

**Increasing the number of Scottish exporters:
The ACE framework and its application by Scottish Enterprise**

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Introduction

There is a lengthy history of public policy support for smaller firms directed at promoting exports, especially among developed nations. The review by Diamantopoulos et al. (1993) indicated that the scope and nature of direct and indirect export assistance was generally similar in different countries, focusing upon the pre-export phase and on stimulating export initiation through standardized information provision on foreign markets. Concerns in the literature from the late 1970s to the early 1990s were directed at the utility of export market information and the efficacy, timeliness and value of services; and the low awareness of and satisfaction with support services (Bell et al., 2003). A recent review of best practices in exporting and internationalization around the world highlights a number of types of programmes (Young and Tavares, 2007). It identified that there is increasing interest in support programmes to develop firm competences and skills for exports, investment and access to markets; offered by both developed and emerging countries, the support offered usually takes the form of training programmes and lacks an implementation element.

In the UK, the approach increasingly taken is to evaluate the need for assistance in terms of 'market failure'. In a policy context, the term refers to 'circumstances in which there are significant potential economic benefits which the private sector would be unable, or unlikely, to achieve unaided' (UK Trade & Investment, 2006: 63). Further, it appears that the internal capability deficits of SMEs are being increasingly recognized as barriers to internationalization and as a source of market failure; and that the pace of internationalization associated with international new ventures and born globals poses particular challenges (Boermans & Roelfsema, 2013).

It is well documented that lack of market knowledge about foreign markets can be a key barrier to internationalization. Whilst firms can gain valuable knowledge and resources as they become older and larger, small and young firms are not necessarily disadvantaged if they develop other mechanisms to acquire the required knowledge and resources (Reuber and Fischer, 1997). SMEs with internationally experienced management teams influence firms to engage in behaviours leading to a greater degree of internationalization (Reuber and Fischer, 1997). However, the perception of risks associated with exporting, are a key influence on an SME's decision whether to internationalise (Serinhaus & Rosson, 1990).

When firms value organisation learning, they are more likely to see changes in the business environment as an opportunity and act accordingly (Burpitt and Rondinelli, 1998). Thus, it can be argued that government support should not just provide information but needs to help firms to recognise the value of learning from exporting. Indeed, this is highlighted by Serinhaus and Botshen (1991) who suggest that the goals of export support agencies should include raising awareness of opportunities, reducing barriers, aiding planning and preparation, assisting firms in acquiring the needed expertise and know-how to successfully enter and develop export markets, providing access to experiential and objective knowledge and organising help and cost sharing.

Furthermore, companies have different needs depending on their internationalization stage, for example, pre-internationalisation, initial involvement, active involvement and committed international organisation (Anderson et al. 2002). But, firms in more advanced internationalization stages have been found to perceive or experience less usefulness in support services, where stages range from starting/passive to establish operations abroad Freixanet (2012).

Rationale for internationalisation

In considering the importance of different characteristics influencing companies involved in the internationalisation process, at Scottish Enterprise (SE), we believe it is first important to understand what these are.

In essence, the drive towards being international often emerges from a degree of necessity: companies are forever facing a strong tide from:

- Changing markets
- Changing business processes
- Changing organisational structures
- Accelerating rates of change
- Uncertainty (particularly political uncertainty) impacting on the domestic economy

This leads to a range of strategic driving forces that underlie a decision as crucial as whether to where a firm gets involved in exporting or not (Slow, 2013a):

- New markets and niches (and the tighter the niche the wider global presence has to be)
- Reduction in cyclical variability
- The chance to leverage resources on a world-wide basis for competitive advantage
- Increasingly open access to domestic markets
- Economies of scale and scope reducing production costs
- The ability to use niche strategies to erect barriers to entry
- The loss of domestic strength through mergers and acquisitions
- The de-regulation of markets is a spur to expand

These factors together provide an important context from which to expand. But they are not the key driver, which we find is more psychological. The fundamental driver behind being a successful exporter is that you have to “think globally in order to act globally”. Having this ‘mindset’ which is a subset of ambition is often the key factor which differentiates international companies from those that are non-international. A specific ‘trigger’ – e.g. a new management team or the loss of an important domestic customer – is also often present (Anderson, Evers and Griot, 2013).

Another dimension is added when we consider that a company also needs to identify the overall strategic ‘model’ (or models) it will use to deliver its international growth. The increasing use of e-commerce and developing companies as an e-business multiplies the potential models further – thus making the specific approach needed more complex again. Our research (Slow, 2013b) suggests that a wide range of models can co-exist, and whilst a number of them cross-over in part, there are specific elements in each that need considering by a company ambitious to export (and perhaps beyond exporting). However, a detailed exploration of this is beyond the scope of this paper although it is relevant to the approach to supporting businesses used by Scottish Enterprise.

So, if we consider there are multiple motives for exporting, driving forces and ‘routes’ a business can go down, as well as a variety of models that describe the process, potentially the range of combinations is extensive. For a delivery organisation like SE this is problematic. However, on further exploration, simplification is possible: based on common elements across the range of options, we have been able to simplify dramatically for operational purposes. The next section explores the framework we have developed.

The Scottish Enterprise (SE) Export Support Framework

SE has found that, whichever model of export development is the most appropriate given the circumstances an individual business, sector or economy faces, the process has three main elements:

- Ambition & Awareness
- Capacity & Capability
- Expansion & Exploitation

These elements reflect, importantly, those stages an individual business needs to go through in order to build a sustainably successful export base. They also apply generally irrespective of sector and markets being considered; although *how* they operate specifically will vary across sectors, markets, technologies and increasingly ways of exporting – e.g. how best to use e-business methods.

Moreover, they apply when considering whether a company should be investing abroad directly (e.g. sales office or manufacturing presence) or another ‘deeper’ form of internationalisation – e.g. joint venture or strategic alliance. *These three stages are captured in the ‘ACE’ model.*

The framework was developed by SE as a response to a number of key imperatives:

- Support the delivery of the Scottish government’s economic strategy
- A need for more exporting businesses within Scotland in order to strengthen, grow, and diversify the economy
- Having a practical ability to support effectively as many businesses as possible along their exporting journey
- Prioritise scarce internal resources in order to maximise the outcomes

However, these imperatives do not identify the ways forward that are likely to be the most effective in having more exporting businesses growing their international sales – they reflect more of the ‘what?’ of economic development rather than the ‘how?’

To answer the latter question a wider approach was necessary. SE turned to academic literature and external studies to identify common elements that could help build a robust process SE could deliver to companies.

However, that needed to be re-shaped to the Scottish and, in particular, SE context. SE has a breadth of experience in supporting internationalisation; it also has a large body of internal material, including evaluations, of what works ‘best’ and the impact that can make. We knew that, although each company’s exporting route is unique, success would ultimately be driven by effectively answering a range of questions:

- What are the prevailing economic conditions at home and in target markets?
- Which geographical markets are they looking to expand into?
- What is the optimum order in which to expand?
- Which product(s) and/or service(s) will it use?
- What is the current/likely future state of play of technologies it uses to enter markets?
- How effectively can the company build on and exploit those technologies?
- How important will the rate of innovation be in desired export markets?
- How well does the company perform against its competitors?
- How good and robust is its overall export strategy?
- How well does it execute against that strategy?

Given the complexity of what SE was attempting to do the method chosen was a combination of both, ‘academic’ and ‘practical’: identify what the range of core delivery elements could be (academic) and the translation of these into realistic cost-effective delivery options for SE (practical). The integration of the two approaches led to using the ACE model as an operational ‘structure’ and,

following its adoption in 2011, revamping of the way in which SE works with exporting and potential exporting businesses.

This paper presents below in more detail each of the stages of the model and outlines how a company can transition from one stage to the next. It will also show that, in practical ways, the 'E' stage (expansion and exploitation) is a microcosm of the first two: selling to more markets or bringing a different product/service to export will still involve the 'A' and 'C' stages.

However, the nature of the relationship with SE evolves: when a company gets to the 'E' stage it is more experienced and will seek to replicate previous processes where possible as a mechanism to drive productivity and efficiency. At a practical level that means the relationship with SE evolves; over time this allows SE to step back from businesses as they become more able to 'do-it-themselves' – i.e. matching intervention to the degree of market failure.

Crucially, at all stages of the process, learning and action are emphasised: the ACE model is an application of action-orientated learning, both by companies and SE.

The ACE Framework

The exporting behaviour of Scottish SME internationalization may be summarised by Slow's (2014) ACE framework, as shown in Figure 1.

Figure 1: The ACE Framework for International Company Development

Learning						
Ambition & Awareness 'A'		Capacity & Capability 'C'	Expansion & Extension 'E'			
			Further 'A' and 'C' development			
No Awareness	Some Awareness	Aware and Taking Actions	First Export	Deepen first market	Additional markets	More complex forms

Source: Slow, 2014

The ACE model is a reflection of the key elements that are important at the pre-export stage of a business and post first export: Ambition and Awareness; Capacity and Capability; and Expansion and Extension, henceforth ACE. The first two are pre-export and the last is post-Export, although it is essential to note that as a company extends its exporting activity and considers other 'deeper' forms of internationalisation (like joint ventures or direct investment overseas) it will need to reconsider the A and C sections again, just in a potentially different way.

In other words, the overall process is non-linear and subject potentially to 'jumps'. An example of jumping may be a company that exports one year but not the next; such 'yo-yo' exporting is common amongst businesses, particularly among SMEs until they establish an approach that may be categorised as 'proactive'. Whilst it is by no means coincident, proactive exporters will often have more experience either directly or through their management teams. Let's now consider each of the constituent parts in turn.

It is also possible for a company to 'jump' from the 'A' to 'E' stage (or at least significantly compress the 'C' stage) if their operations mean they already have many of the mechanisms in place to be an exporting business.

The key point remains, however, that every company situation will be specific to that business. When we combine that with the multitude of possible routes to being international (see above p3) the complexity, when viewed from the perspective of an economic development agency, is significant. For this reason, a focus on the key common elements is not only desirable but is, in fact, essential – hence the ACE framework.

It is also important to recognise that learning applies at all stages of the framework. Moreover, learning influences each part and is also influenced by it. The framework is essentially an extended learning model and, it can be argued that the more effectively a company, or more specifically the management within that company learns, the more effective the outcomes will be. A Key finding of our longitudinal monitoring and evaluation is the importance of the acquisition by firms of general Internationalisation Knowledge (IK), necessary for internationalizing firms to gain market entry, localise strategies, and organise international enterprise structures (Fletcher, Harris and Richey, 2013). IK was much neglected in internationalisation process theory (Forsgren, 2002) which focused on the acquisition of market knowledge, accessing networks and building relationships (Johanson and Vahlne, 1977, 2003).

For this reason a number of SE support products specifically look at management development and learning. Moreover, there are a number of others that explore internationalisation in the context of management development or corporate learning (include elements as diverse as organisational learning, social capital, action-orientated learning, networks and networking).

Before looking at the delivery approach we consider each of the framework core elements briefly:

Ambition & Awareness (A)

At its most simple this stage is when a pre-exporting business first recognises that it may have the ability to be an exporter and assess what the opportunities are for it to be so. The process is by no means inevitable, but in developing the ambition companies are open to explore what might be possible and are implicitly willing to put the resources into taking it further - the ambition stage.

Once that decision has been taken, it is a logical next step to explore further: which products/services? Which markets? What mode? Specific market requirements? And many more questions, the list is long for each business, but the answers shape the more specific support available at later stages (see below C & E).

Developing an awareness of what might be needed and evaluating this against the current position of the company, is a crucial step in the process of translating desire into action, qualifying, the opportunity and assessing if a sufficient market exists. The outcome of this stage is often a 'go-no go' decision, albeit one that will be repeated often once a company has made the step of considering exporting as a valid route for its growth.

What the company will do next is assessed in more detail in its own ability to meet the potential overseas demand: this is the Capacity and Capability (C) stage of the model.

Capacity and Capability (C)

There is no strict ordering of these elements due to their inter-relatedness and essentially joint development. A company will assess whether it currently has the ability to pursue export opportunities and, assuming a proactive approach to the internationalisation process, what it needs to do in order to sustain this position. At any one time a business may have either capacity or capability or both, to pursue the opportunities open to it or it may have gaps. By undertaking a 'long, hard look' it will be able to assess whether it can 'go now' or what needs to be done in order to 'go'.

Once the company has decided to 'go', it will enter the market through its desired route - direct sales, agent, distributor - and seek the first sale. Moreover, at the 'C' stage a company may also discover that it needs more information before selling; in this case it may revert to the 'A' stage to fill that gap. This reinforces the idea that the process is not linear and that there is no set time period for a company to go through each stage. It can thus be argued that companies that under-resource the 'C' stage are more likely to be 'yo-yo' exporters.

Expansion and Extension (E)

This stage of the model is perhaps the most obvious as it primarily covers the exporting stage of a business and the process already reported by many others (Johanson and Vahlne, 1977). Characterised by a business seeking to deepen its presence in its first market, move to other markets (firstly more similar and then less similar depending, of course, on market opportunity) and finally, consideration of other forms of business organisation overseas, this stage will see a growth in operating diversity within the business and potentially a very different structure over time.

At this stage and at 'every decision point' within it, the company will re-work its 'A' and 'C' decisions. However, these will become increasingly intrinsic as the business builds more experience. It is also at this stage that significant productivity enhancement can be seen both through 'learning by exporting' (Harris and Li, 2009) and growth in decision-making efficiency (Jones and Casulli, 2014). Both these factors have been highlighted in papers covering Scotland.

To sum up, the ACE model outlined above is the main mechanism that Scottish Development International (SDI), SE and Highlands and Islands Enterprise (HIE) use to underlie the delivery of support to internationalising businesses. For companies completely new to exporting, initiatives like *Smart Exporter* focus on the activity and the 'A' and 'C' stages with the outcomes being more exporting companies. For account managed businesses and companies with some exporting activity the focus is more at the 'E' stage. For the former the agenda is to 'broaden' the export base, for the latter it is to increase the intensity of the export sales proportion of turnover of the business as it grows.

Trigger Points and Transitions

It should be noted that there is no expectation of the length of time each company will spend in each stage exists. For a variety of reasons for example the way a market is evolving, geographical considerations, exiting or legacy capabilities, existing contracts and ability to raise finance (and many more) it is not possible to ascribe a specific length of time to each stage.

However, it is possible to gauge where a company is in the process, especially at earlier stages, by having a series of milestones that can show transition from one stage to another. Achieving a milestone is an effective transition to the next stage. It is useful for the business as it allows them to see progress towards their goals; it is also useful for FE as we seek to optimise how we invest our resources. The trigger points are outlined in figure 2

- Once a company is more established as an active exporter, the support becomes more narrowly focussed around deepening (intensive margin) and broadening (extensive margin) activity with new products/services (including 'bundling' – a very successful way of deepening market presence and share) and into new markets.
- As the company develops its export experience one outcome might be a need to consider market presence in-market through ways over and above exporting. These forms of internationalisation (e.g. direct outward investment, mergers & acquisitions, joint ventures, R&D alliances etc.) are often born from a need to either consolidate presence quickly in response to a market change of some kind or might be a way of dealing with non-tariff barriers. Whichever reason, or combination of reasons, it may be, support is available to help that process.

To give a flavour of the different products available in Scotland (through SDI/SE/HIE) for each of these areas a mapping is shown as figure 4

Figure 4:

Learning						
Ambition & Awareness 'A'		Capacity & Capability 'C'		Expansion & Extension 'E'		
				Further 'A' and 'C' development		
No Awareness	Some Awareness	Aware and Taking Actions	First Export	Deepen first market	Additional markets	More complex forms
SE Products						
Marketing Activity Market Awareness Expert Advice Globalscot Online delivery		Diagnostic tools Strategy development Preparedness programmes Mentoring Globalscot Talent Scotland Sales & Marketing programme Technical support		Market Entry Overseas market support Research Networks Exhibitions, missions Market planning Globalscot	Market Expansion Support as for Market Entry	Market Presence Incubation Soft landing Advanced preparedness Globalscot

Source: Slow 2014 & Scottish Enterprise 2016

This figure should not be taken as an exhaustive or complete listing. However, it is presented to be indicative of the range of support. Moreover, for many of the businesses that benefit from the support, they are designated as account managed by SE or HIE. They will, therefore, also get access to the value from account managers who are often a conduit through which other support can be accessed as part of an integrated development programme.

While, due to resources primarily, not all companies in Scotland with growth ambitions can be account managed, there is evidence (ERC, 2016) that companies that are account managed outperform matched companies that are not account managed in terms of turnover, productivity and employment. Given the strong link between productivity and export success it can also be implied that these companies will also outperform in export terms.

The next section specifically looks at a number of performance metrics and measures specifically linked to international support in the context of the ACE model.

Support Outcomes

The adoption of the ACE model has allowed a number of things to take place that would not have happened before, or might have done at a much slower pace or at a smaller scale. The paper outlines a number of the most important. These include:

1. Enabling SE to develop a strategic approach to supporting businesses that were or had the potential to be an exporter. This was applied to companies that a relationship was already in place (they were 'account managed') and those that were not (leading to the development of the *ScotExporter* programme)
2. *ScotExporter* has enabled SE to move into a new area of support working closely with private and public sector partners to access a new group of companies across Scotland, ones that SE generally was not engaged with previously, certainly not for exporting
3. Through the strategic approach with account managed businesses, international support can be aligned with other products (e.g. innovation, financial readiness or e-business) in order to optimise the business outcomes from SE activities relative to the costs of intervention
4. The development of the strategic approach has also helped reduce some purely reactive or tactical support that had previously been unstructured or unfocussed
5. It has allowed individual sectors to assess their support and how it can be best delivered to stimulate export growth. This has led to different applications across different sectors but within the ACE framework.

Impact on Businesses

There are a number of positive impacts in terms of the relationship SE has with companies and their progress through the export 'journey' and, at a macro level through the number of exporting business Scotland has. The paper outlines below in more detail a number of these. The findings are:

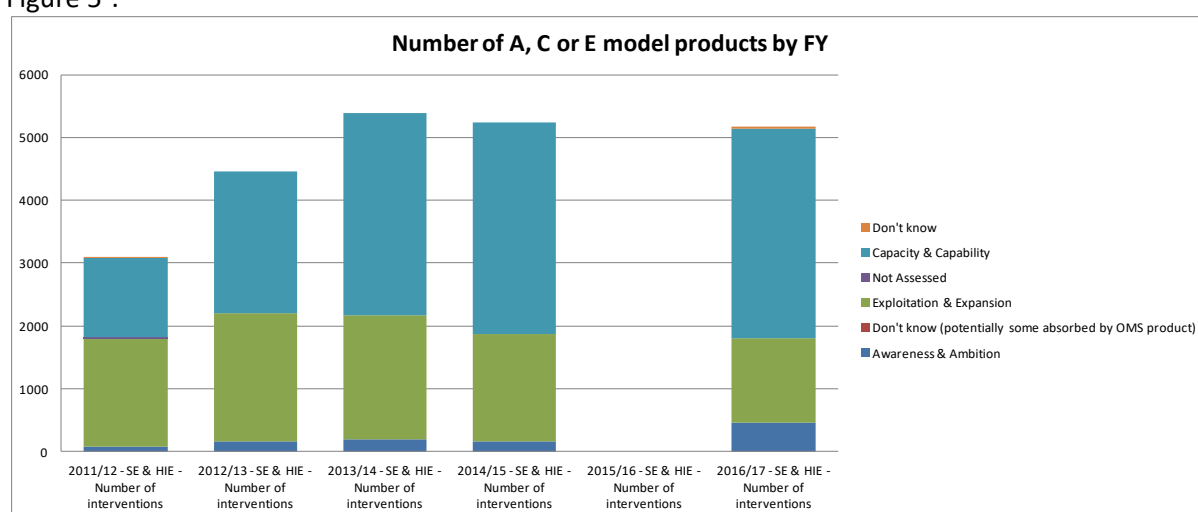
- More businesses are entering the ACE pipeline and are progressing through it as a response to the support they are receiving
- More businesses are moving from non-exporter to exporter status

This section explores these areas based on the results of a recent impact evaluation of SE's international activity and performance statistics (SQW, 2017).

The Number of Businesses Supported

The split of products delivered (individual interventions) by support type is shown in figure 5

Figure 5¹:

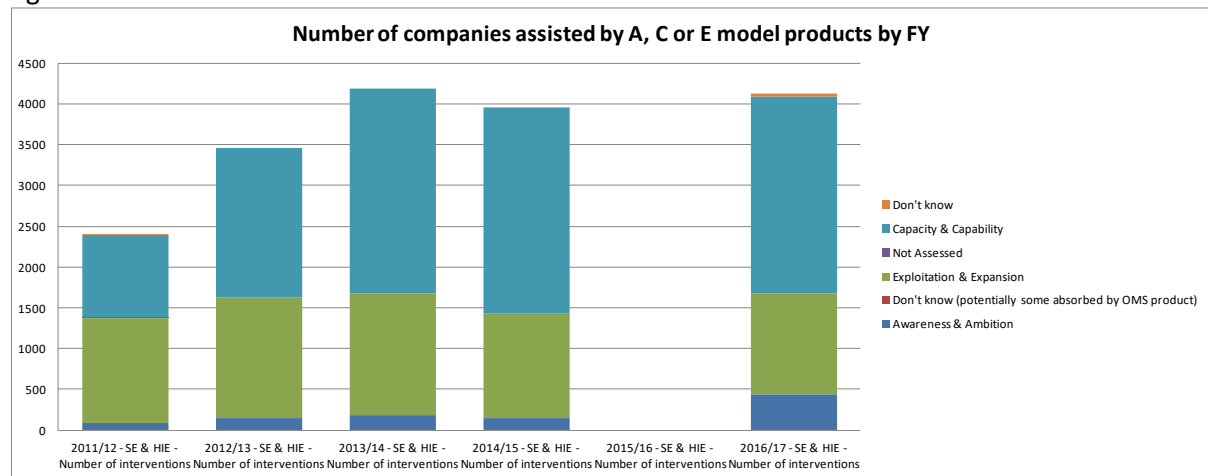


Source: SE internal data

¹ Note: in figure 5 FY refers to financial year – e.g. 1st April 2016 – 31st March 2017. Also, due to a change to a new CRM system no figures are available for 2015/16, but the figures for 2016/17 are comparable to earlier years

The number of companies supported by those interventions is in figure 6:

Figure 6



Source: SE internal data

Note that although there was a problem with data in 2015/16 which made the data incomparable with other years, the figures for 2016/17 are comparable. Overall two messages emerge:

- That the growth in both products delivered and companies support has increased substantially
- The largest number of company support was in the 'C' stage

Both of these results are to be expected. Organisationally, SE has made a significant commitment to increasing the number of exporting businesses in Scotland and recognising that market failures exist (see pp11-12 below). SE decided that more companies would be worked with and that the range of activities provided to those companies would increase.

This relates also to the 'C' stage support. This is a wide-ranging type of support and will pick up activities with both new and existing exporters. As companies move into the 'E' stage it can be argued that market failure reduces and/or changes such that the demand (and eligibility) for public sector support diminishes.

Support at the 'A' stage is less prevalent, primarily because this is only for companies at the earliest stages of their internationalisation journey. Much of this support is also from an export counsellor and therefore more resource intensive. Moreover, at any one time, for a finite business base with a 'fixed' sectoral structure, the cohort of potential international businesses will be quite small.

Overall, therefore, given the mix of new and existing exporters in Scotland, especially amongst SMEs (the primary focus of SE activities) this balance would appear to be about right, and it reflects the reality of the Scottish business base.

Market Failure and Barriers

A fundamental requirement for public sector intervention is the existence of market failure of some kind. The recent evaluation (SQW, 2017) and a previous one (SQW, 2010) both assessed the extent of market failure relevant to SE support. Both reports confirmed that market failure existed in this area in Scotland and that the individual products and services provided to companies were appropriate in that context. Specifically, the latest report summarises that:

The business surveys carried out for this evaluation provide evidence of market failures. For less experienced exporters, support helps bridge the gap in market information and uncertainty (**in ACE terms, raising Awareness**). For more experienced exporters, support also relates to reducing uncertainty and risk by enabling more management time to drive exporting strategies (International Manager for Hire), more specific market support (through Overseas Market Support) and overcoming some of the uncertainty of setting up operations through Market Presence support. This can be categorised as raising Capability and in some cases assisting market Exploitation.

Source: SQW, 2017

Moreover, it is interesting to identify how the market failure translates into specific barriers within individual businesses. The 2017 review considered this against the categories of the ACE framework. Interestingly, it found that:

For **Ambition & Awareness** – barriers related to potential costs and benefits of trading in specific markets, especially emerging markets, and, as knowledge increases, about how those markets work, translating that knowledge into company-specific requirements.

For **Capacity and Capability** – companies here are more aware of what is needed but the challenges are often practical within the business; for example, investing, marketing, innovation support, and especially finding suitably-skilled staff with relevant experience.

For **Expansion and Exploitation** - barriers remain in the specific ‘nuts and bolts’ of trading internationally such as finding distributors and agents, working in new and often very different cultures, logistics, legal considerations, and payment processes.

If we are to focus on one, the key element underlying all these issues it is not surprising to find that that was **management** and in particular its relevant experience and attitude. This is one reason that many SE products (including account management) are to support the development of the management team.

For example, it is not surprising that the main barrier for not investing more in the internationalisation process and entering new markets was **management resource** (both time and skills/knowledge). Moreover, uncertainty about the returns from exporting stopped firms is a barrier to investment in management.

Similarly, even once the net benefits can be identified, there is still much to do to make the international sales growth become more embedded in the company: internal research identified challenges in “finding the time” and “balancing the opportunity against the size of the business” as constraints.

It is also worth recognising that for a small economy like Scotland more ‘macro’ barriers exist, for example, a relatively small pool of people with the relevant skills, knowledge, and expertise relating to overseas markets. SE has a role to play in this but the lead role sits with the Scottish government, although it should be noted that this is a longer term play.

Operational Support that Works

So, what works operationally? And what does that mean both in terms of return on SE’s investment and in terms of the overall number of exporting businesses in Scotland?

What works operationally?

Overall, it is the *package* of SE support that is important. However, specific support to prepare for market, undertake the research and then *visit those markets* that helped them understand how to

do business internationally. Whilst this may underplay the impact of awareness-building support (as that is hard to attribute impact to), it was clear that the interplay across the 'A' and 'C' stages was important. Although market access-specific support is important, its full impact won't necessarily be realised without awareness-raising support that allows specific planning for success in an international market is also present.

Likewise, at a general level, the quantity and quality of one to one support available is important; and importantly, this is felt to be most beneficial when it evolves as the company develops – for example, the content of that close relationship at the 'A' stage, needs to change as the company progresses to 'C' and again as its international sales deepen and broaden. If it doesn't the overall impact is less and companies are less likely to be satisfied. This was supported by businesses at all stages of the international journey. And importantly, it is the ability to support the business strategically that becomes important: whether this is through a trade advisor (with new exporters) or account managers (with established exporters) does not matter it is the fact that support is available that matters, and the development of it over time that makes the difference.

For companies earlier in the process, especially at the 'A' stage, *workshops, seminars and training support* are important. At the ambition stage, this is more generic, but as companies move towards awareness then greater specificity becomes more important. For many companies, the opportunity to network with other businesses at a similar stage of development should not be overlooked.

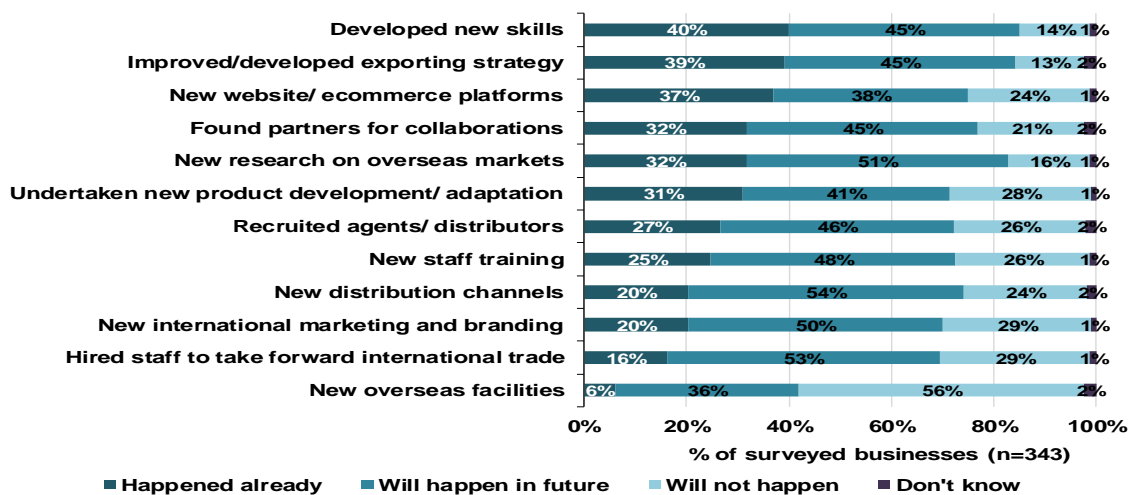
When SE support is *aspect-specific*, more at the 'C' and 'E' stages, it also has a positive impact. For example, SE doesn't invest directly in companies; however, our products can support the provision of practical elements of international business, such as consultancy, market research, website development, e-commerce,. SE support can help reduce a management resource constraint and therefore support the international preparedness of the business.

At a very practical level it is unsurprising that businesses benefit from support provided to attend *overseas exhibitions and missions* is felt to be successful, and in a significant number of cases the most important element overall. The range of benefits from this (close-to-market) support is wide: gathering market and competitor intelligence; profile-raising; a chance to meet with agents and distributors; direct sales; potential acquisition or joint venture partners and others.

What difference does it make?

The main impacts from SE support in individual businesses are summarised in figure 7 below.

Figure 7



Source, SQW, 2017

When viewed against the constraints on the business and the ‘what works’ above this list is not surprising. However, the breadth of impact is encouraging.

It is also possible to examine the overall effectiveness and economic impact of SE support, and importantly how this has changed over time with the implementation of the ACE model. We are able to do this because a the evaluation conducted in 2010 used data prior to the ACE model implementation and before the increased resource for international activities within SE. The 2017 results are based in the period after ACE implementation. The relevant figures are in tables 1 and 2:

Table 1: Trade Impacts 2010 Evaluation

Trade (Adjusted to 15/16 prices)	To Date	To Date and Future	Annual Average
	2005/06 – 2008/09 (4 years)	2005/06 to 2011/12	Annual 2005/06 to 2011/12 (7 years)
GVA (with multipliers -1.7)	£164.6m	£279.6	£39.8m
Cost	£83.7m	£83.7m	£11.9m
Impact Ratio (net GVA per £1 SE spend)	2:1	3:1	3:1

Figures have been rounded

Trade 2: Impacts 2017 Evaluation

Trade	To Date	To Date and Future	Annual Average
	2012/13 – 2015/16 (4 years)	2012/13 – 2019/20	Annual 2012/013 to 2019/20 (8 years)
GVA (with multipliers- 1.4)	£466m	£729 m	£91 m
Cost	£114 m	£114m	£14.3 m
Impact Ratio (net GVA per £1 SE spend)	4:1	6:1	6:1

Figures have been rounded

The results show that gross value added (GVA) impact has increased in absolute terms from an annual average in the 2010 evaluation of £39.9 million to £91 million in the current study based on to date and forecast impacts.

In addition, and this allows for the increased investment in support available overall, it can be seen that the impact ratios have doubled from the 2010 study to the current study, specifically:

- The GVA return to-date in 2010 was 2:1 – this increased to 4:1 in 2017
- The GVA to date and future / annual average in 2010 was 3:1 – this increased to 6:1 in 2017

There are a number of reasons why this might have occurred to this extent, certainly greater resource to support internationalisation more generally in Scotland will be part of the explanation. However, the adoption of the ACE framework and the ability that provides to focus and support companies effectively is also important. The 2017 evaluation (SQW, 2017:p65) reports that:

“For those businesses that have received support in one particular market the support has been well-coordinated. There was evidence of businesses progressing through different types of support and advice, in some cases taking on an International Manager for Hire, and building the necessary knowledge to form new business relationships and trade opportunities. This would indicate that the ‘ACE’ model is generally working for specific markets”.

Therefore, SE support, applied through the ACE framework, has increased overall economic impact in Scotland and doubled the return to the resources used. The ACE model is an effective business development framework for internationalising businesses.

Conclusion

SMEs have different needs with regards support at different stages of internationalisation within the context of differing experience, skills and capabilities of managers. Thus government support agencies should tailor their advice and internationalisation support to individual firm needs. This includes helping firms to recognise what they don't know, and develop learning processes within the firm. It is important that agencies continue to support firms as they expand internationally. Building and maintaining relationships with firms is important to help them identify their on-going learning needs for support agencies to provide timely and appropriate advice and support. The public sector has a role to play ensuring the availability of staff and consultants with appropriate skills, experience and knowledge to support the growth of internationalising SMEs.

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