

# Internationalisation and changing skill needs in European small firms

*Presentation of the main conclusions of a research in seven  
EU countries  
for the Conference of the project*

## “Trans-Rural: Flexible Learning for Rural Business”

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Athens, 6 September 2005

# Internationalisation and changing skill needs in European small firms

Participating research institutions:

- The International Development Consortium (UK)
- The Nijmegen Business School (NL)
- The Goodbody Economic Consultants Ltd (IRL)
- The Austrian Tourism Consultants (A)
- The Institute for Research in Labour and Industrial Economics of the Università Cattolica del Sacro Cuore (I)
- The Instituto de Marketing del País Vasco (E)
- University of Piraeus Research Centre (GR)

# Internationalisation and changing skill needs in European small firms

## Profile of the study

- 7 countries surveyed: Greece, Spain, Italy, United Kingdom, Netherlands, Ireland, Austria
- Bibliographical reviews, deskresearch and
- Fieldwork: Harmonized guidelines - questionnaires
- Survey of SME' owners, "key" employees and services providers through in-dept interviews
- Case studies
- 7 autonomous national reports
- Synthesis report

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## Profile of the study (cont.)

### Samples

- 85 SME' owners of firms particularly successful at becoming international
- 50 SME' employees
- 37 services providers (demand and supply side)
- 16 case studies conducted

### Time

2000

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**The firms** have been proposed by their local associations; state services providers etc. The criterion to select them was that they must have been operating at an “international” level for at least five years successfully. By international is meant expanding operations beyond domestic market. In our survey internationalisation referred mainly to international trade. Most firms were 40 years old.

- 60% in the 20-49 persons size class
- For 40% of the firms, exports started in the 1990s

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## Internationalisation: findings

- “Pull” factors more important in convincing firms to go international than the push ones (attractiveness of foreign markets more important than government encouragement).
- EU by far the most important destination.
- “Increased competition in the home market” regarded as the main impact of internationalisation. “Changes in consumer tastes”, “increasing complexity of economic environment” also important, in the case of the UK especially.
- Impact does not fall equally on all SMEs!

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## Internationalisation and work

- The impact of Internationalisation on the Work Organisation: mainly redistribution of tasks, some firms hired new specialised people, others not, but in all cases consultations within the firms have been intensified.
- Emergence of new skills' needs not required in the past but at a scale not allowing full-time utilization of the specialised person, therefore development of outsourcing for such specialised services.

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## **Difficulties in international operations** (both firms and services providers)

50% of the firms marked the following as major difficulties:

- Access to suitable contacts abroad
- Market access
- Market information

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## **Perceived strengths**

(by both the owners and the services providers)

- Owner's commitment
- Owner's persistence
- Owner's confidence
- Product quality
- Adaptability of product
- Personal relations, owners' social networks
- Delivery terms

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**SMEs' weaknesses** (identified by owners and their senior employees)

- Limited availability of advertising budget
- Employees' resistance to change and owner's resistance to change
- Cost reduction capability
- Language skills
- Pricing flexibility
- Staff training

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**Key factors to success in international activities  
agreed by both the owners and services providers**

- Personal factors
- Technical factors
- Managerial factors

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## Key factors to success in international activities (cont.)

- Finding the right agents/distributors abroad
- Choosing the right export market(s)
- Being committed, confident and persistent
- Using fast communications
- Foreign language abilities
- Produce at cost to match competition (this comes only last because small firms tend to praise their products and their quality, leaving aside the price factor)

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## Key competencies

- Foreign language skills
- Communication skills
- Knowledge of other markets/consumer needs
- IT based competencies
- Negotiation skills
- Capacity to work with international information systems and databases

The “key factors to success (on table 11)” may be secured provided the small firm possesses a relatively limited number of 2-4 of those competencies.

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## **Key competencies (cont.)**

Some competencies (“Wide support competencies”) are able to support a wider range of success factors than others

### **Wide support competencies:**

- Knowledge of other markets/tastes
- Foreign languages
- Communication skills
- Negotiation skills

Similar ranking by owners, employees and services providers

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## Development of competencies

- Owner's personal appreciation, combined with consultations with senior employees seen as the most important procedures for identifying firm's weaknesses
- Employees' complaints are not frequent
- Performance appraisals are rare!

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## Training mechanisms

- Firms favour:
  - On-the-job training
  - Visiting trade fairs
  - Exchanges of experience
- Firms are sceptical of:
  - Distribution of written material
  - Videos
  - CD-ROMs

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## Effectiveness of training mechanisms

- The firm itself is assessed by both the owners and the services providers to be the most effective mechanism for competencies development!
- State organisations are not trusted!

### In short

- For small firms it is difficult to define their needs for training for internationalisation. It is equally difficult for the training providers alone. The available options are: Experience, Dialogue and Proven Effectiveness.

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## Employers versus employees

- In some countries employers were reluctant to allow interviews!
- Views expressed by employees on small firms' strengths, keys to success and key competencies are very similar to those of owners
- Reasons reducing the relevance of small firms employees' surveys!

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## Small firms and services providers

Convergence or divergence?

- The market for training and other support services is, to a large extent, “supply driven”!
- Services users are rarely undertaking systematic needs identification studies
- Firms take pride over their products’ quality! Services providers do not consider them to be good quality-minded!
- None of the two sides consider “outside initial advise” to be a crucial “key to success”!
- Services providers consider their mechanisms to be “effective”. Small firms’ opinion differs!

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## Implications for Policy Designing

- Training policies must constitute part of larger support packages and their effectiveness should be assessed as conditional on the overall package effectiveness
- Training must be addressed to the owners of the small firms, their immediate family members and to the key employees
- Trainees should be involved in training designing from the planning process before the phase of training programmes implementation (bottom-up approach instead of the conventional top-down training)

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## Implications for Policy Designing (cont.)

- Choice of training topics, selection of training techniques and material, training programmes promotion methods must all be carefully considered!
- Small firms' owners are difficult to satisfy!
- SMEs appear to favour a development of key competencies by way of on-the-job training. It is experiential action learning that is thought to be the most effective way for acquiring the necessary competencies (Learn by doing and learn from others)

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## Implications for Policy Designing (cont.)

- Emphasis should be put on the so-called “Wide support competencies”!
- SMEs’ owners are unlikely to consider attending programmes implying spending a lot of time away from the firm. Decentralisation of training may become necessary

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## Implications for Policy Designing (cont.)

- Providers of support schemes should develop a more integrated action learning approach to the internationalisation process and translate this into programmes
- They should also develop an information dissemination function on the effectiveness of their programmes and the quality of their resources