1 Introduction

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The chapters that appear in this Edward Elgar collection concern the application of international business and entrepreneurship theories to the internationalization of small and medium-sized enterprises (SMEs). In this volume, researchers discuss the performances of SMEs along the way to internationalization, and this pushes our field forward significantly, not simply by merging the theories of international business and entrepreneurship but by applying these theories to inform rich, theoretically-grounded depictions of how the process of internationalization of SMEs operates in these European countries.

Each chapter emphasizes how the process of internationalization of SMEs operates, the challenges and opportunities that arise as a result of each country's specific political and economical situation, and their subsequent internationalization performance. These processes, challenges and performances can be understood through theories in international business and entrepreneurship. Even at times when these theories cannot fully explain certain phenomena, they help derive extensions of new thoughts. Together, they constitute a foundation for a new way of thinking about and understanding of the importance and effect of internationalization of SMEs to country-level competitiveness in Europe.

The purpose of the book is to identify patterns and build a theory on international entrepreneurship in Europe. In this introductory chapter, each of the chapters will be briefly discussed, followed by a discussion on a number of factors that each of the chapters have in common. These factors include resource, capabilities, networks and clusters, policy, economy, market competitive conditions and industry sector. The concluding chapter further elucidates these factors by building a theory based on the international entrepreneurship occurring within Europe.

Sophie Manigart, Wouter De Maeseneire, Mike Wright, Sarika Pruthi, Andy Lockett, Hans Bruining, Ulrich Hommel and Hans Landström (Chapter 2) investigate how venture capital (VC) firms can influence the internationalization of firms by looking at the European VC industry in Belgium, Germany, the Netherlands, Sweden and the United Kingdom. VC firms are important resource providers for entrepreneurial firms and often hold large stakes in the companies they finance. VC is thus an important determinant of entrepreneurial international activities. Their study shows that the degree of internationalization of a VC firm makes a difference with regard to the resources, capabilities and networks that a VC firm provides. They also show that the degree of internationalization of a VC depends on the size and power of the home economy of the VC firm. For example, Swedish VC firms show the highest degree of internationalization and German VC firms show the lowest degree of international investment activities. Their results affirm that European VC firms follow a gradual internationalization strategy and target high growth markets predominantly in Europe. Access to local market knowledge and business networks are key determinants of success in any internationalization strategy (Hurry, Miller and Bowman, 1992). VC firms have to understand the local conditions, and the legal and institutional environment that may hamper or enhance their ability to extract economic returns from innovative ideas (Bruton, Fried and Manigart, 2005). There are compelling reasons for VC firms to invest in geographical areas close to their home base, merely owing to the fact that it is more difficult to reduce information asymmetries between entrepreneurs and investors as geographical distance increases. Their results also point to the preconditions that need to be in place for VC firms to internationalize: it is the comparatively older, more experienced and financially powerful VC firms that internationalize. Ownership structure also matters, as can be seen by the fact that captive and semi-captive VCs internationalize more often. Interestingly, European VC firms so far show almost no interest in investing in Australasia, South America or Africa. This shows that, apart from taking geographical and institutional considerations into account, European VC firms primarily target regions with high growth prospects. The results suggest that entrepreneurial companies interested in internationalizing should contact VC firms from their home geographic region.

Sanford L. Moskowitz (Chapter 3) looks at the internationalization of SMEs from the perspective of Andorra, which is one of the smallest economies and can be characterized as a Western European, service economy. Andorra is special in a number of respects. First, it is not a full member of the European Union. Second, the internationalization of Andorra's SMEs until recently was of a 'passive' nature. Third, it has a large shadow economy. Fourth, Andorra is a micro-state, whose economy is heavily influenced by the economies of its neighbours. The results of the study allow a number of interesting conclusions and raise future research questions. Andorra's association with the EU was important in the internationalization process of the country. The EU has opened up the economies of Andorra's European neighbours, and in particular Spain and France. Thus internationalization came to Andorra largely because of favourable taxation policies. The EU was also exerting pressure on Andorra to become more international. Thus the association with the EU has made the passive internationalization of Andorra (such as tourism resulting in currency exchange) more active. Internationalization for small countries that are service-based is quite different than for countries that depend on physical exports. The study provides evidence that, unlike other small non-accession countries (such as Moldova), Andorra may gain benefits from the rise of the European Union, such as acceleration in, and extension of, the internationalization of its businesses, especially its SMEs. In addition, the study provides evidence that this 'passive' form of internationalization is a stage leading to the next evolutionary step, outward, 'active' internationalization, as indicated in the short case study examples from tourism, banking and the tobacco trade.

Matthias Fink and Slawomir Teodorowicz (Chapter 4) study trust-based cooperation as a driver for the internationalization of SMEs in Austria. Austria is one of the strongest economies in Europe and one that is prominently characterized by the contribution of its SMEs. Also, Austria is geographically close to the new EU members, which greatly influences the economic activities of its SMEs in this region. In addition to the geographical proximity, the study suggests that Austria's historical and cultural proximity to the central European countries is of great assistance in the internationalization of Austrian SMEs into these countries. The most prominent form of internationalization for Austrian SMEs in Eastern Europe is cooperation with local partners.

Friederike Welter, David Smallbone, Anton Slonimski and Marina Slonimska (Chapter 5) look at the involvement of SMEs in direct and indirect internationalization activities in the transition economy of Belarus. In Belarus progress towards a market economy has occurred slowly over the past 15 years. The government is not committed to supporting, private entrepreneurship, and SMEs experience an increasingly hostile institutional environment. Interestingly, SMEs in Belarus have been forced into operating abroad in many cases since regulations for private enterprises have increased since the mid-1990s, rendering the majority of private firms illegal unless they were able to meet the minimum capital requirements for re-registration. Geographic proximity and EU membership also play an important role in the internationalization activities of Belarus. Belarus also has a location close to the new EU member countries of Poland, Lithuania and Latvia, all of which joined the EU in May 2004. Overall, the study suggests that the internationalization of SMEs in a transition country such as Belarus shows distinctive characteristics, which underscores the importance of looking at the historic and geopolitical context for research in international entrepreneurship. For firms in transition economies, low domestic purchasing power can limit the scale and scope of domestic markets, encouraging those with ambitions to grow, to look abroad in order to identify and develop new market opportunities and thus increasing collaboration. As the pace of transformation to a market system has been very slow, a considerably higher proportion of SMEs are engaged in some form of cross-border collaboration than in a mature market context. Furthermore, results illustrate a West–East divide in Belarus in terms of the markets and countries. Lastly, the process of EU enlargement presents entrepreneurs and businesses in Belarus with new sources of threat and opportunity. It may be argued that enlargement of the European Union will produce negative effects on adjoining countries like Belarus.

Jan Degadt (Chapter 6) studies the internationalization of Belgian SMEs and concludes that, for most Belgian SMEs, internationalization still means Europeanization. As a full member of the EU, Belgium has always been very active on the European export markets, so the development and enlargement of the European Union have been sources of support for the internationalization of Belgian SMEs and for the performance of the Belgian economy in general. However, for most Belgian businesses, 'internationalization' still means Europeanization. Thus European integration and European enlargement have given the right impulses to start to implement this internationalization process. The Belgian economy has been a very open economy for a long time and, despite its small size, it is an important player in international trade. The institutional environment of business has changed dramatically over the last 20 years in Belgium as it has adopted the Euro as currency and become a member of the WTO. Belgian SMEs have mainly been active in export and import and are now aiming to expand into deeper internationalization activities, crossing the EU borders.

William R. Pendergast, Mugdim Pasic and Aziz Sunje (Chapter 7) report the results of a case study of an international Balkan SME and highlight the importance of a domestic business environment providing support for international business. They suggest that future research should give more attention to the domestic platforms of SMEs' internationalization efforts. In many ways Bosnia–Herzegovina is a special country for studying the internationalization activities of SMEs, as it faces the double challenge of post-conflict reconstruction (and reconciliation) and transition to a market economy. It also has to deal with a rather inefficient political and legal system. Moreover, Bosnia–Herzegovina presents a 'Balkan stew' of companies with extremely diverse histories and profiles. Their ownership may be state-owned, privatized or de novo. They may operate in the formal or informal economies, or both. The overall picture of the Bosnia–Herzegovina economic structure is domination by a few large firms; a small private sector; a large informal economy; low foreign investment; and low internationalization of business activity. The case of Bosnia–Herzegovina highlights the role of the domestic business environment in providing a supportive infrastructure for international business. This aspect of internationalization has not been widely emphasized. Furthermore, the study highlights the problems of corruption and emphasizes network effects in opportunity identification and in fostering a deeper level of commitment to international engagement through foreign investment.

Kiril Todorov and Kostadin Kolarov (Chapter 8) studied the internationalization of Bulgarian SMEs and concluded that their import share exceeds their export share and that SMEs are exporting mainly in the finance, insurance, trade, construction, agriculture and business services. Bulgaria offers a strategic geographic position with relatively well-developed transport and telecommunications infrastructure combined with a qualified and comparatively cheap labour force. The Bulgarian economy could be described as relatively small, open and dependent on external factors. The SME sector begins to play an increasingly important role in business internationalization. The liberalization of trade with the EU offers significant opportunities for Bulgarian SMEs and their internationalization process. However, Bulgarian SMEs are now confronted with the necessity to manage the increased weight of the non-tariff barriers and the strong competition of the local (EU) SMEs who are the subject of purposeful support by the EU. In this dynamic and multicultural business environment, SMEs should in time find 'their room', otherwise their inherent flexibility would hardly compensate their resource limitation. This problem is particularly important for countries like Bulgaria with an open economy. The SMEs' competitiveness can be increased simultaneously in two directions: provision of free access of the import to the Bulgarian market which creates a competitive environment for local production and improvement of access of production of such enterprises to foreign markets by purposeful export policy and concrete measures for the encouragement of exports. The limitations of the domestic market and the limited resource basis precondition Bulgarian SMEs to internationalize as a compensating economic mechanism.

Tihomir Vranešević, Branko Bogunović and Miroslav Mandić (Chapter 9) examine the macroeconomic conditions for SMEs in Croatia and conclude that the current environment is ill-suited to generally support the internationalization efforts of SMEs. Croatia is one of the European transitional economies where SMEs, as in many other former socialist countries, are relatively recent phenomena. In fact, a relatively small number of SMEs in Croatia have been embraced by internationalization. SMEs are usually to some degree linked to large enterprises as regards resources and market availability. The overall bad state of the Croatian economy is hampering the development of SMEs. In order to improve conditions for internationalization of SMEs, the overall structure of the Croatian economy should be enhanced.

Demetris Vrontis and Alkis Thrassou (Chapter 10) examine the limitations and potentialities of internationalization of SMEs in Cyprus. They conclude that professional service firms are best positioned for future internationalization efforts. The findings show an intensely competitive and saturated local/national market environment in Cyprus, with inflated buyers' bargaining power, and a distorted client perception of value. Internationalization appears critical to growth and/or survival for many SMEs with various home-country and individual Cyprus-specific factors setting the context in which the internationalization process of SMEs will occur. The findings further indicate the need for a comprehensive strategic marketing management approach to internationalization and the utilization of Cyprus-specific strengths and advantages in a manner and system which are more mechanistic and methodical than the reflex-style approach usually adopted in the local market.

Per Servais, Erik S. Rasmussen, Bo B. Nielsen and Tage Koed Madsen (Chapter 11) look at Denmark, a small, open economy highly dependent on trade with other countries. As foreign trade accounts for most of the gross domestic product (GDP), Denmark has a strong interest in the free exchange of goods and services between countries. Consequently, Denmark has joined economic organizations such as the EU, OECD and WTO and, within the framework of these, has striven to remove obstacles to free trade. SMEs are a very important part of the Danish economy, comprising the majority of business enterprises and accounting for a substantial proportion of economic activity in the country. Thanks to the decline in trade barriers and the advances in technology and logistics, Danish SMEs are internationalizing at an accelerating rate. However, for many Danish SMEs during recent decades, the internationalization process does not follow traditional patterns of building upon a stable domestic position before gradually, and sequentially, engaging in international activities. Three basic types of SMEs can be identified in Denmark, the Born Local Seller with no export, the Born European Seller, which is selling internationally but primarily within Europe, and finally the Born Global Seller, which has a truly global perspective in terms of sales. Overall, Danish SMEs no longer seem to follow traditional incremental internationalization patterns but, rather, increasingly consider the world at large as a potential source for access to competitively priced input as well as sales. While some SMEs in some industries continue to focus heavily on the home market and remain born locals, others internationalize rapidly, often to geographically and culturally distant areas without an apparent need for an incremental increase in market knowledge. Part of this trend can be explained as offshoring of labour-intensive, blue-collar activities to low-cost countries like China, India and the Ukraine. Considering the vast pool of well-educated people living in these low-wage countries, however, Danish firms may also have begun offshoring of white-collar, that is knowledge-intensive, activities.

Tiit Elenurm (Chapter 12) studied the internationalization of Estonian SMEs and concludes that learning from Finland has been one important success factor. He highlights the role of learning about markets and the market economy for SMEs in transitioning economies. A high degree of openness to the international business environment has resulted in rapid growth of exports but, on the other hand, even more rapid increases of import flows in Estonia. In a small open economy, more SMEs are involved in foreign trade operations than in a large economy. Rapid privatization and a simple taxation system have contributed to internationalization of entrepreneurship in Estonia. A main limitation of Estonian SME growth, however, has been the lack of external risk capital in recent years. Thus owners of growing SMEs are often forced to consider selling the company to foreign investors and to give up their role as entrepreneurs.

Asko Miettinen (Chapter 13) researched the internationalization process of SMEs in the small and open economy of Finland, where SMEs account for 99.7 per cent of companies and more than half of company turnover. The main targets for exports are the EU countries, which accounted for 58 per cent of Finnish exports and 59 per cent of imports, respectively, in 2004. One of the most important recent initiatives in Finland has been the Entrepreneurship Policy Programme introduced by the government. It is part of the economic and industrial policy aiming to safeguard a stable and predictable operational environment for enterprises and to ensure that the resources available for promoting entrepreneurship in various administrative branches will be exploited to the full. Finnish enterprises started to internationalize their operations relatively late compared to most other small economies. As late as the 1970s, the international activities of Finnish companies still consisted mainly of exporting carried out by a handful of pioneering larger firms. Thus there is a need for Finnish SMEs to expand internationally and to identify the acquisition of competencies for expanding abroad as the basis for successful future internationalization.

Marija Risteska and Zhidas Daskalovski (Chapter 14) discuss potential reasons and remedies for the low level of SME internationalization activities in the EU accession candidate of the Former Yugoslav Republic of Macedonia. Macedonia has signed the Stabilization and Accession Agreement with the European Union and became a member of the World Trade Organization in April 2003. Both events have started a harmonization process, in which many laws are to be harmonized with international standards. In 2004, 98.7 per cent of all the economically active firms had fewer than 250 employees, accounting for about 61 per cent of the total employment in the country. Judging by these numbers one can easily note that the driving force of the Macedonian economy is currently made up of SMEs. Given these data it is not surprising that, in Macedonia, the support of small businesses is one of the priorities for the central authorities. The government's development programme for 2002–06 targets the following areas: (i) access to finance and business development services (BDS), including the awareness of their availability and benefits; (ii) promoting cooperation between businesses through clusters and supply chains; (iii) promoting local and regional economic development; (iv) export promotion for SMEs; (v) promoting the dialogue between SMEs and the state; (vi) improving the framework conditions and creating an enabling environment for SMEs.

Hervé Mesure and Rita Klapper (Chapter 15) reviewed the adaptation to internationalization of French SMEs within three distinct industries. Their chapter in this volume shows that French SMEs have a key position in the French economy, yet are of much less importance in the internationalization of the French economy. So far French SMEs 'resist' the internationalization of the three sectors reviewed. The adaptation to the internationalization of industries is not only a matter of internationalization per se. Other strategies are possible for independent SMEs. The main point for those SMEs is to remain competitive and profitable. They find that French SMEs are of small overall importance in the internationalization of the French economy. In France, internationalization appears as a multiform phenomenon that cannot be reduced to the internationalization per se of the SME and traditional theoretical explanations about the internationalization of SMEs can be contested. French industrial SMEs are capable of adapting themselves to the internationalization of their industries. The internationalization of subsidiaries in France responds to a different logic than that of independent

SMEs. The internationalization of independent SMEs is just one of the possible ways of adapting.

Steffen Kinkel, Gunter Lay and Spomenka Maloca (Chapter 16) join the debate on the transfer of manufacturing activities to foreign locations by looking at patterns of offshoring activities of German SMEs. They find that geographically close countries are preferred over Asian countries and that factor costs are the dominant motive for offshoring. Also their results suggest a positive relationship for the size of the produced series, and a negative relationship for the involvement in regional cooperations at the German production site. The manufacturing of both very complex and very simple products is more likely to stay in Germany.

The chapter by Irini Voudouris and Pavlos Dimitratos on Greece (Chapter 17) highlights the importance of the European marketplace for internationally orientated Greek small and medium-sized enterprises. The authors use a longitudinal case-study approach to discuss how Greek entrepreneurs can identify and exploit opportunities in the global environment. The authors also stress the importance of the international environment for Greek small and medium-sized enterprises.

László Kállay and Imre Lengyel's Hungary chapter (Chapter 18) establishes a clear view of opportunities and challenges of SMEs' internationalization in advanced transition economies as they face intense competition both locally and internationally, since over half of companies' ownership is in foreign hands.

Cecilia Hegarty (Chapter 19) described the Celtic Tiger's international entrepreneurship strategies as one that is based on clustering and networking. She further suggests that pragmatic government policies, a social partnership approach to economic development, openness to international trade and technological innovation are critical for future advances for Ireland's SMEs' internationalization.

Tamar Almor and Gilad Sperling's chapter (Chapter 20) views internationalization of Israeli SMEs in the knowledge-intensive industry. They demonstrate how Israel, though a small country, because of supportive infrastructure from the government, has created a competitive advantage for high-tech and knowledge-intensive industries over the last 20 years.

Alberto Mattiacci, Christian Simoni and Lorenzo Zanni (Chapter 21) use a cross-level approach (industry, clusters and firm level) in examining the role of Italian SMEs in achieving their competitive advantages in globalization.

Tatjana Volkova and Andra Brige (Chapter 22) analyse the environmental issues of SMEs' internationalization process in Latvia. The authors demonstrate how the advanced transition economy (but one with poor natural resources) embarks on becoming a service industry to achieve economic growth. Nonetheless, Tatjana Volkova and Andra Brige conclude with major inhibitors that constrained rapid growth of SME internationalization in Latvia and these inhibitors may be a warning for others.

Rudi Kaufmann (Chapter 23) describes how and why Liechtenstein might be regarded as a centre for high-tech SMEs. The critical details of how an intensive cooperation among all relevant decision makers in all parts of the Rhine Valley, for the benefit of common advantages in the regions, are discussed.

Audra Mockaitis (Chapter 24) provides a comprehensive overview of internationalization through an examination of internationalization activities of Lithuanian manufacturing SMEs. This chapter contributes to the increasing volume but still limited literature on manufacturing SMEs in Central and Eastern Europe. Mockaitis finds that networking capabilities played a substantial role in Lithuanian SMEs' incremental internationalization processes.

Godfrey Baldacchino (Chapter 25) examines Malta's SMEs' internationalization, based on 'comparative island studies' using a number of different European island regions to derive a pattern of economic benefits of 'smallness and insularity' in Malta and other similar island countries.

Sanford L. Moskowitz (Chapter 26) provides maybe the first systemic attempt to study the internationalization of SMEs in Moldova. This chapter established a framework of enhancers and inhibitors of the EU to European SMEs' internationalization process.

Martine Spence (Chapter 27) writes on the second-smallest country in the world after the Vatican: Monaco. She discusses the country's unique approach to attracting industrial firms and Monegasque SMEs' contribution to international trade.

Jolanda Hessels (Chapter 28) drew from a resource-based view and stage theory of internationalization to examine the inward and outward modes of internationalization in Europe – in particular, Dutch SMEs' internationalization. She concludes that stage theory and born global perspectives do not contradict but are complementary.

Anna Rogut and Bogdan Piasecki (Chapter 29) used the results of two extensive projects, pre- and post-EU accession, to examine Polish SMEs' internationalization processes. The results of these surveys show the changed behaviour of Polish SMEs during preparations for EU integration, during the following integration and subsequently within an internal EU market.

Margarida Proença, Isabel Correia and Orlando Petiz (Chapter 30) investigate the determinants of the export propensity of Portuguese manufacturing SMEs. They found that Portugese manufacturing SMEs are heterogeneous and that exporting firms have a higher productivity and are more technologically advanced than other firms in the same industry.

Anatoly Zhuplev and Vladimir Shein's chapter on Russia (Chapter 31) discusses how entrepreneurship in Russia is a relatively new phenomenon. The authors discuss how Russia's political situation and history has evolved and the impact this change has on small and medium-sized enterprises. They highlight the importance of private entrepreneurs in increasing entrepreneurship in Russia's small and medium-sized enterprises.

Donata Vianelli (Chapter 32) provides a comprehensive analysis of the internationalization of the companies operating in the Republic of San Marino, the third-smallest state in Europe after the Vatican City and Monaco. She analyses how SMEs can be competitive in international markets when dealing not only with the limits of its business structure and organization but also with the complexity of operating in a small independent country.

Miroslav Rebernik and Ksenja Pušnik (Chapter 33) seek to enhance the understanding of the internationalization of SMEs in Slovenia and in this perspective the importance of learning and unlearning processes for encouraging further internationalization of SMEs. They show that internationalization remains a cumulative learning and 'unlearning' process at both the individual and the organizational level.

Alicia Coduras, Cristina Cruz, Ignacio de la Vega and Rachida Justo (Chapter 34) discuss both international activity and international intensity of Spanish SMEs and focus on comparing the characteristics of exporters and non exporters to see what differentiates the two.

Angelika Löfgren, Daniel Tolstoy, Deo Sharma and Jan Johanson (Chapter 35) study Swedish internationalizing SMEs' use of network coordination within and across business relationships to access and to optimize their deployment of external resources.

Thierry Volery (Chapter 36) talks about ways to manage the challenges of globalization, discussing evidence from Swiss SMEs. He focuses on the differences in personal factors, or the human capital of the owner–manager in Swiss SMEs and finds that different dimensions of personal factors are significant and that public policy directives, as well as education and training programmes, need to recognize that there are significant differences in SME internationalization rates that are based upon industry.

Serdar Karabati (Chapter 37) looks at the large economy of Turkey. Despite the fact that SMEs account for 99.8 per cent and play a vital role in the development of large firms in the Turkish business, they suffer from slow growth. Karabati investigates the initial outward internationalization of Turkish SMEs in relation to characteristics of the local business setting and changes in macroeconomic conditions.

Nahum Goldmann, Svitlana Slava, Yuriy Makogon, Tetyana Orekhova and Alena Dubouskaya (Chapter 38) analyse the internationalization of Ukraine SMEs. They review the economic history and discuss its implications for today's SMEs.

Leigh Sear and Robert T. Hamilton (Chapter 39) outline the structures in place in England to provide support to the internationalizing entrepreneur and then assess the appropriateness of these in meeting the specific needs of these entrepreneurs.

Mike Danson, Ewa Helinska-Hughes, Michael Hughes and Geoff Whittam (Chapter 40) analyse the agency side of the support for internationalization strategies of Scottish SMEs.

David Pickernell, David Brooksbank, Helena Snee, Farid Ullah and Dylan Jones-Evans (Chapter 41) talk about the role of Wales Trade International in promoting Welsh SME exporting and internationalization. They find that Wales is the worst of the regions and nations for e-commerce adoption.

The next section will discuss the factors considered important in helping to compare and contrast international entrepreneurship in Europe.

Resources

The uniqueness of Europe is the vast diversity of its countries. These range from island territories such as the Maltese Islands which are famous for their olive oil, to larger economies such as Italy, which is famous for its fashion worldwide. These European countries both small and large each possess different types of country-specific resources and different amounts of those resources. SMEs in small island countries tend to draw resources from their natural resources and turn them into products that are unique, valuable, inimitable, rare and organized to exploit (Barney, 1991). Maltese mainly sell their special products, using local raw materials, to tourists. Moldova, being one of the smallest and poorest of the Eastern Europe transition economies, focuses on imports of energy and manufactured goods and export of agricultural products to EU countries.

While Lithuanian SMEs are still constrained by limited technologies, poor quality and lack of resources that inhibit their ability to compete in the western marketplace, Monaco has no arable land and natural resources, so they use their innovative managerial skills. At the same time, human resources, managerial skills and international experience are often the most influential limitation for some of the smaller European countries (such as

Latvia) owing to lack of experienced and knowledgeable human resources. In her chapter, Hessels concludes that human capital, along with a firm's current international involvement, has a positive influence on future international commitment.

The Ukraine chapter states that financial resources are important for firm development such as foreign trade credits and innovative forms of business financing. The Turkey chapter highlights that firms can utilize as resources the personal contacts they have and, for many Turkish firms, this can be in the form of Turkish immigrants living overseas. The Swedish chapter stresses that the use of external resources can be strengthened by the combination of supplier relationships. Although most medium-sized firms have greater access to financial resources than small firms, in Spain there are more small firms exporting than medium-sized firms.

Capabilities

Smaller countries often possess lower levels of competencies and capabilities. This is especially true for small firms in small countries. Lithuanian manufacturing SMEs typically are suffering from a lack of knowledge and networks capabilities. They tend to use intermediaries to alleviate the need to invest in knowledge acquisition, as described in the chapter on Lithuania. Fortunately, some experienced incoming settlers and emigrants change the competitive scene of smaller firms' competitiveness in some island territories, such as Malta. However, Proença, Correia and Petiz (in their chapter about Portugal) argue that, compared with non-exporting firms in the same industry, exporting activities actually help exporting SMEs increase their technological capability and productivity. This capability in turn drives SMEs to grow faster and more efficiently.

Like many smaller and transitional economies, SMEs in Hungary accumulate their knowledge and capabilities in internationalization from external sources such as foreign-owned SMEs and MNEs. The chapter on Switzerland highlights that human capital is important in increasing firm growth in overseas markets. Sweden has the highest per capita number of biotechnology companies in the world and, because of the small size of the Swedish market, it is necessary for them to compete internationally. The Swedish chapter holds that access to world opinion leaders has influenced the market development of biotech SMEs. As opposed to other European companies, Slovenian companies are more likely to focus on developing their competencies.

Network cluster

Hegarty's chapter about Ireland suggests that networking ability and activities seem to be an important and often critical skill for SMEs. This is not only a skill set for the internationalization process such as 'contract manufacturing' (as noted by Mockaitis, in the chapter about Lithuania), but also a critical mechanism for local producers in fending off insourcing off-shore markets (such as Malta). However, many SMEs in European countries, such as Poland, lack formal or informal interaction and relationships with external sources.

Networking and clustering benefited many smaller countries, as with Latvia's relationship with Estonia, Lithuania, Finland, Norway, Sweden, Denmark, Poland and Russia. However, the tight network among EU members has marginalized the non-EU member countries such as Moldova. In fact, the situation has inhibited Moldova's economic growth and internationalization process and development. The tight value chain formed by EU members in their 'integrated network of production' created the interdependence among EU members and thus directly and indirectly weakened the inward–outward internationalization process for non-EU members, as discussed by Moskowitz, in his chapter about Moldova. But the networking effect did not affect Monaco negatively. Monegasque SMEs have shown a great deal of flexibility and innovation in adapting their managerial processes to local and international constraints by cultivating and broadening their range of network relationships.

The Ukraine chapter states that the formation of clusters through local communities facilitates competitiveness and social stability. Swiss firms that utilize social networks have a higher level of internationalization rates. The Turkey chapter points out that collaboration between firms after they have started to export is rare and should be improved. The chapter highlights the fact that informal networks are important in gaining access to opportunities in the international marketplace. In Swedish biotech SMEs, the business relationships and network coordination that exist strongly support the level of international performance. In Slovenia, more than 350 enterprises are involved in a form of clustering that enhances knowledge sharing between enterprises. Clusters in Slovenia allow for regional development and the combination of local and global internationalization efforts. In Scotland, a Business Gateway International network has been established to strengthen the relationships between exporting businesses. Networks are used by firms in Wales to overcome resource constraints and to drive economic growth.

Policy

Some chapters suggest that there is strong government support in transitional economies to advance and take advantage of internationalization. For example, Kallay and Lengyel wrote that many national agency networks for enterprise promotion were created after 1989, the critical year of termination of the planned economy in Hungary. The chapter on Portugal suggests that the Portugese government should design export assistance programmes to support export activities in 'deep niche' markets, especially for small firms. Poland, on the other hand, initiated cooperation between scientists and politicians. The formulation of regional innovation strategies for the purpose of rapid and effective identification and practical implementation of cooperation in Poland will, it is hoped, prove helpful for future SMEs' internationalization into EU regions.

In the case of Ireland, pragmatic government policies, a social partnership approach to economic development, openness to international trade and technological innovation and education might have a significant impact to SMEs internationalization. Almor and Sperling echo this and provide a positive note on government initiatives for providing supportive infrastructure to entrepreneurs. They show that policies such as encouraging the population towards higher education, creating a favourable environment for start-ups and developing supporting industries such as the venture capital industry, have resulted in viable high-tech industry in Israel and enabled many successful born globals to compete internationally. On the other hand, when environmental infrastructure is not supportive, it will constrain the development of internationalization of SMEs (as discussed by Volkova and Brige). Volkova and Brige write that the lack of competitiveness of the state tax policy, efficiency of capital market, infrastructure, educational system and state aid, alignment and stability of business legislation has hindered SME internationalization in Latvia.

The Ukraine chapter points out that government policy initiatives such as creating state innovation agencies and technology parks can result in better internationalization rates. The Spanish study highlights that there is scarce international activity occurring amongst Spanish SMEs and this should be addressed by Spanish government policy initiatives. In Slovenia, the European Union efforts at cross-border collaboration has been combined with the Slovenian government emphasizing innovation systems.

Scottish government policy initiatives are now aimed at growing SMEs, as the traditional industries such as shipbuilding in Scotland are disappearing. There are currently more than 1500 programmes aimed at increasing the internationalization rates of Scottish SMEs. The San Marino government is aware of the benefits that are derived from exporting, such as an increase in employment rates. In Wales, policy makers have initiated policies that reduce reliance on inward investment and have increased funding to indigenous business creation. In Wales, the government is trying to shift the trade imbalance away from being heavily reliant on exports from a small number of countries.

Economy

While some European economies are in an advanced transition stage, some, such as Moldova, are still struggling to survive the impact of the EU. Many others, however, such as Poland, are forced to internationalize: because of continuing competition from other developed economies such as China and India, Polish SMEs are moving towards delocalization. This is especially true for low-tech industries seeking the benefits of lower labour costs. However, the recent EU enlargement may be able to turn this trend around as some of these new members may provide low-wage benefits to other EU members, thus keeping the economic benefits within EU members. The comparative advantage has already led numerous producers in the EU15 to transfer some of their production to new EU members where low-wages benefits are offered.

The Ukraine chapter highlights how, by increasing the SME internationalization rate, the economy can benefit. Swiss SMEs depend on international market conditions for firm profit. Turkish SMEs have a low international growth rate because of a lack of market orientation. The Spanish study highlights that internationalization of economic activity is highly related to innovation rates. Many Slovenian SMEs face higher barriers to entry than larger companies in international markets owing to a managerial orientation focused on the home market. Scotland has traditionally had a lower international growth rate than its counterparts in the United Kingdom. In particular, the success of the Celtic Tiger has influenced many of the growth initiatives in the Scottish economy with the introduction of a 'Smart Scotland' policy aimed at increasing the number of knowledge-intensive businesses.

In order to strengthen internationalization efforts, policy makers in Scotland are trying to diversify the Scottish economy away from its dependence on manufacturing. Countries in Europe such as the Republic of San Marino and Monaco, that have a small population, necessitate a focus on the international market. The economy in San Marino has been significantly affected by globalization of the world economy. The San Marino economy is shifting to being more service and manufacturing oriented. Indeed, most firms in San Marino are considered micro firms as approximately one-quarter of all firms have fewer than five employees. Focusing on international growth efforts is particularly important for Wales as two-thirds of the country has a GDP per capita less than the EU average.

In Wales, the contribution made by the small business sector to the secondary economy has meant that more policies are being focused on this sector.

Market competitive condition

Although SMEs in Hungary only have 5 to 10 per cent exporting levels, the country as a whole is competitive in attracting foreign investment both large and small. In fact, foreign-owned SMEs in Hungary have about 25 to 40 per cent exporting levels. These activities show the high competitiveness of Hungary compared to surrounding countries in the region as well as the potential knowledge spillover to local Hungarian-owned SMEs in terms of the internationalization process. However, the high number of foreign-owned SMEs and MNEs in Hungary means that domestic SMEs are competing on both fronts. This phenomenon is one of the characteristics of advanced transition economies.

Some countries achieve competitiveness through a common language and a shared institutional environment to achieve fast expansion to neighbouring countries, such as Lithuanian SMEs to Latvia and Estonia. Others, such as Polish SMEs, prefer only a focus on price competition to achieve market competitiveness and avoid, if possible, innovation as it requires capital and time intensity (as noted by Rogut and Piasecki). Polish SMEs believe that, at the early stage, implementing new ideas for competitiveness is possible without large investments. Hessels concludes in her research that the small scale of a domestic market often is the important reason for SMEs to look for foreign market expansion, while Denmark SMEs are slightly above average when compared with the other 18 European countries in export, import and joint venture with foreign SMEs.

Many Turkish SMEs are focusing their international development strategy on geographically close (but not necessarily similar) markets. The domestic market is the main market for the majority of Spanish SMEs. Slovenian SMEs operate in a small number of international markets, with most selling only to a handful of countries.

Industry sector

EU member countries have set the industry standard by having common pressing standards, currency of exchange and product quality requirements; therefore, they have formed a tight industrial network. This network is beneficial to EU members especially in industries that require international just-in-time logistics, Internet-based global production, and where individual member countries are part of the value chain, as in the apparel industry. Nonetheless, this situation has moved non-EU members such as Moldova, to an extreme disadvantaged competitive position.

Mattiacci, Simoni and Zanni, in their chapter about Italy, noted that there are differences in level of internationalization, depending on the industry, and these authors assert that the differences lie in the costs and nature of the business. For example, in the gold industry, Italian firms have recently started to invest directly in foreign manufacturing activities. This is due to high transportation costs and stringent regulations. In the fashion industry, SMEs are characterized by a high international division of labour and adopting the more evolutionary approach to internationalization. This rationale also helps explain why some European countries participate in limited FDI activities (as suggested by Mattiacci, Simoni and Zanni).

In the Ukraine, the main type of businesses involved in export activities is the industrial sector. In Switzerland, there are significant differences in internationalization rates based on industry type that can be used to help firms internationalize.

Swiss manufacturing firms have a higher level of internationalization rates than service firms. The Swedish chapter highlights that the rate of technology development happening in an industry is strongly related to the internationalization rate of a firm. The Spanish chapter found that the decision of a firm to export is related to the industry in which they operate.

While Maltese SMEs export by identifying distributors, dealers or agents, activities such as exporting workers is also popular as a major source of income and foreign exchange via remittances. Similarly, the poor economy and low wages in Moldova have driven a huge exodus from the country of about one-quarter of its workforce to search for jobs abroad.

In conclusion, this chapter has introduced each of the countries that will be discussed in the book. A number of factors considered helpful in analysing international entrepreneurship in Europe were also identified.

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