to spend time and money for additional researches. In this case, the typical contact barriers that SMEs have to face when going overseas have been reduced.

A second level – just for the purpose of listing and not in terms of priorities – of barriers are the financial and management barriers. The level of investment that one SME need to invest for just exploring new opportunities in such overseas markets may be too high for its economic situation. In addition to that, the investment in terms of timing and use of human resources is



obviously depending on the level of certainty of the outcome of the international missions. In this passage, the vision, and the ability of the management of the SMEs is crucial for its economic growth and, most of all, diversification of markets with the final idea of improving the resilience of the company.

The management topic would require an independent study as the outcomes of the ELCA internationalization project is highly biased as it may take into consideration the point of view of those SMEs who actually attended international activities, without taking into account those SMEs which are not available for these initiatives.

In order to consider also this category of companies, it is important to take into account the language barrier which could represents an important gap, mostly in the initial part of the potential relationship between two parties.



2 KEY LESSONS AND BEST PRACTICE FROM SMES' INTERNATIONALIZATION

As each country presents unique conditions and business features, even from a cultural point of view, the best way to present the best practice that has been experienced in the project is to categorize them into different target markets.

2.1.1 UAE – Dubai & Abu Dhabi

The mission to the United Arab Emirates took place in January 2022 with an exploratory mission which saw the direct participation on site of clust-ER MECH, AMZ and MAV. The mission evolved on two main initiatives:

- The visit to the Aerospace Research and Innovation Center of the Khalifa University, the research center focusses its activities around the 3D printing and the production and testing of composites.
- The hybrid workshop "Lightweight for sustainability" which had been held from inside the EXPO DUBAI 2020 – in particular inside the Austrian Pavilion.

Pictures of the mission in UAE



The Emirates market is an important topic representing an important example of the main motivation that push SMEs to seek international activities: growth. The market is quickly growing its demand and given that the educational infrastructure is relatively new – in comparison with other countries - the demand for innovative solution depends on import. In this framework, given the differences with the European markets, it is possible to understand that most of the SMEs are attracted to UAE by commercial motivations, with the idea of improving sales. As it offers strong opportunities for economic growth, the most important



activity and strategy experienced within the project has been the ability for SMEs to behave and move quickly when facing interest from the local stakeholder. The good financial availability of the local market calls for an important competition among potential suppliers and time is considered to be an important and fundamental aspect to be considered.

2.1.2 India

The activities directed to the Indian markets have been numerous and diversified throughout the project.

In particular, since the start of the project the activities that took place included:

- An online workshop in collaboration with ACMA – the Automotive Component Manufacturers Association of India
- An online workshop in collaboration with EBTC – European Business and Technology Center – which have seen the participation of more than 50+ representatives of Indian companies
- The matchmaking event for fostering EU-India collaboration in the lightweight

Flyer of the workshop in collaboration with ACMA



A screenshot for the ELCA-EBTC first meeting



Flyer for the EU-India matchmaking event



More than 70 SMEs took part in the different initiatives and many of them started relationships and collaborations with Indian stakeholders which are ongoing. In this case the best strategy the project has identified involved the important effort in order to build a trusted relationship between European SMEs and Indian stakeholders. The Indian market is highly complicated in the terms of dynamics and numbers. Thus, the strong informational barriers can be faced by relying and approaching the markets through intermediary parties, as in the case of the ELCA internationalization project. However, most of the SMEs were not able to immediately “talk business” with the Indian counterpart directly within the ELCA initiatives. On the other side, those have been important opportunities to build first contacts which constituted the basis for future discussions and agreements. Thus, the key lesson for the Indian market is the importance – when internationalizing – to commit time and effort to build the relationship even before the commercial aspect.

From a commercial point of view, the Indian internal demand for advanced materials and technology is growing fast and the need for importing innovation is quite high. On the other side the size of the population determines an important internal demand for consumers good, which translates into important opportunities for European SMEs working in the B2B markets.

2.1.3 Japan

Japan has been the subject of mission in the last part of the project. Therefore, the project and the consortium had lower opportunities to identify best practices, behaviours and outcomes by European SMEs.

However, it is worth highlighting that the Japanese market, in opposition to India and UAE, is strongly focussed on its internal demand and offer, even though there are requests from Japanese companies to expand abroad. On the other hand, European companies have



requests for expansion in Japan attracted by the high level of technology that is present in the country.

A strong barrier encountered during the mission has been the language for local SMEs, as Japanese is the main business language.

Pictures of the Japanese mission led by POL and BIC (November 2022)



2.1.4 Chile

Among Latin American countries, Chile presents the region with the most evolved and competitive industrial infrastructure. The ELCA internationalization consortium organized an online meeting with Chilean institutions and representative of the private sector to exchange information about project and trends for the lightweight market.

Flyer for the Chilean mission



The main output of the exploratory meeting with Chilean stakeholders appeared to draw a situation in which Chile may act not as a market for economic growing opportunity – even if the competitive industrial infrastructure is one of the most advanced in Latin America – but could represent an important research partner for European SMEs who want to approach the Latin America industry without immediately facing the business cultural differences.

2.1.5 USA

The US market is probably the most familiar to European SMEs, as the exchange in commercial and know-how terms has been largely cultivated. From the point of view of lightweight materials and technology, it represents a reference market both considering the commercial opportunities and the technological advancements. In this view, the USA represent an important economic opportunity advanced materials producer but, on the other side, the existing competition is highly valued and strong. Moreover, the European energy crisis of the last months, is providing a competitive advantage for American companies, which can rely on lower energy cost for their production.

One of the partners of ELCA Internationalization, AMZ, has a representation office in Detroit and managed to organize an (online-)mission during October 2021. The meeting involved partners from Michigan, Indiana and Ohio. The meeting has showed potential opportunities in the field of lightweight solution for e-mobility, which is one field at the edge of technological developments.

Presentation of M City and Jobs Ohio in the meeting (25-26 October 2021)



The confrontation with American partners raised the importance of technological aspect that European SMEs must possess in their offer to the USA markets. On one side, the meeting highlighted the value of lightweight materials within the American economy. As the regulation is evolving towards more protection of environment, sustainability has become a keyword

that is seeking application within the value chains. From this point of view, the commercial opportunity of lightweight in USA appears to be increasing in the next years and decades. On the other side, the internal supply market is well developed and raises an important element: the level of competition with American industry and SMEs. Since the economic barriers favour the research of internal supplier by American end users, the key element appears to be the level of innovation that European SMEs can offer to American buyers. As the condition for manufacturing and producing composites and lightweight solutions are more favourable in USA, Europe can play an important role in developing the competences, know-how and innovations. The collaboration between academia stakeholders will be more and more important in order to facilitate the exchange of opportunities and fields of research.



3 Conclusion

Following the exploration of the several international markets, the ELCA internationalization consortium identified different opportunities and barriers for SMEs which have the will to go international. As different countries present many different features and unique characteristics, the SME needs to adapt its strategy in accordance to the target market. For instance, the UAE market require important capacity of production, as time is a crucial factor in dealing with local stakeholders, while other countries – as India or Japan – value more the relationship between the parties and the technology beneath the product, in the search of a longer relation.

On the technological side, the main markets with which European SMEs have to “compete” are represented by USA and Japan, which showed the highest level of technologies in production and application of composites. The collaboration with these markets will be of high importance in the future, in order to keep a tech position on the edge of innovation, while continuing to exchange information, experiences and know-how.

However, as the pandemic situation may seem to start looking back to normal, the international exchange is quickly regaining the importance and European SMEs, whose strength relies in the knowledge based competitive advantage, must follow the international wave in order to be able to leverage on the expertise in advanced materials. Clusters can provide important opportunities for companies in order to focus and address initial international engagement and to bring to companies new contacts and relationship which would otherwise be more expensive, in terms of time and money, to obtain.

