The key factors for a successful SME internationalization process

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The EUROLINK Network is represented by a group of legal, accountancy, company and taxation experts.

www.eurolinkgeie.com
• *Eurolink Network’s* mission: to guide Italian and European companies through the internationalization process supporting them step by step.

• Small and Medium-sized Companies are our target.

• *The Eurolink Network* puts traders and entrepreneurs in the best condition to do business abroad.

• *The Eurolink Network* assists companies and individuals who have made or intend to make investments in Italy and Europe.
EUROLINK main reference markets

In Europe:
Italy, Austria, Croatia, Germany, Serbia, Slovenia

In Asia:
China, Vietnam, India, in Partnership with

DEZAN SHIRA & ASSOCIATES
Your Partner for Growth in Asia
Experts supporting European companies abroad
Limits to the international expansion of SMEs

**STRUCTURE**
- mainly family-run companies
- no external technically skilled managers

**CAPITAL**
- lack of capitals
- no propensity to get into debt
- no necessary capitals to finance internationalization projects

**ORGANISATION**
- the structures are good for the local market but lack in human resources focused on internationalization
- the owner personally runs the company management
- no delegation
Limits to the international expansion of SMEs

Consequences:

- Traditional lack of SMEs in the internationalization process
- Export through distributors instead of direct presence
Companies run by managers are more oriented to internationalization

- **Traditional companies:**
  - working in «mature» sectors show more difficulties in new and successful internationalization actions

- **Innovative companies:**
  - are focused on internationalization
  - introduce a limited number of independent products (different from the general context)
SMEs Penetration strategies: based on market segmentation. Aiming at the richest customers (less «price sensitive»)

SMEs Structure: characterized by *service and technological development* to face emerging Countries competition

Companies can be divided into 4 behaviour categories:

1. «Reactive» companies: they already work in emerging markets in response to the aggression experienced in their own country

2. «Hidden» companies: they are subject to the risk of competitive aggression by emerging Countries

3. «Protected» companies: working in protected markets, can be subject to a medium-term risk of aggression in case of change of the market conditions

4. «Lively» companies: characterized by an early aggressive behaviour. Already present in emerging countries. If understanding right time and methods, they are the most easily developing ones.
In international trade domestic companies can experience risky situations due to different critical issues...
# Internationalization risks

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<th>Difference of markets</th>
<th>Contractual risks</th>
<th>Credit risks</th>
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| • Difference in language, traditions, habits and best practices | • High «business risk»
  • Possibility of increasing production costs
  • Possibility of wrong calculation of tributary costs
  • Possibility of extra costs | • Accurate customer management is required by the sales department |
| • Difference in civil and commercial rules, legal and political system | • Wrong understanding of contractual clauses | • Request of advanced payment
  • Guaranteed money transfers |
| • Difference in currency and monetary regime | • Possibility of suspension or interruption of the order | • Request of
  • Irrevocable Letter of credit |
| • Difference in technical rules and standards | • Possibility of unsuccessful withdrawal of the goods
  • Impossibility or excessive onerousness of restitution | • Credit insurance |
| • Difference in customs and/or duties system, transportation system, commercial terms | • Exchange risk
  • Credit risk | |
| • Difference in banking system and ways of payment | | |
Italian and EU companies wishing to expand their activity abroad need to be careful about fiscal rules related to

- Income produced by foreign subsidiaries
- Purchases from Countries included in the «BLACK LIST»
The role of Institutions in SMEs support

**Chambers of Commerce:**
- Geographical analysis and Country focus
- Participation to Fairs, Visits and delegations abroad
- Financings and Contributions

**Banks:**
- Information about Country economy
- Assistance and support
- Financings and banking activities
- Verification of risks related to clients’ solvency
• A company aiming at internationalization needs to develop a tailormade *Entry Strategy*

• The investment structure depends on different factors: short/medium/long term objectives, sector of activity, investment size and, in particular, **financial sources**

• Projects to be developed in «distant markets» request important investments, careful evaluation and related financial coverings

• Investments are not often covered by the financial system. It is usually chosen to use short term financings. **That’s a mistake!** The financial balance can be compromised!!

• The process of starting-up of a commercial or production activity abroad is not quick. The related financing must be then supported by an appropriate financial plan
Experts and entrepreneurs: together in the internationalization process...

- Developing market and sector studies
- Visiting fairs, researching distributors, evaluating a commercial strategy (Direct Investment? Partner research? Network of companies?)
- Studying the financial sources
- Preparing the economic and financial Business Plan
- Analyzing contractual and fiscal risks (i.e. Transfer pricing)
- Choosing the subsidiary’s technicians and managers
- Controlling the subsidiary’s activities: audit and management control
Why does a company need the support of an Expert in its internationalization process?

- Because the Business Advisor helps the company supporting and assisting his Managers step by step
- Because the Business Advisor can identify the right contacts and can make the company save time and money
- Because its experience helps the company to take the right decisions
- Because the Business Advisor prevents the company from making mistakes
THANKS FOR YOUR ATTENTION

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