

INTERNATIONAL CONTEXT AND LOCAL COMPETITIVENESS. SMES AND PUBLIC SERVICES IN THE UMBRIA REGION

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1. Introduction

In a context characterized by the globalization of markets and production systems, the international dimension is ever more strategically important for development models characterized by the presence of small and medium enterprises, SMEs (Bagchi-Sen, 1999; Dana, 2001; De Clerq, Sapienza & Crijns, 2005; Estemad & Wright, 2003; Aprea & Di Napoli, 2002; Bagella & Pietrobelli, 1995; Cafferata & Genco, 1997; Depperu, 1990; Kuivalainen & Sundqvist, 2006; Lokar, Bajzikova & Mason, 2007). The strengthening of the economic systems of India and China, and their relative weight in international trade, has led economic operators and public officials at the international level to introduce two new strategic trajectories of development. The first trajectory is of a competitive nature; linked to the protagonism of the Chinese system. The second can be seen as that of opportunity, arising from the reconfiguration, beginning with localization, of the relevant markets for international trade, with resulting opportunities in terms of increased global demand.

A further consequence is the estimate for the near future that attributes Asia with the role of the motor in the global growth engine, not only because of the great liquidity created by the inflow of foreign capital, but also the renewed growth of export destination markets (UNCTAD, *World Investment Report*, 2009). The strength of the state finances in these countries has enabled the adoption of expansionary economic policies, without adversely affecting stability. In contrast, the so-called advanced countries, with their public finances in deficit at the time of the financial crisis, have encountered difficulties in adopting effective anti-crisis measures (Mariotti & Mutinelli, 2006; Lokar, Bajzikova & Mason, 2007; Kuivalainen & Sundqvist, 2006; Baldwin, 2009). Public policy in support of the internationalization of enterprises is now of key strategic importance for the eco-

conomic development of every national system. In local contexts, in which smaller firms play a crucial role in the economic, productive and social fabric, there is a clear need for effective coordination between institutions and companies, in particular at the regional level (MET report 2007, 2008 & 2009; ICE Report, 2007-2008 & 2008-2009; Brocanello, 2010). This paper is the result of a reflection on the importance of, on the one hand, the territory where companies have their roots, and on the other, the activities undertaken in support of the internationalization of both businesses and their local territory by the public authorities responsible for the governance of the geo-economic areas under review (Barczyk, 2007; Lu & Beamish 2002; Wright, Westhead & Ucbarsan, 2007; Hodgkinson, 2008).

This paper is the second step in a research project initiated in 2009. The research project led to the emergence of concrete partnerships and activities between the university and local policy makers, with the aim of planning a new local support model for the internationalization process of Umbrian SMEs. The management and development of this systematic cooperation can be divided into three phases.

In the first phase an empirical investigation was carried out, which focused on the activity generated by the annual conventions, as carried out under the programme agreements made between the Ministry of Economic Development and the Umbria Region, during the years ranging from 2005 to 2010 (Brocanello & Tremiterra, 2011). This activity represents the most structured part of the public intervention in the field of internationalization. The survey was conducted in several stages between July 2008 and September 2010, and undertaken using a qualitative approach (Yin, 2005). As a result of this empirical research, a program for systemic collaboration for the development of promotional activities provided for by the annual conventions was drawn up. The second phase concerns The Listening Operation, which is presented in this work.

The third phase involves the analysis of the results, the sharing of feedback obtained from the survey conducted on Umbrian firms, and the evaluation of the results. This phase, which started in 2012, relates to the creation of the Observatory of Umbrian companies.

The following questions arise from this research:

1. Are the services offered to support SMEs in Umbria consistent with the needs of businesses aiming to enter foreign markets?
2. Do the local support policies adopted by policy makers meet the needs of the companies they intend to benefit from these resources?
3. What are the critical issues which companies, the recipients of these public services, attribute to local policy makers?

To answer these questions, a theoretical and empirical research project was undertaken. The second paragraph of this study deals with the concept of the internationalization of local systems and enterprises, with par-

ticular reference to the path towards internationalization taken by Italian SMEs. To this end a graph is proposed, as presented in other studies by the authors of the paper, to take us through the various steps that identify the typical stages in the process: start-up, entry, development, consolidation and maturity. With the help of the careful consideration of the prevailing literature on the subject, the main internationalization strategies of Italian SMEs are put forward, albeit in an inevitably brief form. The third part deals with internationalization in Umbria, and the public support offered for local SMEs in the region, in terms of fostering growth abroad. The fourth part presents the results of the field research.

The strong connection between SMEs and their territory of origin, and their need to internationalize, as part of their development path, is the driving force that led to *Operazione Ascolto* (The Listening Operation), which was launched in the Umbrian Region in March 2010. The survey was conducted between April 2010 and September 2011, and undertaken using a qualitative approach (Yin, 2005). This choice stems from the belief that the analysis should pay special attention to the shared efforts of local Policy Makers¹, who have the power to identify and make concrete the priorities in which to invest public resources, and small and medium sized Umbrian companies. The final part presents some implication based on the research conducted. To this end a Swot Analysis is used to highlight the strengths, weaknesses, risks and opportunities relating to The Listening Operation. The matrix used to undertake the Swot Analysis is comprised of four sections. Section 1: strengths. Section 2: weak points. Section 3: risks that may hinder the exploitation of the strong points and emphasise weak points. Section 4: opportunities that may facilitate the exploitation of strengths, while diminishing the importance of weak points.

¹ This term is used to refer to any public agent who contributes to the wellbeing of society. The reference in this context is the Umbria Region and the regional office of the ICE (Foreign Trade Center) in Umbria, which plans and executes activities in support of the internationalization processes of local firms on an annual basis. The empirical research presented in the second part focuses on the activity generated by the Annual Conventions, carried out under the programme agreements between the Ministry of Economic Development and the Umbria Region, during the years ranging from 2005 to 2010. This activity represents the most structured part of the public intervention in the field of internationalization.

2. Globalization, internationalization and SMEs

The globalization process and internationalization

The birth of the phenomenon known as globalization can be traced back to a number of innovations that occurred during the first six decades of the twentieth century, which led to changes in: (a) international relations; (b) the role of the state, (c) the nature and size of the company, (d) education. In particular, these great changes in political and commercial relations, at an international level, had two important consequences:

- production and international trade were no longer the exclusive domain of Europe and the United States;
- free trade was introduced, and was supported by the emergence of international organizations.

The term *globalization* synthesizes a globally important complex message: *the growing interdependence of the world economy due to the spread of information technology and the associated action of an increasing exchange of goods and production factors (capital, technology, human capital, organizational systems) coming from the most advanced regions, and used not only in the developing world, but also crossing over and back to the same advanced regions* (Tiberi Vipraio, 1999). Beyond this definition, other selected elements can be highlighted: global interconnections go beyond the economic dimension to include, in particular, the political and cultural levels (Giddens 1999); the level of competition becomes ever more intense, which is reflected not only in international terms, but also in local markets (Vaccà & Zanfei 1987), competition has become not only mercantile in nature, but also involves production, following the implementation of FDI by firms; the birth of a new model of dynamic competition that requires appropriate levels of cooperation due to the complexity of the globalized competitive environment (Vaccà 1986, 1989).

In this context the increasingly active role of nation states also emerges, particularly in terms of support for the internationalization processes of their firms and territories. The paradox is that, precisely because of the process of globalization, there is a clearer need to exploit distinctive local characteristics and resources that permit a company to survive / compete in such a context, especially for smaller companies, with particular reference to the Italian regions. In recent years, therefore, phenomena such as the progressive liberalization of capital markets, new information technologies, the creation of large free trade areas, and the dominant role of innovation and technological advancement in competition between companies, have systematically gone beyond the simple national and international - regional dimension, to become part of a global plan (Rugman & Hodgettes, 2001; Grandinetti & Rullani, 1996; Barczyk, 2007; Lu & Beamish 2002;

Wright, Westhead & Ucbasaran 2007; Lokar, Bajzikova & Mason, 2007).

It is necessary to clarify the meaning given, in this paper, to the terms *international* and *global*. The first term refers to phenomena involving different actors and national systems; the classic example being that of a firm serving the world market, producing the various segments of its product portfolio, or manufacturing the different categories of components necessary, in plants located in the main production areas around the world. As for the term *global*, the reference is to phenomena that have such a wide-ranging impact that the global dimension takes precedence.

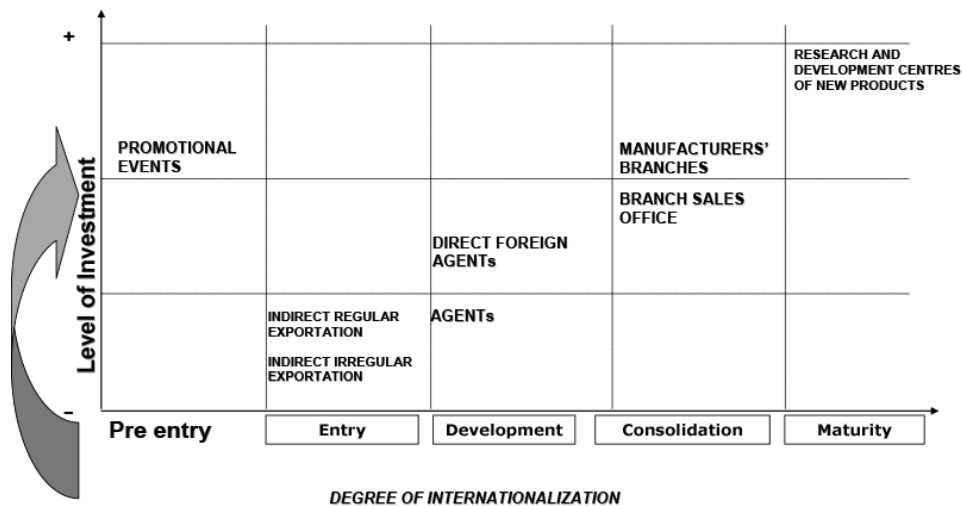
At this point the difference between the internationalization of territorial systems and the internationalization of companies should be briefly outlined. The dynamic of territorial models of development has specific pre-conditions that affect the *start up* of internationalization development processes: policies; compliance with vocations; quality of infrastructure; definition of the territorial area (Paoli, 1999). Regarding the first point, public funding directed towards training, research, infrastructure, marketing the area to attract tourism flows, and marketing the area for inward investment, needs to be accompanied by effective policies. The dynamics of territorial development must be planned according to models coherent with the vocation of the territory. By vocation we mean the direction development can and should take, following a vision of the opportunities available and policy decisions taken in the past.

The quality of the infrastructure in the territorial area is a fundamental precondition for the process of internationalization. Heavy infrastructure - networks, logistical platforms - are no longer distinctive amenities, and where they are lacking there are serious consequences for the competitiveness of local companies and their ability to internationalize, the attractiveness of the area, and the development of the local economic system. Light infrastructure - knowledge networks, networks of services, public networks, markets, public security systems - are critically important in terms of competitiveness and internationalization capability. This last point, however obvious it may seem, is critical for the convergence of efforts that will allow the policies of public agents to be implemented with flexibility, taking into account the real needs that characterize companies in the Umbria region.

In general, the path of internationalization of SMEs can be represented as shown in figure 1. This representation results from analysis of the *Uppsala model* (Johanson & Vahalne, 1977). It is also to be found in many papers and texts, detailing typical sequences in degrees of internationalization. The international development model does not indicate a preordained sequential path; the choice of foreign markets entry strategy companies make is, in fact, based on internal and external factors that lead to different strategic choices, in terms of positioning (in the market, chains, and technology). However, this representation is useful in highlighting the various solutions

that determine the presence of a company in foreign markets, largely due to three basic categories of activity: exports, agreements with foreign companies, and foreign direct investment. The differing degree of internationalization, as well as the position chosen by the individual firm, represents the first best choice form of entry into foreign markets. This decision is not only based on the characteristics and needs of the company, but is also a result of assessments made in the territory of origin and intended destination (Bagella & Pietrobelli 1995).

Figure 1: Phases in the internationalization of SMEs (about here)



Source: Adapted from model by Johanson J., Vahlne J.E.: *The International Process of the Firm*, *Journal of International Business Studies*, n° 8, 1977, pp. 23-32

Studies conducted in the 1990s have shown the importance of company size (large, medium, or small) in determining placement within the various steps identified in figure 1. So while big business is able to choose any level, due to its ability to meet the resulting costs endogenously, for SMEs it is necessary to resort to external financing and other services (Bagella & Pietrobelli 1995). This need increases according to the degree of internationalization, and, as in figure 1, therefore involves an increase in the level of investment required, in terms of capacity and resources. The method of entry into foreign markets can be integrated with the introduction of the phase that we have defined as pre-entry, following an empirical survey regarding businesses and local public officials conducted between 2009 and 2010 (Brocanello, Ceccacci & Lucentini, 2008; Brocanello, Ceccacci & Paoli, 2009). Promotional Activities planned by local policy makers in Umbria have indeed related to activities that can (and should) be placed at this stage, which is potentially, for smaller companies in particular, the first

step on the path towards internationalization. This phase is therefore at a lower level than others in terms of the degree of internationalization. The investment, however, that SMEs have to bear, to participate in trade fairs, workshops, and other activities provided for in the annual agreements, is placed on the chart at a higher level than the later stages. This follows on from the results of the survey, which demonstrate that the financial commitment required, especially for smaller companies, can sometimes be excessive and discouraging, to the extent of dissuading participation at Promotional events.

The next step along the route involves irregular indirect exports, managed either independently or through an agent. These may develop into regular exports, which require a regular flow of greater investment, in a stable relationship implemented through an agent or representative; the consolidation phase happens through a subsidiary, which is at first of a commercial nature (sales company), before becoming involved in manufacturing; finally, the establishment of centres for research and development characterize the phase of maturity that requires significant direct investment (Purpura & Paoli, 2006).

The Internationalization of SMEs: The Italian Context

Over the last thirty years, the Italian model of specialization, in terms of internationalization, can be read in the light of three elements: (1) The prevalence of the manufacturing sector, on which the Italian economy has been based since the Middle Ages, and which later gave Italy the status of a major economic power (Cameron & Neal, 2002a, 2002b); (2) The presence of SMEs that are only able to undertake international growth with great difficulty (Varaldo, 2004; Mariotti & Mutinelli, 2006; Piscitello & Tajoli, 2005); (3) The geographic orientation of the internationalization activity of enterprises, in terms of exports and FDI (MIT Report). These elements have come to characterize the Italian model, but they also make up the most critical factors in the global context. There have been numerous empirical studies over the last twenty years, which have underscored the importance of what are labelled as traditional sectors (Piscitello & Tajoli 2005; Varaldo, 2004; Ricotta, 2008; Varaldo & Lamberti 2009; Depperu 1990).

Manufacturing strongly characterizes the Italian economy, particularly with regard to SMEs and industrial districts. While *Made in Italy* is a major distinguishing factor, synonymous with high quality in terms of both production methods and the final product, the current context has evolved to include other forms of competition that have created many obstacles, in particular for the manufacturing sector, for two reasons: the knowledge-based economy, integrated on a global scale, that sees the structure of Italian industry lag behind other developed countries; and competition in the

local territory from goods produced abroad, with low production costs. In the first half of the twenty-first century the competitive crisis for local economies, in the global context, can be attributed to two principal factors: (1) the late presence and emergence of high-tech industries (Varaldo 2004); (2) the process of de-industrialization, particularly in the manufacturing industry, due to the contraction of existing production and employment (Varaldo 2004). This last point in particular is the result of centuries of history, with its roots in the competitive factors expressed in the term *Made in Italy*, so characteristic of traditional Italian industry, which is made up of smaller companies located in industrial districts. Indeed, the presence of many small businesses, often located in clusters, results on the one hand in high-quality production, yet on the other presents a major impediment to the changes necessary to be competitive in a global context. This second element, indicated as the most important factor in the competitive crisis of Italian firms, highlights the need to adapt configurations, in terms of company size, in order to obtain more resources, and introduce effective levels of governance. Interdependence at the global level, the result of economic and social progress over recent decades, becomes a global crisis when the uncontrolled flow of capital leads to an explosion of household and state debt, caused by imbalances and speculation (Varaldo & Lamberti 2009).

The new scenario at the beginning of the twenty-first century, therefore, is a crisis caused by the globalization of markets, which requires changes at all levels and in all sectors, in terms of: (a) roles; (b) instrumentation; (c) perspectives. The global model has to come to terms with the need to safeguard the individual states and their industrial and national heritage (Varaldo & Lamberti 2009). This necessarily involves changes for SMEs, in terms of policy interventions, resulting in consequences along the path of internationalization taken by business and for the activities undertaken by public support for the process. SMEs find themselves faced with new challenges and prerequisites for access to export credit. Studies clearly show that about 80% of world trade is supported by credit instruments (Baldwin, 2009). The undercapitalization typical of smaller companies involves frequent recourse to credit (mainly from banks) that is no longer readily available because of the need for new and stricter requirements of soundness and solvency. This element involves the loss of valuable resources to SMEs in terms of the investment levels needed to initiate or continue the process of internationalization. On the other hand, in the actions of Italian policy makers, the priority in terms of the investment of resources has been to compensate financial institutions and investment banks (Varaldo & Lamberti 2009). The second operation on the priority scale, in the present context, involves some sectors that, in terms of international competition, have shown results that cause concern for the national economy. New factors are emerging which cause delays, as a result of structural weakness, which

appear to be dealt with through the decentralization of production, with the aim of achieving cost advantages. The strengthening of the economic systems of India and China, in terms of both total growth and wealth production, and their relative weight in international trade, has resulted, in strategic terms for economic operators, and public officials at the international level, in the introduction of two new development trajectories. The first is a competitive trajectory, tied to the protagonism of the Chinese system (by no coincidence the world's leading exporter in 2010), which resulted in a significant, albeit pre-announced, response on behalf of competitor countries worldwide. The second trajectory regards opportunities; arising from the reconfiguration, beginning with the localisation process, of international trade markets, with resulting opportunities in terms of increased global demand.

3. Public Support for Internationalization

The national context: bodies and services

Public support for the internationalization process companies undertake has always been a topic of considerable interest in the institutional and economic sphere. The nature of interventions in support of the international activities of Italian companies can, in general, be divided into several typologies: information services, regarding foreign markets and intermediaries, international assistance services, and concessions for the cost of marketing and communications. At the national level the Ministry of Economic Development allocates resources to support the internationalization of businesses. Following this, the individual regions, in compliance with the regulations, coordinate the resources available to make support for internationalization concrete at the local level. The activities of the individual regions are scheduled through the Programme Agreements (or conventions) between administrations, or the administration and a private entity. With regard to the actuators of the activities in support of internationalization, these can be differentiated according to the typologies of services offered: real services and financial services (table 1). With regard to real services, the main actuators of arrangements in support of the internationalization process undertaken by companies at a local level are the regional offices of the National Institute for Foreign Trade (ICE), the Enit regional tourism agency, and chambers of commerce. As regards financial services, the actuating bodies are the Italian Society for enterprises abroad (Simest), the foreign trade insurance company (SACE), the Deposits and Loans Fund, the Finest group, and other financial bodies at the local level.

Tab. 1 – actuators of real and financial services in support of the internationalization of companies (about here)

Actuators of real services	Actuators of financial services
<ul style="list-style-type: none"> • National Institute for Foreign Trade (regional offices) • Enit • Chambers of Commerce 	<ul style="list-style-type: none"> • Simest • Sace • Deposits and Loans Fund • Finest • Other regional financial

Source: Our development 2011

The local context in the Region of Umbria

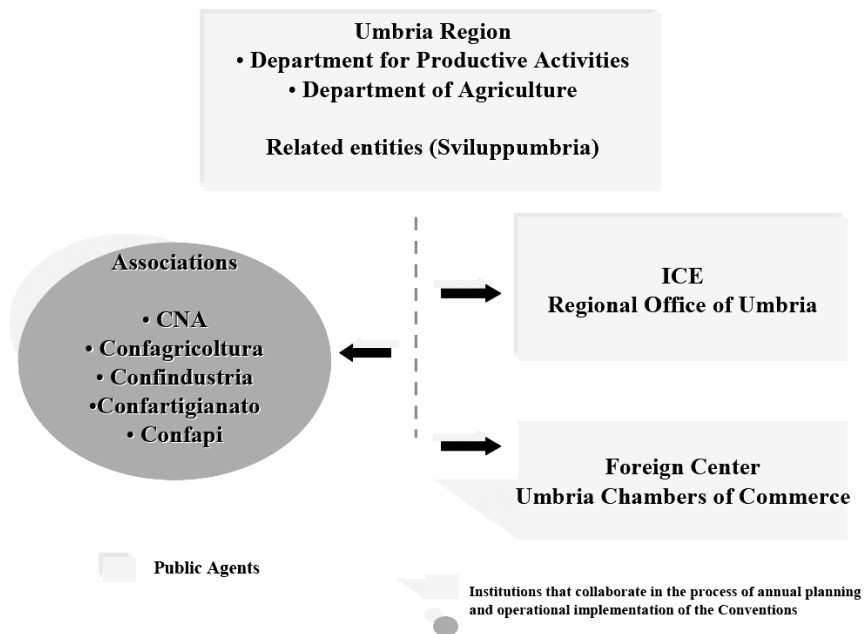
2009 marked a significant decline in Umbria, in terms of all major indicators, beginning with GDP (-5.9%). The ICE and Bank of Italy reports published in 2010 confirm this negative performance, which has had two major effects on the Umbrian economy: i. weak domestic demand; ii. a decrease in exports. In the first case, the immediate consequence for companies in Umbria was a reduced level of production, with a direct effect on both the workforce and the use of plants. Looking first at exports, the reduction in foreign trade, accompanied by a sharp decrease in production, is a direct consequence of the decline in export credit, an instrument used in particular by SMEs to generate immediate liquidity. This brief analysis highlights that Umbria is not pulling its weight in terms of exports, and stresses the need for appropriate strategies to reach and sustain a level of competitiveness that must by now be measured on a global scale (Varaldo & Lamberti, 2009; Zucchella & Maccarini, 1999). This also determines the need to support SMEs with appropriate development plans, in the local context, and the importance of promoting activities that could pave the way to internationalization (Piscitello & Tajoli, 2005; Purpora & Paoli, 2006; Paoli, 1999). The evolution of the phenomena which led to globalization is the premise for the public support offered over the last fifteen years in the Italian regions, based on the exploitation of existing and potential local resources (Magnatti, Ramella, Trigilia & Viesti, 2005). The objectives of this support are: cooperation between local public bodies and enterprises from the area (in this case, at the regional level); and the constant and continuous implementation of promotional activities on the part of local policy makers. This is the philosophy that, in terms of public support for the internationalization processes of enterprises, led to the birth of the Program Agreements (ADP). The publication of the Annual Conventions between the National Institute for Foreign Trade (ICE) and the Region of Umbria determines the implementation of the guidelines contained in the ADP.

These agreements are, in the case of the Umbria region, the most structured example of the public support for the path of internationalization of

enterprises. From a form of support that was historically based on central government action, we pass to governance at the territorial level as a result of the birth of the ADP (which conforms with the indications of European directives). This type of support also highlights the importance of collaboration and coordination between public and private entities in the territory. The requirement that is the basis of the support delivered through the Annual Conventions is partnership, defined as a form of collaboration between public and private actors, and as a condition for the funding of the development projects classified as Promotional Activities. Elements that characterize this support are: (a) specific requirements related to a local context, coinciding with the boundaries of the region; (b) the removal of obstacles which obstruct the internationalization path of firms that owe their origins, and corporate culture to that territory; (c) the implementation of activities through a process of consultation between public and private actors.

In Umbria, to develop measures in the service of internationalization, a network of public and private agents has been established over the years to work in support of these processes.

Fig. 2 – International Support in the Umbria Region (about here)



Source: *Our development 2011*

The framework of the public and private actuators and policies involved in supporting internationalization processes in Umbria until 2010 is represented in figure 2. Since 2011, following the initiation of regional reform in the field of support for local companies and internationalization processes, the coordination of related activities was reinforced with the establishment of the Umbria Foreign Trade Centre (Umbria Trade Agency, UTA). The strategic line taken by the Region has provided for the creation of a new entity involving the cooperation of the Perugia and Terni Chambers of Commerce. This is the result of a systematic industrial policy that led to an agreement between the Region of Umbria and the Chambers of Commerce, working in close collaboration with the local authorities involved in dealing with the internationalization process and the Umbrian manufacturing base. The establishment of the UTA involved the creation of a framework within which to converge resources, in order to achieve the following objectives: to promote the internationalization of enterprises in Umbria, and render the coordination of the institutional system more effective, while encouraging the development of the local territory. Among the policies for internationalization, the Region of Umbria annually outlines the implementation of interventions in support of Umbrian businesses through the planning of conventions between the ICE and the Region of Umbria. In accordance with a joint assessment undertaken by the Region of Umbria and the ICE Regional Office, other entities are welcome to participate in this planning phase. Among the entities that participate and collaborate in this phase are Confindustria, CNA, Confartigianato and Confapi. This network of public and private institutions, as represented in figure 2, has launched, in particular during the 2009-2010 period, many systemic institutional coordination activities regarding the implementation of the measures contained in the conventions, a systemic collaboration that proved effective encouragement for the establishment of the UTA.

4. The Empirical Research Project: *l'Operazione Ascolto (The Listening Operation)*

Introduction

The Listening Operation underway in every Italian region seeks to plan, according to the survey, a new range of ICE services, according to local (regional) needs. In the Region of Umbria in particular, data relating to support for ICE activities to bolster international growth demonstrates (quantitatively) the participation of about 15% of SMEs in promotional activities (Brocanello & Tremiterra, 2011). Only 3% of regional companies, on the other hand, make use of the international support services offered

by the ICE in the region². With regard to services offering assistance, consultancy or logistics that can help render the foreign market activities of companies more effective, a great degree of feedback was obtained during the listening operation, which can be broken down into various categories:

1. Information; what emerges is a widespread need for information on potential markets that is quickly available and easily accessible. Of note are some comments on databases obtained by the Regional Office that were: i) difficult to read effectively, and in need of modification and preliminary adjustments before printing; ii) hampered by a scarcity of useful news that a company might expect to receive by reply, and not merely through the indications of the company website, with the consequent need for further research. Further aspects covered include customers and competitors, customizable surveys, and tailored databases of target customers.
2. Specialized managerial resources; there is a need for specialized professional figures in individual sectors, intermediaries and export managers with greater expertise who can play the role of “business brokers” for individual companies.
3. Post-contact services and technical information; this category encompasses services indicated by the companies surveyed in relation to; advice on customs, legal and technical matters; the management of after-sales service; information on the solvency of identified partners; support in transactions.
4. Advanced services; activities requested by companies already established abroad that require support, in terms of; creating and furthering relationships with new partners; customized targeting of partners in foreign markets; statistical data on foreign countries; help in procuring information on the solvency of identified partners; promotional services planned by the ICE and deemed of interest to the company.
5. The organization of structured and permanent events. With regard to the latter category, there emerges the willingness of some companies, in the textiles and clothing, agri-foods, and furniture and furnishings sectors, to create territorial working groups for the promotion of local excellence to potential foreign customers. The requested service relates to activities such as: missions of foreign operators in Umbria and the organization of a biennial event that unites small companies in product-related promotional activities.

² The services offered by the ICE in terms of international support relate to: market research specific to industry and territory; services in support of foreign market entry, consultancy for companies wishing to i. make direct investments abroad, ii. develop a commercial experience, iii. transform a commercial / export approach into a joint venture for production with a local partner, or direct investment.

Empirical research methodology

The overall objective of this research project is to assess whether the instruments used to date, and planned for the near future, by local public officials, in support of the process of internationalization of local firms, are consistent with the competitive landscape and main needs, be they expressed or latent, of small and medium-sized enterprises in Umbria (see, e.g., Grandinetti & Rullani, 1996; Paoli, 2006; Cafferata, 2008). The strong roots SMEs have in their local territory, and the importance of internationalization as a strategic step in development, was the motivation behind the launch of The Listening Operation, promoted by the National Institute for Foreign Trade (ICE), which ran in Umbria between March and July 2010. The methodology used in this study consists of a qualitative analysis (Yin, 2005), involving a descriptive case study. This allowed for an in-depth explanation of the phenomena associated with the research questions presented in the introduction. The development of the case study, made through the collection of qualitative and quantitative data, can be divided into three principal phases. In the first two phases an exploratory approach was adopted. This approach had the aim of identifying research sources and issues relevant to the phenomenon under analysis (Stake, 1995). The third phase followed the program approach (Stake, 1995) since it had the aim of clarifying the impact of programs or actions and went on to infer the reasons for their success or failure.

The first phase concerned the selection of companies. The selection of companies was carried out through an analysis of the ICE database in each Italian region. As regards Umbria, the selection was made in accordance with the following criteria³: participation in at least one promotional activity carried out in the Umbria region, as organized by the ICE, in the last five years: participation at the planning stage of at least one promotional activity over the last two years.

The second phase consisted in the drawing up and delivery of the questionnaire by email to the companies selected in the first phase. This phase was carried out by means of a quantitative survey, which involved sending out questionnaires to 600 small and medium-sized companies in Umbria, from the following sectors: textiles and clothing; foods; furniture and furnishings; mechanics; services.

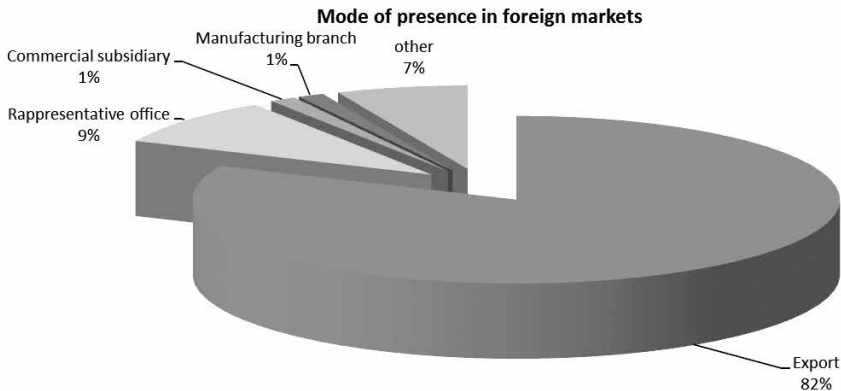
The final phase dealt with the analysis of the collected data and the drafting of conclusions.

³ According to research carried out in 2010, and monitored by the authors of this study, roughly 1500 companies benefited from projects carried out by the ICE in Umbria over the past five years, while the percentage of those using services offered by the Authority stands at about 20%.

Empirical research results

The results presented are based on the responses obtained, with a redemption rate of 66%.

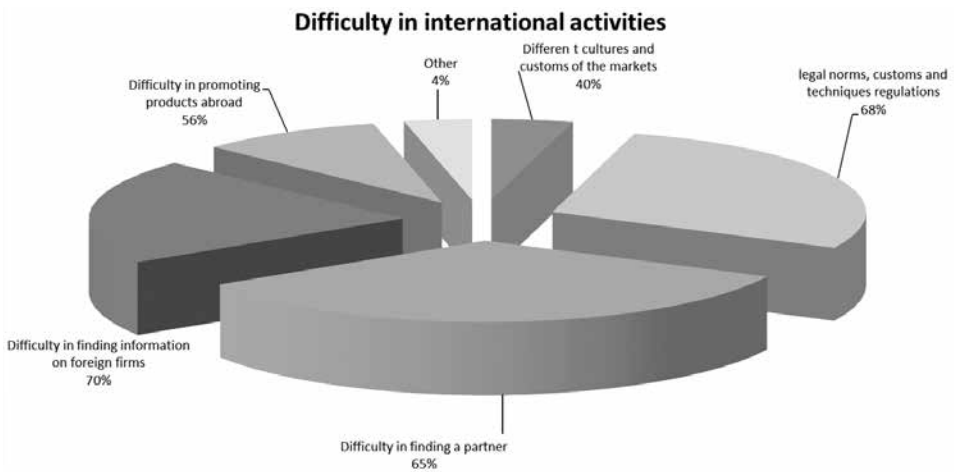
Fig. 3 – Questionnaire, question A (about here)



Source: Our development 2011

An analysis of figure 3 highlights the degree of international orientation of the companies involved. The majority of companies surveyed have an export presence in foreign markets; 9% of companies operate representative offices abroad; one company has opened a commercial subsidiary, and another a manufacturing plant outside Italy.

Fig. 4 – Questionnaire, question B (about here)

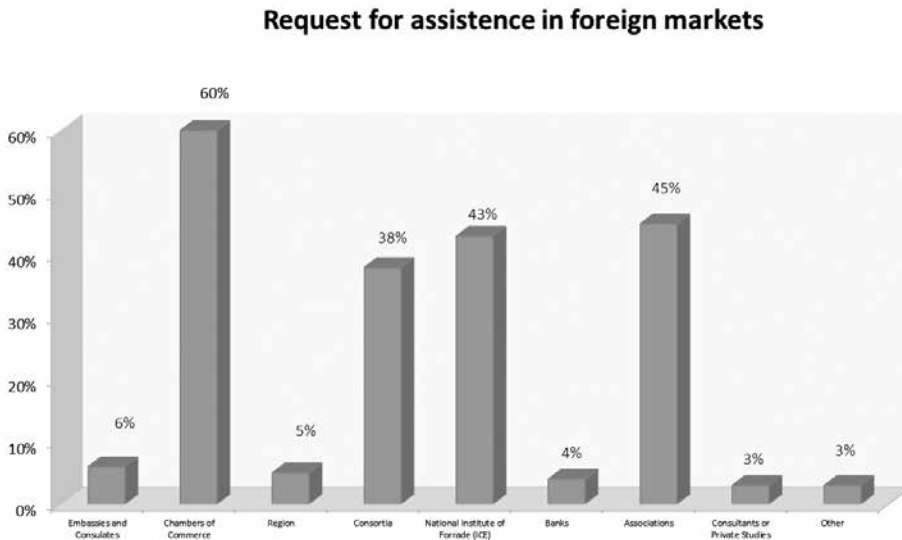


Source: Our development 2011

The most common difficulties companies encounter (in terms of both those already operating abroad, and those not yet engaged in international activities) relate to the start-up phase of commercial activity abroad. Over 50% of the companies surveyed note among the most important problems (figure 4): i) the procurement of information on potential customers or partners, ii) operating procedures necessary for the implementation of activities abroad, which involve different legal rules, customs and techniques; iii) the need for access to confidential information concerning foreign companies.

As regards assistance in foreign markets, made explicit by a request to a public or private entity, an analysis of figure 5 shows a clear prevalence of requests made to: i) trade associations ii) the Regional Office of the ICE iii) the Chamber of Commerce of Umbria; iv) consortiums. Only 6% of companies surveyed requested support from embassies, 5% from the regional government, while an even smaller percentage looked towards banks, consultants, private offices and others.

Fig. 5 – Questionnaire, question C (about here)



Source: Our development 2011

Requests by Umbrian companies for support in favour of internationalization processes can be grouped into four categories:

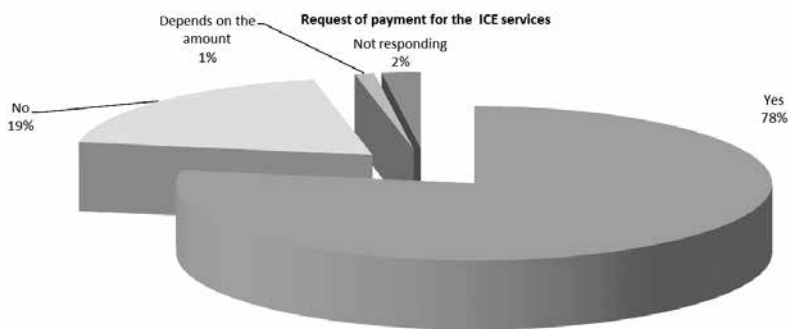
- Preliminary stage of entering a foreign market: i) general information, ii) the presence of potential customers; iii) the potential to position the pro-

duct in a foreign market; iv) contacts with operators abroad.

- Participation in the promotional activities organised by the Region of Umbria and the Regional Office of the IC, with regard to: i) arrangements for participation in foreign trade fairs, ii) the opportunity to meet international operators appropriate to their sector, promptly and effectively.
- Other requests relate to the management of international transactions: i) setting up sales ii) receiving on the spot assistance, iii) help with customs regulations, iv) information on payment methods, shipping and documentation necessary to undertake international transactions.
- Companies that are already established in foreign markets, and request a constant flow of information: i) making contacts with foreign countries and personalized research partners, ii) database and market monitoring, iii) optimization of various institutional databases, and the knowledge held internally by the company iv) the implementation of the client base in a foreign market that has already been entered.

When asked about the use of ICE services, 39% of companies answered positively, while 60% said they had never used them. This negative response is explained as follows: 41% of companies say they have no need of assistance services, while 19% of companies are unaware of ICE services in support of internationalization, three companies have applied for a service but deemed it to be too expensive, or unsuitable for their needs, and three companies use other third party operators for similar activities.

Fig. 6 – Questionnaire, question H (about here)



Source: Our development 2011

Figure 6 clearly shows a widespread willingness to accept costs in return for services that will support the internationalization process. The companies responding negatively are micro-sized, and do not intend to enter foreign markets due to a lack of financial resources.

5. Conclusions

The theoretical principles of the strategic orientation of marketing for companies, as well as service providers such as the ICE, are founded on a simple basic principle: "...I do not offer what I produce, but I try to obtain and deliver the goods and services that customers and users want". The marketing philosophy of companies, public and private organizations, and service providers reflects this statement. This principle entails and imposes behavioural, organizational, financial and operational consequences, conditions that involve the entire organization, in order to create strategic marketing coordination. The awareness of the need for innovation in the range of services offered by the Institute, the basis of The Listening Operation promoted by the ICE, can also be interpreted in strategic marketing terms, and represents only a preparatory phase. Just as preliminary are the investigations into the perceived needs that companies have and want to express. Understanding the needs of businesses, building taxonomies of "needs", and framing a range of categories of possible response, represent the necessary intelligence actions for the achievement of this goal: the strategic objective of the Institute is to support the process of internationalization among Italian firms, be it through exports or foreign investment (Barczyk, 2007; Lu & Beamish, 2002; Wright, Westhead & Ucbasaran, 2007; Hodgkinson, 2008).

Table 2 – Listening Operation Swot Analysis (about here)

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> ■ Knowledge of the local territory ■ Systemic collaboration 	<ul style="list-style-type: none"> ■ Limited financial resources ■ Lack of analysis after activities ■ Lack of analysis of companies satisfaction ■ Advice in support of internationalization ■ Excessive bureaucracy
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> ■ Analysis of feedback (from Listening Operation) - explain the needs of businesses - creation of classes of business ■ Encouraging research by public actors ■ Presence of the university 	<ul style="list-style-type: none"> ■ Proliferation of negotiating tables ■ Excessive wait for reform ■ Differences between small and medium sized enterprises ■ Continuance of the <i>status quo</i>

Source: Author's analysis of data relating to the Listening Operation, 2011

Table 2 shows an ICE Regional office of Umbria Swot Analysis, with regard to the support their services offers.

Among these opportunities, two fundamental issues emerge: (a) systemic collaboration (b) the birth of the Umbrian Foreign Trade Centre (UTA).

This systemic collaboration between a network of local public and private agents began in 2009, and has the potential to become a great influence in the development and support of the territory, but only if it is consolidated over time. The establishment of the UTA represents the achievement of an important objective for the region, not only in terms of support for the internationalization of enterprises, but also the reinforcement of a strategy for the long-term development of a systematic networking framework. This initiative needs not only the support of effective policies and financial resources, but also the creation of *ad hoc* structures, and human resources capable of consolidating a working partnership between the territory and businesses, while at the same time promoting the coordination of local planning. This would make it possible to implement the indispensable synergies necessary for the creation of an enabling environment capable of supporting and sustaining the growth of firms, particularly smaller firms, in the international sphere. The creation of a network of company-territory systems is therefore a key opportunity in which to invest, in order to bring added value to the territory.

The opportunities The Listening Operation has created and the effectiveness of this active approach will depend on internal and external factors. In the first case the reference is to the success of The Listening Operation, in terms of both methodology and feedback obtained. The range of “needs” on which to build the renewed service portfolio of the Institute is based on the effectiveness of the criteria for the creation of classes of business from among those interviewed, and later positioned in focus groups. From a cognitive perspective, an analysis of the feedback received implies that a difficult process of making explicit and encoding needs that cannot be easily understood by the operator lies ahead.

As regards the second factor, the reference is to the critical internal issues at the Institute. These problems can be seen at three levels:

1. The relational level, as a result of the limited contact between the ICE and business reality. In providing services it is essential not only to activate direct contact with the customer, but also to constantly monitor output, with respect to the business parameters requested.
2. The operational level, in relation to the necessary organizational and financial management of the consulting matrix required for effective service provision. This implies incurring additional costs for the ICE, such as the reimbursement of necessary travel expenses for companies, such as visits by an operator, as the Institute does not currently reimburse these expenses.
3. the management level, as a result of the need to, in conjunction with the renewal of services, recruit and train professionals capable of managing the operational processes and relationships listed above.

Another element among the critical factors relating to the Institute is

the overly bureaucratized institutional attitude of the ICE itself, which undermines its future survival. Several weaknesses have been identified and need to be addressed: the need to invest more resources, the need for monitoring activities, followed by effective analysis, and research regarding the degree of satisfaction of enterprises. These factors can be traced to one common denominator: the need for an evaluation of the performance of the activities planned and implemented by the ICE, in order to determine possible courses of action and either improve upon, or consolidate, the work being done. A further weak point regards the bureaucratization of many decision-making processes that may delay the implementation of the services. In a crisis situation, in fact, the investment needed to start operations at a new facility may be subordinated to industrial policy interventions such as support for R & D, facilitating access to credit, support for competitive growth, and the reduction of the environmental impact of production (MET Report, 2009, 2010).

Among the risks identified we can underline the substantial, and often unrecognized, differences between internationalization strategies SMEs choose to follow, which determine the need for the provision of a range of services. Indeed, there is a substantial discrepancy between medium sized local companies, for which a direct or mediated presence in foreign markets is a key element of their independently pursued expansion strategy, and small businesses, that in most cases are not able to individually face the burden and the risk of international expansion. It is on these companies that the policies and activities of public support for internationalization processes (which takes place in the main through the planning of the annual agreements) should focus their development priorities and, consequently, contribute more resources. Another notable risk factor is the continuation of the *status quo*. This is for two reasons: the delayed start to the activities of the Umbrian Foreign Trade Centre; and the reform of promotional arrangements at the national level. These factors can lead to operational delays by the regional institutions that support internationalization in Umbria, thus causing a further reduction in funds dedicated to services in support of international activities. The development of services in the regional system therefore becomes a necessary (though not in itself sufficient) condition for the successful internationalization of firms, in terms of training, research, infrastructure, information, and the launch of systematic networks, with the goal of achieving the following two objectives: (1) to support the internationalization process of territorial systems; (2) to support the processes of internationalization of SMEs, in particular during the *pre-entry* phase. The sharing of expertise in this area, between the University, ICE Umbria Regional Office, and business associations, has the aim of supporting local SMEs on the path to internationalization, a necessary step for the survival of the local economy in the global competitive context.

The research results offer some guidelines for operators involved in supporting the internationalization of enterprises.

This study suffers from some limitations that may be overcome in future research projects. In particular, a limited number of cases were dealt with, given the exploratory nature of the study, making it difficult to extrapolate from the results. This research project can be seen as the prelude to an extensive analysis of the internationalization process among businesses nationwide. Future research may also provide for the regional differences between companies, through a comparison with the results of research carried out in other regions.

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Il 9 dicembre 2011 il Prof. Massimo Paoli
scompare prematuramente lasciando un vuoto incolmabile nella mia vita accademica e
quotidiana che cerco di riempire con il nostro ultimo lavoro e con questa frase, tanto cara
al Professore, di Friedrich Wilhelm Nietzsche:

“Bisogna avere il caos dentro di sé per generare una stella danzante...”

Dedico il lavoro a Teresa e Massimiliano Paoli e alle nostre cene Livornesi.

Ilaria Brocanello

Massimo Paoli nasce a Livorno il 22 Novembre del 1955.

Nell'anno accademico 1980-81 si Laurea con lode presso la Facoltà di Economia dell'Università di Pisa.

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Nel 1983 vince un concorso nazionale per ricercatore presso la cattedra di Economia e Gestione delle Imprese della Facoltà di Economia dell'Università di Messina.

Nello stesso anno si dimette ed entra nella Direzione Studi e Strategie dell'IRI a Roma.

Nel 1984-85 è Controller Investimenti alla SGS Microelectronics (oggi ST Microelectronics) ad Agrate Brianza, Milano.

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Nel 1987 è Assistente per la Pianificazione Strategica del Presidente e dell'A.D. della Finsiel (Iri Banca d'Italia) a Roma.

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Nel 2000 è ordinario di Economia e Management dell'Innovazione e di Economia Gestione delle Imprese e presso la facoltà di Economia dell'Università degli Studi di Perugia.

Per molti anni si è occupato di system integration e delle sue derivate cognitive e dimensionali per le imprese, da un lato, e per i modelli regionali di sviluppo dall'altro. Il suo interesse scientifico è per il metodo, per i processi cognitivi, per la filosofia della conoscenza è stato il filo conduttore dei lavori e delle riflessioni sui sistemi complessi, economici, organizzativi e gestionali, con particolare interesse per la struttura e le dinamiche del management.

Abstract

The ripple effects that the financial crisis triggered by the mid-2008 led to consequences for the real system. The correlation between the international markets has in fact facilitated the global spread of the negative effects of the financial crisis (Varaldo & Lamberti L., 2009). The aim of this paper is to analyse the operations of local Policy Maker (with special reference to ICE, National Institute for Foreign Trade) and the services offered in response to the current competitive environment, to support local SMEs (Barczyk, 2007; Wright, Westhead & Ucbasaran, 2007). The theoretical principles of strategic marketing for businesses, but also the institutions that provide services such as ICE, is based on a simple underlying principle: "... I do not offer what I produce, but I try to get and deliver the goods and services that customers / users want." This principle implies and requires behavioural consequences, organizational, financial and operational business involving the entire organization to achieve an effective strategic marketing. The empirical investigation carried out by an activity started and promoted by ICE in Italy with the aim of facilitating the activities of penetration and consolidation of Italian companies in foreign markets according to different regional specificities. In this paper we present the activity in the region of Umbria. The survey was conducted with both qualitative and quantitative approach (Yin R.K., 2005). There have been 32 interviews and 150 questionnaires sent to SMEs in Umbria, with a redemption of 66.6%. The awareness of a necessary innovation in the range of services of the Institute, at the base of "*The Listening Operation*" promoted by ICE, is part of this strategic marketing and represents only the preparatory phase.

Riassunto

Gli effetti a catena che la crisi finanziaria ha innescato dalla metà del 2008 hanno comportato conseguenze anche sul sistema reale. La correlazione tra i mercati internazionali ha infatti agevolato la diffusione globale degli effetti negativi della crisi finanziaria. Obiettivo del presente paper è quello di analizzare l'attività svolta dai Policy Maker locali (con particolare riferimento all'ICE) ed i servizi offerti in risposta all'attuale contesto competitivo, a supporto delle imprese locali. I principi teorici dell'orientamento strategico al marketing delle imprese, ma anche degli Enti che forniscono servizi come l'ICE, si fonda su un semplice principio di base: "... non offro ciò che produco, ma provo ad ottenere ed erogare i beni ed i servizi che i clienti-utenti vogliono". Tale principio comporta ed impone conseguenze comportamentali, organizzative, finanziarie ed operative che coinvolgono l'intera organizzazione aziendale al fine di realizzare un orientamento strategico efficace di marketing. L'indagine empirica effettuata parte da un'attività promossa dall'ICE in Italia con l'obiettivo di agevolare le attività di penetrazione e consolidamento sui mercati esteri delle imprese italiane in base alle diverse specificità territoriali. Nel presente paper viene presentata l'attività svolta nella regione Umbria. L'indagine è stata condotta con un approccio al contempo qualitativo e quantitativo (Yin, 1994). Sono state effettuate 32 interviste e inviati 150 questionari ad aziende di piccole e medie dimensioni in Umbria, con una redemption del 66,6%. La consapevolezza di una necessaria innovazione nella gamma dei servizi dell'Istituto, alla base dell'Operazione Ascolto, si colloca all'interno di questo orientamento strategico al marketing e ne rappresenta solo la fase propedeutica.

Jel Classification: H70 – Z10

Keywords (Parole chiave): Public policy, public support, internationalization, systematic cooperation, small and medium enterprises (servizi pubblici, supporto pubblico, internazionalizzazione, cooperazione sistematica, piccole e medie imprese)

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