

The internationalisation of the Spanish SME sector¹

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As part of a wider research program, we analysed the theoretical framework and the recent developments of the process of internationalisation (transnationalisation) of the small- and medium-sized enterprises in Spain. The paper highlights the main trends and barriers of this internationalisation process. Methodology included document analyses, interviews, and the analyses of statistical databases.

Keywords: internationalisation, SME, competitiveness, Spain

JEL-codes: F15, F29,

1. Introduction

As part of a wider research program, we analysed the theoretical framework and the recent developments of the process of internationalisation (transnationalisation) of the small- and medium-sized enterprises generally in the European Union and with a specific view on Hungary and Spain. We attempted to highlight the trends and barriers of internationalisation. Methodology included document analyses, interviews, the analyses of statistical databases and an online survey. This paper aims to focus on the trends and barriers of the internationalisation of the Spanish small and medium enterprise (SME) sector. The paper attempts to show that Spain has best practices worth that could be implemented in Hungary and other EU member states as well.

2. The process and state of internationalization of the Spanish economy

Spain is a developed country in the European Union, with the GDP of 101% of the EU-average (Eurostat 2011). The analyses of its SME sector and of their internationalization first may look not so relevant to Hungary. But if we regard the country's path from dictatorship to

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democracy (in the late 70s), its transition from a closed autarchic economy to liberal market economy in the 1980s with the accession to the European Union, and its success in the cohesion process (with the obvious problems, e.g. the infrastructural boom in the 2000s), and regarding the size and importance of the SME sector in the economy, we can say it holds several good and bad practices which are worth examining.

The growth of the European economy depends heavily on the SME sector. In 2008 78% of business economy workforce in Spain was employed in an SME while in Hungary it was 73%. The added value of the SME sector in share of the national GDP in 2005 in Spain was 68.5% (one of the highest in the EU) and in Hungary just above 50%, well below the EU-average (57.6%) (Eurostat 2008; MITC 2011). These numbers indicate that the Hungarian SME sector in average is much less productive (efficient) than the Spanish. There are several factors which could be listed regarding the causes: the Hungarian SMEs are working in highly labour intensive sectors, their capitalization is low, only 20-22% of them are eligible for bank loans (the EU average is 70-78%) while their share in employment is high (NGM 2010). The big question is how a government can help the SME sector to be more competitive and through this stimulate economic growth.

The growth of an enterprise can be increased by the better management of intellectual property and knowledge, acquiring new technologies or innovation, mergers and acquisitions and *internationalisation*. The internationalisation could have many advantages: diversification of risks, increasing sales and knowledge of the market, exploiting economies of scale and improving the “corporate image” (Martínez 2010). Several external factors can drive internationalization, like the business and macroeconomic environment (including tax-systems), geographical conditions, education level of the potential workforce, and internal factors like corporate entrepreneurship, resources (e.g. capitalization and access to finance) and motivation.

Every company with or without an international presence is exposed to the competition of the external markets. The technologies, the connections with clients, the way of negotiation, the domestic market are all affected by globalization. Inside the European Union this competition is even harsher between member states, which is pushing the economies to be more efficient, to modernise their structures, to professionalise their ways of organisation (Camisón – de Lucio 2010).

European SMEs are in an advanced state of internationalization, 69% of them agree that their competitiveness increased because of the process of internationalisation (Buisán – Espinosa 2007). The OECD and the European Commission highlight internationalisation as a highly relevant factor for survival, development and competitiveness of SMEs. Following the definition of the OECD we consider internationalization not just as the export of goods or foreign direct investment (FDI), but network building and contributions to international projects (e.g. research and development), as well.

The literature mentions a long list of different types and advantages of internationalisation. The main differentiation in the type of internationalisation is in terms of the start of the process. If an SME internationalises its business practically from the start, than it is an international new venture or a born global company (Rialp – Rialp – Knight 2010). Some authors names these type of firms as “gazelle” enterprises, because of their rapid growth (Amat et al. 2010).

Traditionally, enterprises construct their solid base in their own domestic markets before stepping to the international stage. The Uppsala model defines internationalisation as a long term process (Johanson – Vahlne 1977; 1990).

The theory of organizational learning states the younger an enterprise is on the time when it steps to external markets, the more prepared it will be to face the challenges, to adapt and to gain the necessary knowledge to compete in the international market. On the other hand an early internationalization can make the enterprise more efficient, promote organizational learning and develop competences, which help it to gain competitive advantage (Rialp – Rialp – Knight 2010).

Until the late 90s, Spanish companies were concentrating on their domestic markets and lacked projection and international reputation. In less than a decade all has changed. Their size increased and with record speed they became international (Santiso 2007). The number of Spanish companies which have gone to international markets increased significantly in the 90s, and nearly doubled between 1998 and 2004. This process of international expansion of Spanish firms was unexpected and the new Spanish multinationals gained an active role in sectors like banking, energy, infrastructure and telecommunication. This group of companies

was called in the Anglo-Saxon newspapers as the new “Invincible Armada” (Camisón – de Lucio 2010). However, the world ranking of Spain in the market share of exports is just number 15, which is quite low compared to its size in the world economy. Some countries with high energy exports are above in the ranking (Russia and Mexico) and so are countries like the Netherlands and Belgium with their traditional role of intermediates in world trade. This however does not mean that they have a higher production of goods and services (Quintana Navío 2007).

The factors which determine the intensity of the presence in international markets are closely linked to corporate size, productivity, innovation capacity and the appropriate structure of financial costs (Banco de España 2009). In the centre of the Spanish success was a model of innovation of doing business and a highly innovative production and distribution process. When we speak about innovation it is not just about the high level technology of production, but it also refers to management processes, which proved to be highly innovative in many cases (Santiso 2007). Spanish development was marked by two key elements: a complicated past with a stagnating, controlled and isolated economy and a brilliant start in the 21st century with rapid structural changes (Quintana Navío 2007). In the 90s the internationalization of Spanish firms started in Latin-America, which in the 2000s turned to the United States, and the European and Asian markets. With this process the “multilatinas” developed into multinationals (Santiso 2007). This phenomenon happened in a unique constellation of a global economy boom, loose financial markets (the time of free money) and with a prosperous and strong Spanish economy.

The number of international enterprises increased steadily and in 2006 reached the threshold of 100,000 (which is just 3% of all Spanish companies), but in 2007 a decline began and several thousands disappeared or finished their international activities. Parallel to this process, the international activity of many companies remained quite sporadic and passive. The high cost of establishing international commercial relations with foreign companies and maintaining those in the long run means that an enterprise needs stable and high capacity exports to cover these costs. 61% of the Spanish companies who have sold products to international markets could maintain their international operation just for one year, 12% for two years (Camisón – de Lucio 2010).

In Spain 73% of SMEs with international connection are firms which's internationalization was a long process, meaning that exporting was just the last step in their way to the foreign market. Only 27% of the SMEs confirmed that it was a sudden decision. Most of the companies made this step following a client or customer who was expanding its activities to external markets. The fundamental reason in general was strategic: the company realized that its own growth and expansion strategy, practically to survive on the market, needs an international presence, and every other reasons were secondary: diversifying risks, getting nearer to the customer, building the image of the company, getting faster access to high technology. Cost-reduction was not a relevant reason (Buisán – Espinosa 2007).

Practice shows that exporting firms have a better level of performance in terms of productivity, size, survival, paid salary, capital-intensity and sophisticated technology, than the enterprises which do not export. To compete in foreign markets the exporting firms are able to gain knowledge about the newest technology and implement it faster than non-exporting enterprises, and this accumulation of information allows them to incorporate it into their own functioning and thus increase productivity. The experience that exporting firms are more productive than non-exporting firms does not indicate clearly the causality between exporting and higher entrepreneurial achievement. In the case of Spain the competitiveness of the SMEs increased just very slightly as a result of exports. The only indicator which significantly and positively affected the competitiveness was profitability, however just 1-3 years after the start of exporting. The effect of “value added” is positive but not significant statistically (Avella – Garcia 2010).

Internationalisation is acknowledged as one the most relevant strategic decisions related to the competitiveness of an enterprise. However the empirical evidence for the causality between the relation of exports and competitiveness is not conclusive. Good entrepreneurial results allow an SME to enter international markets or do they increase their achievement because of exports (Avella – Garcia 2010)?

The impact of ownership is also important. Family enterprises have less dynamic growth prospects, and even less in the international markets. The lack of financial resources, the inflexibility, the resistance to change leadership from family members to professionals, the differences of objectives, values and necessities between the family and the enterprise,

together with the conflicts between potential successors are all factors why the growth of family enterprises is limited (Ward, 1998).

The attitude to risk of family enterprises differs from non-family firms. The former are more conservative and are averse to risk, which is hardly surprising regarding that the family's wealth is based on the functioning of the company. That is why they have little interest in assuming high risk. The decision of international expansion is a risky one, especially the first phase of the process, where the firm has little knowledge and information. That is why this strategy is less attractive to family enterprises (Fernández – Nieto 2006). However, the attitude and behaviour of family enterprises can vary depending on the generation in leadership, which can have different interests, styles of management and objectives (Okorafo 1999). The founding generation mostly concentrates on consolidating the firm's position on the domestic market, while the new generation of leaders would like to demonstrate its braveness and independence and would like to find its place in the company, and that is why it is more willing to change (Fernández – Nieto 2006).

The analysis of the Spanish case by Fernández and Nieto (2005; 2006) shows that there is a negative relation between family ownership and internationalisation. Not many family enterprises export, and if they do, they do so to a moderate extent only. Two possible ways were analysed which could help the internationalisation of family businesses: 1, incorporation of new generation to leadership and 2, introduction of new resources (human, capital, management knowledge) to the firm. They have found that the arrival of a new generation to leadership could ease the access to new resources and the following generation of family business shows a larger inclination to engage in intensive exports. Another study shows that the second generations in family firms are a positive factor for internationalisation. (Menéndez 2005) The opening of a family enterprise to corporate shareholders (fresh capital) also has a major implication in international markets. Another question of the study is whether alliances with firms on a potential new market help internationalisation? The finding shows that such alliance affected the process of internationalisation negatively (Fernández – Nieto 2005). In general, Spanish family firms are not especially limited by their resources and capabilities in comparison with non-family firms (Menéndez 2005).

The study of Okorafo (1999) in the USA shows that one of the variables that can determine significant differences between family firms is the generation involved in their ownership and

control. The coexistence of multiple generations of family members can encourage risk taking and thus international growth. The second generation could be more motivated and prepared to start projects abroad, while founders prefer stability. If a family business does not get involved in foreign markets in the first or second generations, it is unlikely to do so in later generations.

The majority of the internationalized enterprises are SMEs with less than 200 employees. However 67.7% of the firms have more than 50 workers and the companies who have the most advanced level of internationalization are employing between 100 and 200. From this data we could conclude that size does matter. The results of the literature show that the process of internationalisation demands a certain level of firm-structure. The critical mass to a company to step into international market is somewhere above 20 employees in Spain. A study states that there is a correlation between corporate size and external openness in general, because companies with bigger structures are able to better support the use of resources and to handle risks which go together with the development of foreign activities (Buisán – Espinosa 2007). Other studies concluded as well that size is a positive factor for internationalisation (Menéndez 2005; Fernández – Nieto 2005).

In a study among the member companies of the Instituto de la Empresa Familiar (Institute of Family Enterprises) the state of internationalisation of 103 firms was analysed, which represent perfectly the large Spanish family enterprises. The results show that the sector in which a family enterprise functions does not significantly influence its internationalisation, with two exemptions. The companies in construction and commercial distribution are simply not present on international markets. The reasons are unclear but significant barriers could be the lack of financial assets (Quintana Navío 2007). The research of the Spanish Institute of External Trade (Instituto Español de Comercio Exterior, ICEX) of the Ministry of Industry, Tourism and Trade came to the conclusion that the most internationalised sectors are trade (mainly wholesale) and the manufacturing industry (Buisán – Espinosa 2007).

Human capital is crucial element to the successful development of foreign projects. Former experience is very useful to overcome the difficulties that a company could face during the process of internationalization and the penetration of a new external market. The main difficulty during the primary phase of internationalization is the lack of knowledge about the

target country, cultural and entrepreneurial differences, language, and the search for business partners (Buisán – Espinosa 2007).

A study by Lopez Rodríguez (2006) came to the conclusion that education in general and training in specific fields have positive effects and are highly significant in the process of internationalisation of Spanish firms, also in the phase of entry to the new market, as well as in the realization of products in the foreign market. Better human capital increases the level of productivity of employees, and above all the enterprise gains higher competitiveness in the international arena.

There is a large literature which finds that exporters are more productive than non-exporters. Several causes could occur why that is true. Foreign markets are not a continuation of the home market; there are differences that involve specific costs to access them. Only firms that have the necessary advantages to overcome the entry costs will enter these markets. Firms which are present in international markets may learn about different production technologies, managerial techniques, and/or find additional stimulus to develop more efficient methods. A study by Merino (2004) finds that in 18 industries (out of 20) the productivity of exporters was, in statistical terms, superior to that of domestically focused firms. The productivity of firms with subsidiaries abroad was even greater than that of exporters. In the case of Spanish manufacturers, firms which are at a more advanced stage of the internationalisation process are more productive.

According to the previously mentioned study of ICEX, 89% of Spanish enterprises confirm that their competitiveness increased as an effect of internationalisation, and half of them are willing to enter new markets in this order: China, Mexico, USA, Brasilia and Eastern European countries (Buisán – Espinosa 2007).

3. Barriers to internationalisation

Today the access to international markets is much less risky than previously, mostly due to commercial liberalisation, the opening of international markets and more and better information due to new information technologies. The internationalisation for many companies is a purely defensive strategy, necessary to remain competitive (Quintana Navío 2007). However there are several barriers which remain in the way of the internationalisation

of SMEs. According to the OECD (2008; 2009a) the main barriers to greater internationalisation as reported by SMEs are:

1. Shortage of working capital to finance exports (limitations in finance and related physical resources);
2. Identifying foreign business opportunities;
3. Limited information to locate/analyse markets (this was the most cited barrier to internationalisation among the responding firms, suggesting that information gaps remain a critical challenge to SMEs);
4. Inability to contact potential overseas customers;
5. Obtaining reliable foreign representation;
6. Lack of managerial time to deal with internationalisation;
7. Inadequate quantity of and/or untrained personnel for internationalisation;

The OECD research found some indication that firms within certain sectors face particular industry-specific internationalisation barriers, which provide continuing justification for the segmentation or needs-based approach widely adopted by export credit agencies (ECAs) and trade promotion organisations (TPOs) (OECD, 2009a).

According to an analyses of the European Commission (EC 2007) the problems could be grouped into the three main areas of concern:

1. Insufficient managerial time and/or skills required for internationalisation;
2. Lack of financial resources;
3. Lack of knowledge of foreign markets, mostly as a consequence of the previous two.

The EC report underlines the importance of support in the area of managerial issues, particularly in terms of the lack of an international strategy of SMEs, which is growingly considered as one of the main SME problems related to preparedness for internationalisation. This situation is closely related to size: on average the smaller the SME, the more management capacity building it needs. Small SMEs tend to have lesser structured management procedures and a tendency of making opportunistic, rather than systematic strategic decisions. A structured management system is fundamental for successful internationalisation and may be one of the key elements that hinder further SME internationalisation (EC 2007).

There are three main groups of enterprises more or less homogenous which can be differentiated in the process of internationalisation in Spain (Buisán – Espinosa 2007):

1. big multinational firms, mostly in sectors of infrastructure building, finance, telecommunication, energy and services;
2. big and medium sized family enterprises, which are in average present in three or four countries (mostly in Latin-America and Europe), and are developing commercial strategies based on affiliates or branches;
3. the small and medium sized enterprises which are characterized by a minor international presence.

Summing up the results of different researches (Quintana Navío 2007; Buisán – Espinosa 2007; Merino 2004; Lopez Rodríguez 2006; Avella – Garcia 2010; Fernández – Nieto 2005; 2006; Menéndez 2005; Crick – Barr 2007), it can be stated that internationalisation in the first group of firms (the multinationals) is in an advanced phase in European comparison as well (or was until the global economic crisis). The trend in the second group is that the companies are aware that to remain competitive and to survive on the market, an international presence is needed for different reasons (diversifying risks, getting closer to the customer, increasing the image of the company, getting faster access to high technology). But in the group of small and medium size enterprises the process of internationalisation is declining in recent years, although until 2007 it showed an increasing trend. However under internationalisation in the group of SMEs mostly means exporting, which in most cases does not create stable international connections. The causes and barriers for this lack of real international presence are connected with the following:

1. Internationalisation demands a certain level of professionalization in leadership, which is a necessary but not sufficient condition;
2. There is a direct connection between the capacity of leadership, knowledge of foreign languages, university degree, previous residence abroad and between the result of internationalisation. This means that human resources are an important factor and barrier at the level of SMEs.
3. The decline of exporting Spanish enterprises after 2007 shows that the economic crisis causes serious barriers to internationalisation.

4. Some best practices for promoting Spanish SME internationalisation

4.1. Young European Enterprises (Empresa Joven Europea, EJE)

The programme has been included in the secondary education curriculum as an optional subject and is aimed at students aged 12-16 years. Throughout a full academic course, students start up and manage import-export companies involved in real trade activities with daughter companies abroad. Students communicate via video-conference and email with partner companies abroad, place and dispatch orders and sell imported goods at the local trade fair. Eventually, profits are distributed among the partners of the company and a portion of profits goes to an NGO or any other community project. Besides fostering the entrepreneurial skills of pupils, the programme considers new technologies as an integral part of the teaching-learning process. Positive attitudes are promoted towards learning foreign languages as an instrument of communication between partner mini-companies located in different countries (EC 2005; 2007).

4.2. Program of Aid to Investment Projects (Programa de Apoyo a Proyectos de Inversión, PAPI)

ICEX launched its Program of Aid to Investment Projects in 1995 which aimed to cover some of the costs related to internationalisation. The preparation to step into foreign markets and to start a project demand the elaboration of several studies in economic, technical, financial and legal fields or in marketing. In this delicate phase of the internationalisation process, PAPI tries to strengthen the training of the company's workers and the initial management of the project. The program is directed to aid the initiatives of Spanish companies to invest and to cooperate with any country in the world, regardless of whether it is a new project or an expansion, modernization, rehabilitation or privatization of an existing enterprise in any type of industry. The results of the program show the declining tendency from after 2006, with a 60% fall of the number of supported projects after an increasing tendency for a decade. The overall success of the program is undeniable: 84% of the supported feasibility studies turned into reality in the form of a project in external markets. The main geographical targets were Latin-America, Asia (mostly China) and Eastern-Central Europe (Buisán – Acena 2007; MITC 2011).

The main reasons for internationalization of the Spanish companies participating in the program were the following:

- following a main multinational client to external markets;
- maintaining or achieving leading market position in Spain;
- specialization in the advanced phases of the value chain (mostly projects in China);

- securing and taking advantage of raw material supply (mostly in agricultural processing industry);
- adaptation to local markets.

4.3. Barcelona Activa

The European Enterprise Award winner Barcelona Activa is one of the Spanish (Catalan) best practices in the field of enterprise development initiatives which deserves to be highlighted. Barcelona Activa is the local development agency of the City of Barcelona. It was created in 1986 to promote quality employment and innovative businesses and started modestly as a business incubator coaching 14 business projects. Some 20 years later, its role and reputation has grown and it is the primary instigator of employment and innovation in the city. Its clients are drawn from different parts of the population and a distinguishing feature is its personalized offer to participants in its programmes. It has a modest budget but plays a central role in economic development in the city as the agent which designs and executes municipal policy in the field. One of Barcelona Activa's strengths is its capacity to be close to the City Council. The President of Barcelona Activa is also the Deputy Mayor (OECD 2009b).

Barcelona Activa had four big services between 2008 and 2011:

- Business creation and entrepreneurship culture:
 - professional services for potential entrepreneurs in order to promote the creation of new businesses;
 - personalised coaching of entrepreneurs and assistance in taking the step from business idea to the creation of the business with the help of a powerful website to coach the business plan on line.
- Innovative business consolidation and growth:
 - incubator houses and technology parks to facilitate the future of innovative, recently created businesses by generating cooperation networks, stimulating innovation, and contributing to improving their competitiveness and growth;
 - facilitating access to funding, access to local and especially global markets, and facilitating tools, experts, mentors for improving management;
 - introducing Anglo-Saxon methodologies such as investment readiness seminars;
 - provision of contacts and training for internationalisation.
- Human capital development and new employment opportunities:

- seek to develop the workforce in the evolving context of the labour market and to reduce the mismatch between offer and demand of skills in the labour market.
- Access and improvement of employment:
 - inform, orientate, motivate, train, and promote employment.

The business survival rate after the fourth year has attained 84% for the companies in the incubator. On average, at the fourth year they employ of 9.8 employees and their annual turnover was EUR 980,000. This shows the success of the Barcelona Activa.

5. Possibilities for state support and services to help the process of internationalisation of SMEs

The report of the European Commission's expert group on "Supporting the internationalization of SMEs" has suggested that in order to maximise the effectiveness of government funds devoted to supporting the internationalisation of SMEs, policies should consider the following:

- The barriers that impede or restrain the internationalisation of SMEs and the drivers that move companies to internationalise.
- Each country will have to build its own set of policies based on "on the ground" experience. A continuous, integrative and consultative process between all the stakeholders (government, support agencies and SMEs) is possibly the best key for successful policy development.
- One of the main reasons for non-utilisation of support is that enterprises lack awareness. In general, the smallest SMEs do not have the desirable knowledge about the support measures due to the lack of resources devoted to internationalisation. This calls for simplified information and access.
- Effective support to SMEs must consider the variables that influence the process of internationalisation: available financial and human resources, company size and stage of internationalisation, sector, geographical location, target markets, etc. All this strongly suggests an approach based on individualised support to each SME.

The report differentiates several types of potential support:

- Individualised support: should start by screening the “internationalisation capacities” and through long term consultancy should provide information and support on finances for internationalisation, access to information, networks, etc. The need to work with management teams rather than offer generic assistance to address problems in internationalising is shown clearly by other analysis as well (Crick – Barr 2007).
- Financial support: because one of the main barriers to SME internationalisation is the lack of financial resources and access to sufficient and affordable finance. For trade related finance, the existing mechanisms (commercial credit insurance, guarantees, factoring, etc.), and the level and availability of information are good across most European countries. It has to be mentioned that in the cohesion countries Structural Funds are include programmes for improving competitiveness (and internationalisation) and which are accessible to SMEs (Yserte – Pindado 2010).
- Networks, which expand the capacity of the individual SME to internationalise, remain one of the vital components of support to internationalise.
 - Support networks managed mostly by governments (commercial offices abroad) or big business associations with a key role as a support measure with directly usable information for any type of internationalisation.
 - Networks are focused on promoting direct co-operation between companies (co-operative approaches, alliances etc.).
- Sectoral programmes are needed, because not all industries are equally affected by globalisation. High and medium-high technology industries are on average generally more internationalised than less technology-intensive industries.

The main recommendations of the report are:

- The national level is the most adequate for the development of policies and programmes (rather than regional or local).
- Co-ordination of all actors is paramount, which should also help prevent a “support jungle”.
- Internationalisation is needed for all SME, regardless of size. For programmes to be effective, scanning of companies and “negative screening” must be introduced.
- Tailoring support to the individual SME and sufficient network support.
- The focus must be supporting long term co-operation between companies rather than trade development: search of partners rather than customers.

- Evaluation of programmes is a must.

The recent challenges to Spanish enterprises, beyond the “standard” global transformation, are in the first place is the depletion of cost advantages, low productivity and the predominance of low added value technology sectors. Second, the promotion of innovation as the motor of competitiveness. Third, the challenge to improve the technology base of the enterprises to guarantee sustainability. And finally, the need to generate external economies to the Spanish SMEs (Yserte – Pindado 2010).

It has to be stated that any kind of state support has to follow the European regulations in regards of equal competition in the single European market. There is a special regulation, called “de minimis”, which guides the national governments in supporting the SME sector. The reason for this exception is based on EC regulation No 1998/2006. “In the light of the Commission’s experience, it can be established that aid not exceeding a ceiling of EUR 200,000 over any period of three years does not affect trade between Member States and/or does not distort or threaten to distort competition.”

Until October of 2009 16,000 different types of support programs were set up in Spain from which 5,600 was still running. Following the analysis of Yserte and Pindado (2010), the important change of support instruments on the regional level is that they respond to the needs and challenges of the SMEs. We can conclude that the Spanish system of supporting SMEs functions within the European frameworks, but evidently it is not following the recommendations of the expert group to “prevent a support jungle”. However the best practices are worth looking at more closely, especially the ones which are in accordance with the above mentioned recommendations.

Conclusions

The global, European and Spanish trends all suggest that an average SME has three possibilities to follow: first, it may find its own way in a local / regional surroundings and tries to compete with multinationals relying on the specific knowledge of domestic demand; or second, tries to gain economy of scale with exploring new markets and production possibilities, and/or tries to gain access to international networks or third; it will struggle and slowly (or rapidly) go bust.

This paper highlights that next to the local, regional and national governments' campaigns to "buy local" (go the first way), they should give help to SMEs to follow the above mentioned second possibility as well. Every country (including Hungary) needs first, a strategy to help the internationalisation of SMEs'; second, partnership with the interest groups of the SMEs (including the chambers of commerce) and third, to establish an institution which may give support to SMEs which have the intention to internationalise. This support should include: training and education in various fields of management knowledge, enterprise incubation services, search for possible financial investors (e.g. business angels and venture capital companies), financial help to research foreign market needs and demands (including a chain of trade promotion offices in target countries), all this possibly following best practices of EU member states (like Barcelona Activa in Spain).

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