SME internationalisation in central and eastern Europe

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This report investigates both challenges and opportunities that exist in increasing the rate of SME international activity, with a particular focus on central and eastern Europe. It draws on four major business events organised by ACCA in 2011 in Poland, Ukraine, Romania and Bulgaria.

Insights into the barriers to SME international activity, as well as policy recommendations and practical steps that can be taken to overcome these, will be of interest to the regional policy makers and business owners alike.

Introduction

Small and medium-sized enterprises (SMEs) form the potential powerhouse of European economic growth. Smaller businesses have the ability to act fast and respond to market opportunities as they arise. The European Commission recognises the importance of SMEs. It understands that Europe's capacity to build on SMEs' growth and innovation potential will be decisive for the future prosperity of the European Union (EC 2011).

SMEs already play a major part in the EU. Around 23 million SMEs (defined as enterprises with fewer than 250 employees, less than €50 million euro in annual turnover and under €43 million in balance sheet assets) are registered in the 27 EU member states, accounting for more than 98% per cent of all businesses. SMEs have provided two-thirds of total private employment and about 85% of all net new jobs created over the past ten years (EIM Business and Policy Research 2011).

Nonetheless, European and national policymakers, and their professional advisers, acknowledge that the full potential of SMEs is not being realised and this is particularly evident in their international activity. ACCA, a champion of SMEs and international business activity, is keen to encourage debate on how the barriers facing SMEs can be overcome. Previous work has summarised some of the major obstacles facing SMEs that have international ambition, and key proposals for how they can be addressed (ACCA 2010).

This report further investigates both challenges and opportunities with a particular focus on central and eastern Europe, drawing on four major business events organised by ACCA in 2011 in Poland, Ukraine, Romania and Bulgaria, which focused on how to encourage innovation and internationalisation among SMEs. These events brought together politicians, EC representatives, finance providers, business group representatives, accountancy professionals and SME entrepreneurs to share their insights and experiences.

Highlights and conclusions captured in this report will be of particular interest to governments in the region and to the European Commission, which is actively seeking to increase the rates of international activity among European SMEs. Similarly, the practical recommendations and conclusions contained in this report will be of direct relevance to businesses owners and advisers alike.

Key themes emerging from these events are noted in this report, which addresses:

- why internationalisation matters
- the extent to which SMEs are currently internationalised
- SME strengths and opportunities
- barriers SMEs face when seeking to internationalise
- the role of government in helping SMEs build international businesses
- the role of advisers, including ACCA members, in helping SMEs.

Why internationalisation matters

The internationalisation of SMEs concerns not only their export activity, but also their imports, foreign direct investment, international subcontracting and international technical cooperation (EC 2010).

Firstly, internationalisation is good for individual businesses. Being internationally active is correlated with high turnover growth. For example, more than 50% of SMEs that invest abroad reported increasing turnover from 2007/8, compared with the average rate of 35%. SMEs that are internationally active also report higher employment growth. In addition, the relationship between internationalisation and innovation is strong, with internationally active SMEs more likely to introduce products or services that are new for their sector in their country, and more likely to introduce process innovations (EC 2010). Furthermore, recent evidence shows that the financial crisis has spurred SMEs to expand abroad as a direct result of Europe's weak economic outlook, demonstrating the importance of relying on non-domestic markets (EIU 2011).

If businesses are exporting and thriving, that has obvious benefits for their domestic economies. For example, exporting firms contributed more to UK productivity growth than non-exporters (BIS 2010). Between 1996 and 2004, 60% of UK productivity growth was attributable to exporting firms. Economies with active exporters are also more likely to cope better with an economic downturn, as exporting has a positive impact on the financial health of a business and results in a lower probability of business closure (BIS 2010). Recent evidence reviewing the economic recovery of European SMEs shows that those member states with strong exports generally recovered more quickly, with a direct positive result on their SME sector (Barker et al. 2011).

CENTRAL AND EAST EUROPEAN IMPERATIVE

For central and east European countries, encouraging internationalisation and innovation among the SME sector is particularly important in order to offset the loss of current advantages. As countries such as Poland achieve rising GDP per head and experience rising labour costs, eventually their ability to attract foreign direct investment will decrease. 'The only chance for future growth is for Polish SMEs to expand into other markets', says Witold Orlowski, chief economist at PwC in Poland and a former presidential economic adviser.

The high prevalence of SMEs in the business landscape heightens the importance of encouraging these smaller businesses to internationalise. Poland has around 3.9 million registered SMEs, of which 1.8 million are 'active', according to the Central Statistical Office. SMEs make up 99.9% of all economic entities registered in the country, employing 6.6 million people – 70% of the active labour force (CSO 2011).

In Ukraine, Nataliya Korolevska, an opposition MP and head of the parliamentary committee on entrepreneurship, also places importance on encouraging a vibrant SME sector. She believes Ukraine's economy is 'too dependent on big business, metallurgy and energy, while developing a bigger number of SMEs would help to make the country's economy more flexible and stable'.

Cristian Haiduc, chairman and secretary general of Romania's Agency for the Implementation of SME Projects and Programmes (AIPPIMM), notes that Romania has over 600,000 operational SMEs, which play an important part in the economy. 'The hardest problem for SMEs is the shrinking of domestic demand,' he says. Looking for opportunities abroad is the clear alternative.

Evidence shows that much remains to be done to improve SMEs' contribution to the region's international trading activity.

- Far fewer of Poland's SMEs are engaged in trade with non-EU countries (1.69%) than the EU average (3.88%). This is despite much lower exporting costs compared with the EU average (EC 2012).

- Romania appears more bureaucratic than the other EU states in its general conditions for trading, including cost, time and number of documents required to import or export (EC 2012). Despite this, Romanian entrepreneurs sell outside their national borders to one-third of their customer base, on average (GEM 2011).

- Bulgaria is falling behind the EU average across all available indicators, as on average it is both more costly and more time-consuming to trade in Bulgaria than in EU peer countries. The time required to export is more than twice as long in Bulgaria, taking more than three weeks as compared with the EU average of less than 12 days (EC 2012).

- Finally, Ukraine scores well below the regional average on the World Bank Doing Business index, which examines how easy or difficult it is for a local entrepreneur to open and run a small business when complying with relevant regulations, including trading across borders[1] (World Bank 2012).

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1. Ukraine is ranked 152nd against the regional average of 77.

The extent of SME internationalisation

The scope for greater internationalisation of SMEs is clear.

Up to 30% of European SMEs have had some sort of international business activities over the last few years (EU 2011). Of this group, about half also had activities beyond the Single Market: 14% importing from non-EU markets, 13% exporting to non-EU markets and 3% being engaged in different forms of international (technical) cooperation. Fewer than 1% had their own establishments in non-EU markets.

SMEs NOT INVESTING SUFFICIENTLY ABROAD

Although in 2010 Polish firms invested €4.1 billion in foreign countries, bringing the total value of Polish investments abroad to €29.1 billion, according to the National Bank of Poland, most of these investments were made by large businesses.

The average value of Polish SMEs' investments abroad is under €10 million, with most between €1 million and €5 million, according to PwC figures. The top three investment locations are geographically close – the Czech Republic, Ukraine and Russia, followed by Germany and China. Most investments involve the acquisition of shares in foreign companies and foreign expansion is financed largely by use of Polish firms' own funds and share issues. External financing plays a lesser role in their foreign operations.[2]

While some Polish entrepreneurs are active foreign investors and others 'interested but hesitant', according to Agnieszka Rzepecka, CEO of fiduciary services firm Opus Trust, a third group 'have no interest whatsoever'. She notes: 'The last group is very poorly educated about the possibilities in other markets and approach talk of entering foreign markets highly suspiciously, as if expecting some foul play.'

Nevertheless, in Poland and elsewhere in eastern Europe, SMEs increasingly understand the value to their business of investing in international opportunities. Referring to a survey of 1,723 Romanian entrepreneurs, Oana Dasca, representative of the National Council of Small and Medium-sized Private Enterprises in Romania (CNIPMMR), notes that 48% believe they should penetrate new markets (CNIPMMR 2011).

2. Figures taken from a speech by Witold Orłowski, chief economic advisor, PwC, at an ACCA SME Conference in November 2011.

SME strengths and opportunities

SMEs have particular characteristics that help them to innovate, adapt to changing environments and capitalise on new opportunities.

This adaptability has been demonstrated during the recent financial crisis. Petru Rares, head of the Romanian Banking Institute, says: ‘During the crisis, SMEs have the potential to reinvent themselves and possibly innovate. Pressured by hardships, SMEs are trying at all costs to find niches and to do something with few resources.’

Evidence indeed demonstrates SME resilience during the financial crisis, showing that SMEs were quick to learn from the lessons of the downturn on cash flow and thereby realign themselves to become cash-positive (EIU 2009) and that SME owner-managers believe that the crisis had forced them to learn to run their businesses better (Forbes Insights 2010).

COMPARATIVE ADVANTAGES IN CENTRAL AND EASTERN EUROPE

SMEs in central and east European locations can benefit from their relatively competitive prices. Mateusz Walewski, a senior economist at PwC in Poland, notes that Polish SMEs have a strong selling point in terms of the quality and technology they offer relative to price. ‘Polish firms can provide good quality products at very competitive prices and they are very flexible in their product offer’, he says. Polish entrepreneurs and workers also understand the process of transformation taking place in many other countries in the region; they combine a Western approach to business with an understanding of central and east European markets.

Polish entrepreneurs do appear to be gaining confidence in their own products, as compared with those of their western European counterparts, according to surveys conducted by Małgorzta Starczewska-Krzysztoszek, chief economist at employers’ association PKPP Lewiatan. Comparing results from 2008 and 2011, Polish entrepreneurs were two-and-a-half times more likely last year to believe that their products had a competitive advantage over their western rivals’ offerings in terms of quality. They were also three times more likely to see their products as having a competitive edge in terms of price and innovation. Polish firms claimed that their weakest points lay in promotion and distribution (Lewiatan 2011).

Recent research examining the levels of entrepreneurialism across Europe found that Polish respondents were most likely to say that they had championed an innovation as well as succeeded in getting the innovation implemented (Forbes Insights 2012).

SECTOR OPPORTUNITIES

Certain sectors, in particular, could provide SMEs with strong opportunities to expand their businesses and gain international presence.

Roman Zinchenko, coordinator of the ‘Greencubator’ network in Ukraine, identifies profitable opportunities in creating goods and services in energy saving, ecology and sustainable development. ‘Very soon, maybe in ten years, Ukrainian green energy companies will have the same success on the world market as that currently enjoyed by Ukrainian agricultural companies’, he believes.

SMEs could also tap into opportunities created by the growth of e-commerce. Rostyslav Chayka, founder of the Lviv Startup Club and owner of an IT business in Ukraine, notes that the online sector is growing by 50–60% every year. He believes there are tremendous opportunities open to Ukrainian companies for providing business process optimisation and outsourcing, and for developing applications for mobile devices.

Chayka says: ‘IT outsourcing is very developed in Ukraine, contributing around $500 million to the country’s GDP every year. We have around 30,000 IT specialists available. There is a big chance that Ukraine will become the business processes outsourcing centre for Europe, in the same way that India has become for the US’. He estimates that $20–30 million of venture capital will be invested in Ukrainian IT startups in 2012.

Alongside green and high-tech sectors, opportunities in organic agriculture are also being pursued. Katya Goranova, executive director of the business support centre for SMEs in Ruse, Bulgaria, says: ‘It is clear that the food issue is now on the agenda, as an increasing number of people want organic products’. A project is underway to develop a cluster of farmers growing bio-products throughout the region, benefiting from a common brand and common standards. Their produce would be targeted, Goranova says, at ‘a global market, the high end that can afford such products’.

Barriers to international expansion

While SMEs have particular qualities and strengths and may perceive opportunities to expand internationally, they are also frustrated by perceived barriers.

Studies are consistent in their findings relating to the numerous barriers for SMEs seeking to internationalise. There are problems with:

- gaining access to networks and contacts in an overseas market, including establishing a dialogue and building a relationship with actors in the market
- navigating unfamiliar business environments and cultures and coping with different languages
- procedural barriers such as product standards and legal and regulatory issues
- having the capability to understand the competitive environment and assess potential opportunities and risks
- finding the confidence, management time and other resources to investigate and pursue opportunities in overseas markets (BIS 2010; OECD 2009).

Many of these barriers – and additional ones – were also mentioned by participants at ACCA conferences.

ACCESSING FINANCE

SMEs that seek to trade or invest internationally often represent a higher risk to lending institutions. This is because of the high upfront investment required, difficulties in enforcing contracts and solving disputes, and the uncertainties about whether small firms have the internal capacity needed to trade in what is often an unfamiliar and complex international environment. For these reasons, SME owners often cite lack of access to capital as a key barrier to investing in international activity (ACCA 2010).

Ekaterina Kirilova, head of the marketing and market segmentation department in the retail banking division of UniCredit Bulbank, Bulgaria's largest lender, believes the cost of accessing finance is also a big issue for SMEs. 'Before the [financial] crisis, the key issue was whether the company will get a loan from the bank, whereas now the question is how much it will cost the company to get the financing.'

Continuing the theme of access to finance, Alla Savchenko, president of BDO Ukraine, highlights the greater challenge faced by SMEs than by large businesses in accessing capital. SMEs, in most cases, do not have access to cheap financing, she believes, adding: 'Loans are not the best choice in the face of a possible economic downturn. But there are alternative investment markets. There is a prejudice that only large companies can go for an IPO. That is wrong.'

She gives the example of Ukrainian agricultural group Agroliga, which raised more than $1 million on the Warsaw Stock Exchange's New Connect market.

Nonetheless, Floris Schuring, managing partner at KPMG Ukraine, warns that 'a successful listing requires quite a lot of investment in terms of time and money'. For SMEs that do not wish, or are not yet ready to list on the stock exchange, he advises moving towards better accounting and reporting standards: 'With SMEs, banks want to see transparency that is not always there'. He advises SMEs to begin applying International Financial Reporting Standards (IFRS), which are likely in future to become obligatory for all businesses in Ukraine.

Some SMEs let themselves down when seeking to raise finance. As BDO Ukraine's Savchenko highlights, even when they have investors interested in providing funding, SMEs cannot always show clearly how much financing they need and what their development plans are. 'But if you want to be successful, you need to have a business plan. You have to know how much money you need and when and how you will pay it back,' she says.

INADEQUATE INFORMATION

Some SMEs find themselves unprepared upon entering overseas markets without first gaining full and proper information about them. Bożena Lublińska-Kasprzak, head of the state-funded Polish Agency for Enterprise Development (PARP), refers to experiences of Polish entrants to Ukraine: 'A few years ago, quite a lot of entrepreneurs invested in Ukraine without really learning about the specifics of that market. Right now, many of them have withdrawn from there. Sometimes our entrepreneurs can be over-confident about their ability to function in any market.'

This is a point also highlighted by the EC in a study looking at the challenges facing SMEs doing business outside the European Single Market (EC 2011). Advisers to SMEs have noted that many SMEs go out to non-EU markets without being adequately prepared – without doing their homework.

ACCESSING LOCAL PARTNERS

Identifying and accessing local partners, who understand the realities and complexities of the market, is a major challenge for SMEs seeking to expand abroad. Having such a partner – with good contacts and the necessary know-how – enables initial activities to be established more quickly and effectively, providing a sound base on which to grow. SME's limited internal capabilities make this imperative for small firms as well as the business support community.

Support programmes are available. For example, Yelyzaveta Sushko, head of the EU-Ukraine Business Council, encourages ambitious SMEs to join the EU's East Invest programme, which provides SMEs with opportunities for growth and development, and helps find partners in European countries.

INTELLECTUAL PROPERTY ISSUES

The high cost of protecting intellectual property rights in Europe acts as a barrier for SMEs, especially innovative small firms that are the most likely to wish to enter foreign markets. Participants at the ACCA event in Warsaw discussed how businesses in Poland, for example, can find that registering and patenting new products costs up to €100,000, raising serious cost implications for innovative small firms. The European protection system is indeed at least four times more expensive than the US, Chinese or Japanese systems and it is estimated that a single EU Community patent would reduce patenting costs in Europe by around 60% (Van Pottelsberghe 2009). Current efforts towards development of a single European patent are therefore welcome, and indeed long called for, and would provide a significant help to SMEs if current efforts were to result in an effective, consistent and less costly patenting system.

LOCAL RED TAPE

Domestic regulations, including tax laws, can hold SMEs back from achieving their full potential for innovation, growth and international expansion. Barriers of this variety may include dealing with legal, financial and tax regulations and standards, and regulations in other EU and non-EU countries such as product standards, compliance procedures, and patent and trademark issues (BIS 2010).

This concern was evident at the ACCA Ukraine event. Volodymyr Dubrovsky, senior economist at the CASE Ukraine think-tank, is highly critical of the Ukrainian tax system, concluding that 'the [tax] laws are designed so that it is impossible to follow them'. Similarly, Victoria Tetyora, an analyst with the International Finance Corporation's Investment Climate in Ukraine project, also highlights the red tape burden. In 2010, Ukrainian business spent around UAH7.2 billion on dealing with tax and regulatory issues – getting permits, certification and undergoing inspections. 'We estimated that 185,000 new jobs could be created with this amount of money,' she says. 'This money could be used for business development, but instead was spent to cut through red tape.'

The role of government

Governments have an important role in providing necessary support to help innovative and high-growth SMEs internationalise. Support measures need to take into consideration the learning process that SMEs undergo when they engage in international activity. Firms not yet active seem to underestimate the barriers present in the external business environment and the shortcomings of their own internal capabilities, while overstating the barriers associated with financial matters and access to markets. Firms new to international activity, therefore, particularly value information about markets and opportunities that will provide them with a foothold in international ventures. More experienced international SMEs, on the other hand, need support to address barriers linked to specific business markets and their own internal capability weaknesses (OECD 2008).

PROVIDE ACCESS TO NETWORKS AND OVERSEAS PARTNERS

An important way in which governments can provide support is by helping businesses gain access to key contact networks, acting as a trusted intermediary. Similarly, helping SMEs identify business partners in overseas locations is also a valuable role for governments to fulfil.

The Polish government appears to realise the importance of providing support to SMEs that are seeking to expand internationally. Enterprise development agencies such as PARP and the commercial sections of Polish embassies and consulates offer assistance to entrepreneurs in making contacts overseas. In addition, the Polish Information and Foreign Investment Agency (PAIiIZ) has announced plans to implement a pilot programme supporting Polish investors in six countries: the Czech Republic, France, Germany, Russia, Ukraine and the UK.

ENCOURAGE ACCESS TO MULTINATIONAL SUPPLY CHAINS

Encouraging trading between SMEs and multinational organisations could also support the internationalisation of smaller businesses. SME internationalisation is encouraged by participation in the lucrative supply systems and value chain networks of larger global players (OECD 2009). Once a participant in an international supply chain, even if at a low level, an SME can gain capacity and experience and gain the opportunity to rise up the value chain in future (ACCA 2010).

STRENGTHENING CAPABILITIES

Governments can also play a key role in strengthening the internationalisation capabilities of innovative, high-growth businesses, helping them build the necessary capacity to be able to meet the challenges of overseas expansion (BIS 2010).

One means of achieving such capacity is through the creation of ‘clusters’, which bring together companies, universities, research and development institutes and local public authorities. Clusters, business networks and export consortia can play an important role in helping SMEs to grow and innovate and become more internationally oriented. SMEs hosted in clusters and business networks can benefit from contacts, business connections and formal and informal knowledge flows, as well as from customised services provided by cluster and network organisations. Such benefits facilitate the development of partnerships abroad, so that SMEs have easier access to global value chains, develop strategic alliances with research organisations in counterpart clusters or networks, expand their commercial activities abroad, and obtain appropriate skills and tailored professional advice (EC 2011).

The power of clustering has been recognised in Romania. Christiana Leucuta, deputy manager of the General Department of Industrial and Business Environment Policies with Romania’s Ministry of Economy, Trade and Business Environment, says: ‘Clusters are recognised as key factors of innovation and economic growth as they help develop cooperative multi-sectoral approaches and stimulate interaction of the innovation actors’.

ENABLE ACCESS TO INFORMATION AND SUPPORT

Governments could also potentially help ambitious SMEs that are seeking to develop international revenues by providing access to information and advice that the private sector alone would not or could not provide about opportunities overseas (BIS 2010).

Governments could also do more to point SMEs towards the many national and international support programmes that exist. Over 300 support measures, provided by the EU and member states, are available to SMEs, applying both to activity within and outside the Single Market (EC 2011).

Some offer assistance with identifying business partners, and provide information on market opportunities and on rules and regulations. Many offer funding to SMEs seeking to internationalise their operations, targeted at a range of objectives such as improving competitiveness, accessing new markets, expanding overseas, conducting research and development activities or implementing international standards. Nearly three-quarters of all internationally active SMEs are not, however, aware of existing support measures in their region. Of the 27% that are aware, only around 26% (or 7% of all internationalised SMEs) report using such support.

SUPPORT E-COMMERCE

The internet has made it easier for SMEs to internationalise (EC 2010). Having the ability to sell products or services online is positively correlated with being active in export or import markets. The rise of e-commerce has accelerated SMEs' international activity, with some evidence showing that it has reduced the risks associated with internationalisation by improving access to information and providing unprecedented marketing and communication capabilities (ACCA 2010).

Currently, the online retail market in Europe remains small, comprising just 3.4% of European total retail trade (EC 2012). The percentage of SMEs using their website for e-commerce is still modest, with 28% being able to receive orders online and 14% having websites that allow completing the entire transaction, including payments on line (EC 2010).

A survey conducted by ACCA has revealed lack of awareness, perceived security risks, lack of demand and a shortage of cost-effective solutions, which all tend to prevent SMEs from engaging in e-commerce (ACCA 2011). Taking into account the further complications of using the online platform to trade across borders, these barriers become more significant. A company may, for example, incur on average about €10,000 for legal costs and €3,000 for the related website adaptation that allows for an e-commerce company to sell to consumers in one other member state, with costs multiplying for each additional market involved (EU2012). Such costs can be especially prohibitive for small firms.

Policies designed to encourage the continued growth of e-commerce would prove beneficial to SMEs, especially in central and eastern Europe, given the correlation between e-commerce and activity in import or export markets. The UK, France and Germany account for 70% of European e-commerce, demonstrating the acute imbalance in its use across Europe.

BREAK DOWN TRADE BARRIERS

Finally, governmental efforts to reduce barriers that SMEs – and all businesses – face when trading internationally should be continued. Strengthening the European Single Market will have a substantial impact on the future growth of member state economies by further opening borders for goods and services, delivering greater choice and lowering prices to consumers, opening up new business opportunities for companies, and ultimately creating jobs. Completing the European Single Market remains a largely unfinished task, to the great detriment of European SMEs. Studies looking at the potential effects of full liberalisation indicate that there will be large increases in export levels including, for example, a rise of over 50% in Poland's export activity (BIS 2011).

The first step towards strengthening the Single Market would ultimately lead to higher trading levels with non-European countries. Most European SMEs focus on the internal European market when they begin to internationalise. Once they have gained experience, they may then become more confident and look further afield. The internal market creates the possibility for SMEs to grow to the stage where they can successfully compete beyond EU borders – the EU could thus act as a launch pad for further successful engagement in international markets if the Single Market itself were more efficient (EC 2007).

The role of ACCA and its members

Independent evidence consistently demonstrates that accountants are the most commonly used professional advisers of SMEs, often ahead of free resources and in areas not traditionally understood to form the core of the profession's offering, from regulation to marketing (Blackburn et al. 2010). Moreover, recent evidence shows that executives in Europe value their finance departments in-house more than many other sources of support (Forbes Insights 2012). Governments need to recognise that this can provide them with invaluable access to SME owners, who are notably disparate and therefore difficult to reach. The OECD has recognised the merits of an organised private-sector-led model of support provision for SME internationalisation, and professional advisers, such as ACCA members, will have a pivotal role to play in putting this approach into action (OECD 2009).

ACCA members provide crucial support to small firms, going beyond financial reporting and extending to advice on strategic decisions and growth planning. As well as advising on how to achieve sound financial management, ACCA members can advise entrepreneurs on how to prepare applications for loans or grants, and how to access other sources of appropriate finance, whether by attracting venture capital or completing a stock exchange listing. During the financial crisis, evidence shows that accountants were urging small business clients to focus on making themselves better than the competition (either in cost or quality), rather than simply on survival or long-term planning. This tendency was especially strong in central and eastern Europe (ACCA 2010b).

Most SMEs are not aware of the full range of public support programmes available to help them internationalise. ACCA accountants can act as governments' intermediaries, trusted sources of advice who can raise awareness among their business clients. European bodies, too, should first promote to business and professional organisations, including ACCA firms, the support they offer SMEs. Such focus would recognise the role such advisers play as the main supplier of information to SMEs (UEAPME 2011).

As noted above, a major barrier for SMEs with international aspirations is the difficulty they face in making international relationships – finding business partners and potential customers. ACCA provides a vital global network, into which SMEs can tap via their own ACCA-trained finance directors and managers or their professional advisers in ACCA-accredited firms. For example, ACCA already has an active and fast-growing LinkedIn member network, which is used for regional discussions and for making international connections among individual members. ACCA recognises social media as a unique enabler for international connections and will seek to make social media platforms more efficient for such engagement in the future.

Professional assistance from ACCA members becomes invaluable when small firms look to trade across borders. Their extensive knowledge about global market mechanisms adds real value in international business development, as well as broad access to commercial contacts where trust, a professional approach and reliability is crucial when a business deal is in process (Andrzej Hopko, an ACCA member and business consultant based in Warsaw).

Conclusion

Encouraging the internationalisation of SMEs is an important policy goal for governments, and the European Commission itself. Through internationalisation SMEs gain capacity and financial strength, they innovate more readily and increase revenues to support national economies. As costs are tending to equalise between eastern and western European markets, the need for eastern European SMEs to tap into international markets will only increase.

SMEs are already exploring international markets, through exports, investment and participation in international supply chains. Nonetheless, they remain less likely to generate overseas revenues than larger businesses. The potential for substantial increased international activity clearly exists. In addition, SMEs often have certain qualities – flexibility, the ability to innovate, a drive to succeed – that position them well for competing in international markets. There are also certain sectors, such as green and high technology, e-commerce and agriculture, where SMEs can build quality, niche businesses to meet specific market demand.

At present, SMEs with ambition to internationalise face numerous barriers – cultural differences, difficulties gaining market information, challenges in identifying international business partners, problems accessing finance, overseas and local red tape, and a sense of a general lack of efficient support.

Governments must explore ways of helping SMEs overcome these barriers – whether through providing better support to enable smaller businesses to access international networks, encouraging multinational supply chains, strengthening SME capacity, supporting e-commerce or breaking down persistent trade barriers.

ACCA and its members have key roles to play as well. ACCA members in business and in practice are trusted advisers to SMEs and understand the needs of entrepreneurial firms. As such, they can provide a key link in the chain between EC and national support programmes and their SME beneficiaries. They can apply their business and finance expertise to help SMEs attract finance and develop business plans on which to launch their international growth ambitions. They can also tap into the global ACCA network, helping SMEs to identify international advisers and potential business partners with whom to build strong, growing, international businesses.

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POLAND
Ministry of the Economy of the Republic of Poland
PwC
Polish Agency for Enterprise Development
Polish Confederation of Private Employers Lewiatan
Polish Chamber of Commerce
Polish Craft Association
Union of Entrepreneurs and Employers
European Centre for Enterprise
Unicorn SME UNION Poland
Polish Bank Association

UKRAINE
BDO Ukraine
Associations of Ukrainian Banks
IFC
EU Ukraine Business Council
«Greencubator» network
KPMG
Center for Social and Economic Research CASE Ukraine
Kyiv National University of Trade and Economics

ROMANIA
Romanian Banking Institute
Ministry of Economy, Trade and Business
Ministry of Finance
National Council of Private Small and Medium Enterprises in Romania (CNIPMMR)
Agency for Implementation of Projects and Programmes for SMEs (AIPPIMM)
Corporate and Public Sector Network, BCR (Banca Comerciala Romana)
Mind Learners

BULGARIA
Association of Regional Development Agencies and Business Centres (BARDA)
Bulgarian Small and Medium Enterprises Promotion Agency
Enterprise Europe Network
Business Support Centre for SMEs – Ruse
Ernst & Young
Institute of Certified Public Accountants (IDES)
UniCredit Bulbank
Ligna Group

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