

# A Qualitative Approach to SME Internationalization Policy Evaluation

## ABSTRACT

The paper explores the methodological and policy implications of evaluation of support for internationalizing Small and Medium-Sized Enterprises (SMEs) in Scotland. An innovative three-dimensional, longitudinal methodology to evaluate the impact of the Scottish Enterprise Global Companies Development Programme (GCDP) is presented. The background to the policy support for SME internationalization, best practices worldwide and SME policy evaluation in the UK are considered and policy gaps are identified. Evidence from the research findings provide the basis for recommendations for SME internationalization policy support and lessons learned from the evaluation approach are discussed.

**Key words:** SME Internationalization Policy, SME Support Evaluation.

## INTRODUCTION - BACKGROUND TO THE EVALUATION

### *SME Policy Support for Internationalization*

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 standardised 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). Historically too, most national export support was directed towards SMEs pursuing the traditional incremental route to export development. Among a series of studies during this period, the work of Seringhaus and colleagues was particularly significant (see for example, Seringhaus, 1987; Seringhaus and Rosson, 1990; Rosson and Seringhaus, 1991). Whilst accepting that many export promotion organisations have now sought to address earlier criticisms in the literature, Bell et al. (2003, 2004) highlight the need to better address the export and wider 'internationalization' needs of early and/or rapidly internationalising firms, and the importance management training, strategic issues, inward technology transfer and the development of network relationships. There have been calls for more firm specific, tailored training and flexibility in policy (for example Crick and Spence, 2005; Jones and Coviello, 2005; Bell et al., 2003, 2004.), for example that there may be important behavioural learning differences between experienced and novice entrepreneurs (Westhead et al., 2003, 2005). Other authors have proposed that policy makers concerned with maximising returns on their investment may benefit from targeting groups with greater potential, given that the internationalisation decision and timing may vary greatly by "type" of SME, such as the nature of goods or service, domestic market size, industrial sector, and support system (Wright et al., 2007).

A recent review of best practices in exporting and internationalization highlights a number of types of programmes (Young, 2007). First, export support and export skills, where 'learning to export' programmes are the most common forms of support for exporters, offered by many countries around the world. Second, programmes which relate directly or indirectly to networking, including matchmaking, trade missions, mentorship schemes, and diaspora initiatives but policy initiatives do not appear to focus upon building capabilities in networking. Third, common programmes, especially in emerging economies, relate to SME collaboration and SME-MNE linkages. Fourth, 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. It is clear from this review of the literature and of current best practices in policy that there has been progress in terms of customisation of some measures to suit specific firm requirements; and a growing emphasis upon ‘internationalization’ rather than exports per se. However there are still gaps in provision, for example, in the important area of networking, and in developing management capabilities for internationalization.

From a public policy perspective 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). In their study of support for exports and inward investment, UKTI (2006) provided evidence of market, network & intermediation and institutional failures which create barriers for UK firms; and, in the case of exports, affect the expected benefits of overseas market entry. The consultants suggested that UKTI support was able to overcome these barriers, influencing business decisions and opportunities positively. This study also identified important gaps in the evidence concerning, for example, the internationalization needs and capabilities of innovation-intensive and high growth SMEs, and market failures which could create or enhance barriers to entering and exploiting foreign markets. Earlier research has identified market, informational, organisational and motivational/commitment factors as barriers to internationalisation (Raines and Brown, 2001; Seringhaus and Rosson, 1990). In particular, Raines and Brown (2001) highlighted the requirement to address the internal organisational barriers faced by companies and their need to build strategic capacity in order to develop competitive advantage. Such challenges are faced particularly, but not exclusively, by high growth, innovative firms (‘born-globals’ or ‘international new ventures - INVs’ to use the terminology of the SME internationalization literature). As research reveals, early and rapid internationalization may increase prospects for growth among INVs (Autio et al., 2000), while simultaneously decreasing their probability of survival (Sapienza et al., 2006).

Overall, therefore, it appears that the internal capabilities of SMEs are being increasingly recognised as barriers to internationalization and as a source of market failure; and that pace of internationalization associated with INVs poses particular challenges. These barriers are reflected to a limited extent in public policies around the world; but the focus upon training programmes may be inadequate since companies require support in implementation.

### ***Global Companies Development Programme***

In light of these challenges, the Global Companies Development Programme (GCDP) was launched in 2000 by Scottish Enterprise, the Regional Development Agency, with the aim of enabling companies that are controlled from Scotland to achieve a significant global presence (Scottish Enterprise, 2003). The GCDP is an innovative public policy initiative launched by Scottish Enterprise as a consequence of the findings of a research enquiry which highlighted the limited extent of globalization of indigenous enterprises (Scottish Enterprise, 1999a; Scottish Enterprise, 1999b), but recognising that global companies may be SMEs as well as large multinational enterprises (MNEs). From its launch, the objective has been to recruit a “cohort” of between 15 and 20 companies per year on to the programme.

The overall aim of the GCDP was for the Scottish Enterprise network and its partners to provide high quality service to emerging global companies that meets the needs of those companies. The programme recognises that every company should follow its own route to internationalisation, and thus support needs should be tailed to each company. Implicitly, the GCDP aimed to “accelerate globalization for SMEs by short-cutting the learning process required to globalise” (Raines and Brown, 2001; 660). It was designed to address a range of market failures that inhibit the globalization of Scottish SMEs. The key areas in which the GCDP aimed to make a contribution to remedying market failures are:

- *Access to information.* This was to be addressed through facilitating access to private sector resources; making connections to organisations such as the EU to access public sector funding and to aid alliance development; and promoting learning and its exchange between and among GCDP companies and SE.
- *Increasing the scale of activity.* To establish the scale of activity for companies to be successful overseas and help them achieve this.
- *Accelerating activity.* To accelerate companies' globalization by accessing new markets and facilities abroad; and to access management education at home and abroad with the same objective.

The GCDP has the following components:

- A six month programme directed at the CEO and the senior management of the business;
- Recognises that running an international/global company is different from running a domestic/exporting one;
- Builds the management capability of the company in the context of developing a shared vision and international business strategy;
- A total input from external consultants of 20 working days, with approximately 10 days involving the full management team;
- Outputs in respect of agreement by management on global vision; globalization strategy; scenario planning; action plans; and on-going SE network support for implementation of the action plan;
- Seminars, workshops and peer group events for networking and information exchange among participating companies.

Characteristics of organisations that would benefit from participating in the GCDP were identified as follows:

- Already have international business development aspirations;
- Have necessary business funding in place;
- Have key elements of management team in place;
- Are strategically controlled from Scotland;
- Have annual sales in the range £5-20m (although this criteria was waived for international start-ups and early stage internationalizers);
- Have aggressive growth targets;
- Have an open management style which encourages change.

The criteria for selection of companies were less stringent in the initial years of the GCDP (to which this study refers) as a major objective was to get the programme off the ground. Participating firms were both smaller and larger than the target sales range of £5-20m. Moreover there was some change in the recruitment criteria between Cohort 1 (pilot and 2001 firms) and Cohort 2 (2002 firms), with selection onto the latter being more stringent and size variability was smaller. In both cohorts there was diversity by sector, and by firm type as represented by knowledge-based, knowledge-intensive and traditional manufacturing firms.

### ***SME Policy Evaluation in the UK***

Support for SMEs in the UK has been criticised as concerns amongst academics have emerged (Storey, 1999; Gibb, 2000), raising awareness of the difficulties of evaluation. Curran's (2000) review of small business support for 1980 to 1999 finds clear benefits difficult to demonstrate, and identifies methodological problems in evaluating policies and support. Measuring additionality (positive outcomes) can be problematic especially for small firms as they can experience severe effects from external influences. Deadweight (outcomes would have resulted without the programme) and displacement (other firms not involved in the programme suffer as a result) offset

additionality. Other methodological problems identified include sampling, response bias, self-selection and establishing a control sample which may not exist.

Curran (2000) highlights the problem of objectivity, claiming that the impact of SME support has been overstated by government, and links this to the issue of funding, suggesting that evaluators will be less critical if their funding is provided by the agency delivering the policy. This is less likely if evaluation is carried out by independent researchers. Indeed since the 1990s, there have been several academic reviews of evaluation studies which show mixed results. For example, in a relatively early review of small business management training programmes, Storey and Westhead (1994) found little evidence they led directly to better performance amongst participating SMEs. In a review of over 100 enterprise support initiatives commissioned by the Small Business Service, North, Smallbone, Lyon and Potts (2003:30) concluded “there are few examples of rigorous evaluations of support available that assess additionality and displacement”. Nevertheless, the review does highlight some robust studies showing positive effects. Curran and Storey (2002) identify two approaches to evaluating SME policies. First, a quantitative approach whereby a six step strategy is identified. Steps 4-6 involve using comparison with typical firms, matched control groups and statistical techniques to account for selection bias to provide more sophisticated evaluation of policy effectiveness rather than just monitoring (take up rates, recipients opinions and views of impact of the assistance) which is involved in steps 1-3. Although a review by Potter and Storey (OECD, 2007) found some evaluations at steps 5-6, most are at levels 1-4.

Second, qualitative evaluation offers an alternative approach, which is not merely used to support or illustrate quantitatively base evaluation. It can offer a more radical approach to explore issues not addressed by the quantitative approach to determine if policies meet their goals. Often seen as inferior to quantitative studies because few firms may be involved and thus don't meet statistical criteria for establishing validity, Curran and Storey (2002) point out that quantitative evaluations deal with aggregates; but to evaluate the impact of policy it maybe necessary to understand how it relates to the individual firm, for example, the owner, firm strategy and how it operates. Thus, qualitative evaluations are able to give a closer, focused account of policy to unravel a chain of events and behaviour through to outcomes, which are contingent on firms' interpretations of the external environment. This is supported by Curran, Berney and Kuususto (1999) in an evaluation of SME support policies in the UK and Ireland. With reference to an evaluation which uses in-depth case studies to illustrate the value of enterprise-based approaches, the authors state:

“These can explore the motivation and behavioural “logics” of owner managers and their staffs and show how these influence responses to policy initiatives. Surveys based on aggregate data, quantitatively analysed are poor tools for uncovering these kinds of responses to SME policies and their implementation. Aggregate data remains useful, however in quantifying incidences of particular responses. But understanding owner-manager and employee responses at the enterprise level is key to any full evaluation” (Curran et al., 1999:40).

Potter and Storey (OECD, 2007) recognise the advantages of qualitative approaches, which, for example can give deeper understanding of processes leading to impacts; but there may be difficulties such as limitations in the numbers of respondents (due to budget constraints or loss of depth), risk of interview bias, establishing cause and effect and respondents unable to answer questions.

## **EVALUATION APPROACH AND METHODOLOGY**

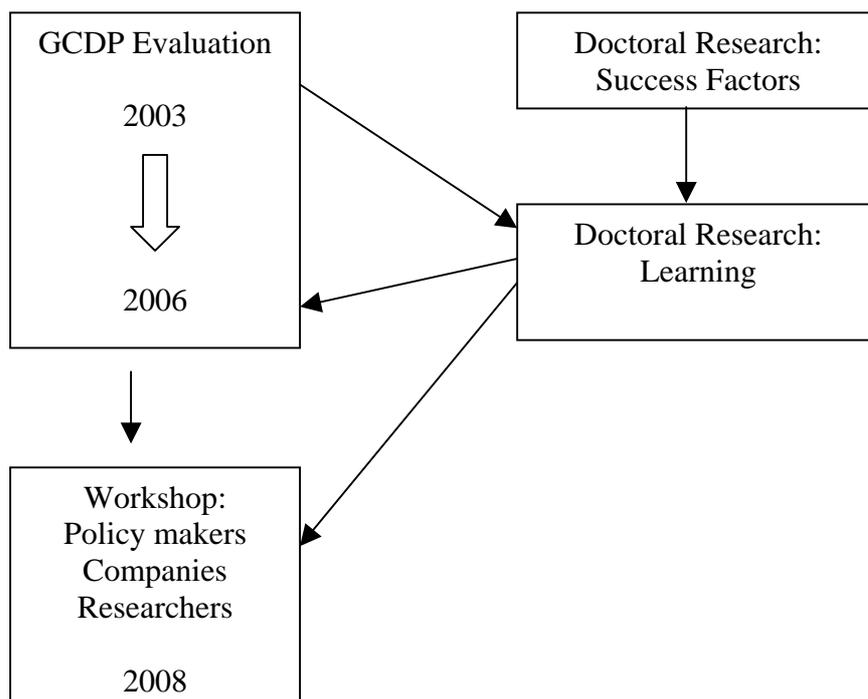
The paper explores the methodological and policy implications drawing on the experiences of a research and evaluation study of the Scottish Enterprise Global Companies Development Programme by researchers from the University of Glasgow. The project involved three dimensions which were;

1. A longitudinal evaluation study to assess the policy impact of the GCDP in Scotland.

2. Doctoral research to investigate SME internationalization success factors. As the evaluation and research progressed, the PhD focused on knowledge and learning.
3. Evaluation review and learning workshop.

The main project was undertaken during the period 2003 to 2006, during which case studies of firms and interviews with CEOs were undertaken. A follow-up policy-related company workshop (incorporating focus group discussions) was held in early 2008. This process is presented in figure one below.

**Figure One: Research and Evaluation Framework**



The research objectives are:

1. Evaluation - Evaluate the impact of the GCDP on internationalising small firms in Scotland.
2. Doctoral Research -
  - Years one and two (2003-04)
    - i. Explore the strategic and operational processes to the growth of internationalizing Scottish Firms
    - ii. Identify company and environmental factors enhancing superior performance across successful internationalizing firms in a variety of industry context.
  - Year three (2005):
    - iii. Explore the role of learning in the internationalization of SMEs.

The approach adopted was predominantly qualitative and inductive which enabled key issues to emerge from the data and, combined with the longitudinal approach, deep and new insights were pursued, and complex and dynamic processes captured. These processes are now discussed fully below.

### ***Longitudinal Design***

The research adopts a longitudinal design which enables the study of the change and development of firms over time (Saunders *et al.*, 2003). International business researchers have called for more longitudinal research into firms' internationalization behaviour that reflect its dynamic nature (Andersen, 1993; Welch and Luostarinen, 1988; Knight, 2000). Welch and Luostarinen (1988) suggest a longitudinal approach is required to unravel the complexity of the dynamic foreign investment decision process. Westhead *et al.* (2001) found that longitudinal studies focusing on export behaviour are rare and argue that regular and real time observations (Van de Ven, 1992) will provide additional insights into actual factors that encourage firms to internationalize. Pettigrew (1992) recommends that research into organisational change should focus on change processes within the broader economic, social, political and competitive context surrounding each firm. The study of processes in the past, present and future, and gaining an understanding of the sequence and flow of events is crucial to research organisational process. Longitudinal organisational process research can link process to outcome. A longitudinal comparative case study approach allows the search for holistic explanations; rather than linear or singular explanations, causal processes were explored within and between cases and examined directly in context (Pettigrew, 1992). For example in this study, programme learning processes, and internationalization outcomes for firms overtime were examine in the context of issues and decisions facing firms. Huxham (2002) argues that longitudinal research means that data collected in earlier settings provides the context for the interpretation of later events, and data collected later provides confirmation about the new insights into the interpretation of data collected on earlier occasions. Data collected from the CEOs in earlier interviews and associated case material, provided the context for the interpretation of firms learning processes and data collected later provided confirmation about the internationalisation issues, decisions and triggers identified in earlier interviews. This aids the establishment of construct validity and forms part of a chain of evidence recommended by Yin (2003) which links the questions asked, data collected and conclusions. Thus a longitudinal approach matches the goal of the study to investigate the internationalization of SMEs and impact of support, a phenomenon with a dynamic and process nature in which the unfolding events play an important role in building explanations (Pettigrew, 1992). This approach is appropriate to this research study due to the complex and dynamic nature of firms' internationalization behaviour (Andersen, 1993; Welch and Luostarinen, 1988; Knight, 2000). Time is captured in the study through a combination of retrospective and real time questioning and analysis (Pettigrew, 1992).

### ***Qualitative Evaluation***

Recognising the complexities and context specific nature of firm internationalization behaviour, a qualitative approach to the research and evaluation was adopted. Patton (2002:120) suggests that qualitative enquiry is useful "in dealing with and understanding real world complexities and viewing things as whole entities embedded in context and still larger wholes". This is an alternative approach to evaluation which combined with a longitudinal design, aims to look deeply and widely at the impacts of the programme over time. A matched control group design was considered by the researchers and policy makers, but rejected due to problems of company drop-out which would occur over time.

The evaluation involved in-depth interviews with all of the CEOs of the first two cohorts of firms participating in the GCDP. Cohort one commenced the programme during 2000/2001 and each CEO was interviewed annually over three years - 2003, 2004 and 2005. Cohort two commenced the programme during 2002/2003 and CEOs were interviewed annually over two years - 2004 and 2005. Thus the firms were being interviewed in the process of implementing their internationalization plan, initially one year after completing the programme, then over the subsequent two to three years. This time frame is supported by Storey (1994) who recommends 1 to 3 years as a suitable time to assess the impact of a programme. Fifteen firms from cohort one participated in the research, three subsequently dropped out (one was taken over, a second re-located its business to the USA, and a third was not an SME and felt the programme was not relevant). The **12** remaining firms were

selected as comparative case studies for further in-depth study for the doctoral research. One of these firms went into liquidation and the CEO began the process of forming a new international venture; and was not included in some of the later evaluation financial data as the firm was not yet trading. Twelve firms initially participated in the evaluation from cohort two, one then dropped out as the firm was taken over and the management team left, leaving *11* firms. Thus, in total **23** firms completed the research, 63 interviews were undertaken over three years.

### ***Data collection, Analysis and Feedback***

In undertaking this research and evaluation, data collection involved three main aspects. First, the researcher had access to the CEOs and company data of firms participating in the GCDP. In line with recommendations that policy makers need to plan the monitoring and evaluation methods when programmes are designed (Smallbone and Baldock, 2002), one of the conditions of acceptance onto the programme was that CEOs agreed to participate in any evaluations and provide financial and non-financial information. CEOs were the prime focus of attention as the key informants, since they were the key decision makers in the firms; other key informants in four firms were interviewed. The firms were interviewed annually using a semi-structured interview schedule, using open questions and the process language of “what, who, where, why and when and how” recommended by Pettigrew et al. (2001) offering the interviewer the opportunity “to probe deeply, uncover new clues, open up new dimensions of a problem” (Burgess, 1982:107). Pre-interview access to Scottish Enterprise records and previous surveys assisted the interviewer to develop trust, probe and confirm responses, and reduce the problem of interviewee recall (Easterby-Smith et al., 1991). Five point Likert scale questionnaires were also completed each year by the CEOs to evaluate the impact of various aspects of the programme, the impact on the firm, firm performance and the firm’s domestic and international environment. The Likert scales complemented the interviews, providing an average measure of key impacts, which could then be examined in-depth from the interviews, and thus explain the behaviour of the individual firm. Baseline data was collected by the consultants during the initial programme and subsequent annual financial figures and performance data were collected. These included annual data (domestic and international) on sales, number of employees, profitability and new markets, products and customers.

Second, the researcher had access to expertise within Scottish Enterprise, on the programme, the companies and SE internal policy evaluation. The project involved regular monthly meetings with the GCDP executive and evaluation teams at Scottish Enterprise to ensure that ideas and feedback formed part of the development of the evaluation and the programme. The data was collected through note-taking at meetings, memos of telephone conversations, correspondence and e-mails with GCDP executives and local enterprise company account managers, and pilot study evaluation reports. Information and data collection on the companies included their GCDP application form, consultants’ reports, and baseline data. Third, after the four year evaluation, a workshop and focus groups comprising the researchers, companies, policy makers and programme executives was held to provide feedback on the evaluation and doctoral research findings (this is discussed further in the action research section below).

The interviews and focus groups were taped and transcribed. Interview data for the evaluation interviews was analysed using SQR N6, the qualitative research package, each interview was coded using a hierarchical indexing system. Questionnaire responses were analysed using the SPSS statistical package and Excel spreadsheets. Case studies were analysed using both within-case and cross-case methods as recommended by Miles and Huberman (1994) and Yin (2003). Feedback was given to Scottish Enterprise project team through monthly meetings, presentations to GCDP executives, account managers and consultants, and ad-hoc interim reports. Five formal final reports after the completion of each round of interviews were prepared and a sixth, summary report was provided at the end of the whole evaluation project.

### ***Doctoral Research***

The doctoral research ran concurrently with the GCDP evaluation project from 2003 to 2006. The initial topic chosen for the PhD research was an investigation into success factors for growing global Scottish small firms. The research aim was to explore the development and success factors of small firms in the international markets place as well as the associated role and impact of public policy intervention. As a result of literature reviews during 2003 and 2004 on SME internationalization and policy evaluation, it began to appear from the literature that there was a gap in the role on learning in the international growth of SMEs (e.g. Johanson and Vahlne, 1977, 1990, 2003; Forsgren, 2002, Eriksson et al., 2000; Gibb, 1997). The title was changed to reflect this focus and to establish a narrower theoretical approach for the PhD during late 2004/early 2005. Organisational learning (e.g. Huber, 1991) and absorptive capacity (Cohen and Levinthal 1990; Zahra and George, 2002) became the focus of the PhD case studies, and learning was also incorporated into the final year of the evaluation interviews in 2005.

As a result of the doctoral research, a question introduced in the questionnaire (Likert scales) in the 2005 interviews revealed the importance of the GCDP in improving knowledge, learning, capabilities and skills of staff. This theme of knowledge management and learning is now beginning to emerge as a key topic for investigation in research on firm growth and internationalization (Forsgren 2002; Eriksson et al., 2000; Zahra, 2005; Autio et al., 2000).

### ***Action Research and Learning Workshop***

This research adopted an action research paradigm. Action research complements other research methods: new insights are derived which can contribute to an understanding of a holistic overall picture. The evaluation involved a form of action research which involved a process of high researcher and high client involvement, driven by the client's needs (Schein, 2001). Following Patton (2002: 221) the action oriented, problem solving approach to the evaluation aimed at solving specific problems within the programme; and action research became part of the change process, by engaging the people involved in the programme/organisation in studying the problems in order to solve them. Thus, action research builds on reflection of the research/consultancy process.

Huxham (2002) suggests that an action research *intervention* has the potential to result in organisation change; these changes in the status quo may lead to insights that can't be gained any other way. By helping practitioners make sense of their situations and providing a platform to make considered choices about action, it thus has potential for informing policy decisions. As defined by Eden and Huxham (2002:255), "action research involves the researcher in working with members of an organisation over a matter which is of genuine concern to them and in which there is an intent by the organisation members to take action based on the intervention". This definition is used for the purposes of this paper, although there are other forms of action research such as those discussed in Huxham (2002) and Schein (2001). The GCDP evaluation culminated in a workshop held in January 2008. The main focus was to provide feedback to the GCDP firms and policy makers on the evaluation and doctoral research findings, and to provide further insights into the evaluation and research by collecting research data alongside the intervention (Huxham, 2002). The workshop was promoted to the firms as one of the GCDP peer group events, titled "Learning for Internationalization". First, two separate presentations on the findings of the study were made by the researchers (one on the GCDP evaluation, the other on firm learning). Second, two focus groups were run concurrently, comprising 6 GCDP participating firms, 3 policy makers/GCDP executives and 7 researchers, totalling 16 participants. They were recorded, transcribed and analysed using summary text tables. The focus groups discussed implications of the research findings for firm learning, providing further depth and insights into learning processes since the initial research. The resultant policy implications were considered.

## **EVALUATION OUTCOMES**

### ***Interview, Case Study and Questionnaire Findings***

The evaluation reports were prepared and presented after each of five rounds of data collection (the CEO interviews, questionnaire responses and quantitative financial performance). These findings were used by Scottish Enterprise to make changes to and develop the programme. For example a key emergent issue was how follow on support was accessed once the firms left the formal part of the programme. The overall conclusion of the evaluation is that the GCDP and SE network has played an important role in assisting firms to access knowledge, experience, resources and support to expand internationally. Findings from the CEO interviews show that the GCDP was perceived to impact positively on the management of the business and improved management processes in the areas of strategy, human resources management and marketing. Thus a key impact is that the GCDP addressed organisational and motivation barriers, often neglected by export assistance. The networking activities supported by GCDP were important, the peer events provide a useful forum for firms to network, acquire information, discuss ideas, share experiences, overcome hurdles and problem solve.

Likert scales indicating the effects of different programme components on firms' internationalization show the most highly rated items were the consultant's strategic review, the implementation of action plans, and the development of strategy. The longer term nature of these impacts was commonly stressed in the interviews. Likert scores show moderate impacts of the GCDP on overall business activities, but an important finding was the continuing positive impact of the programme over time, highlighting long-term benefits. Highest scores were attributed to improvements in knowledge, learning and the capabilities and skills of employees.

It is clear from the above discussion that research was able to uncover the impacts of the GCDP, which were both wide-ranging and longer-term in their influence. As reported above, particularly important impacts which were identified in the evaluation concerned:

- Improvements in knowledge, learning and the capabilities of staff;
- Enhancement of business scale;
- Understanding of planning processes and the development of strategies and action plans, particularly for international markets;
- Improved management processes in strategy, human resource development and marketing;
- Access to advice from GCDP advisors; and greater confidence to use other sources of advice and support including the private sector.

These are all important for the successful long-term development of firms, albeit intangible and difficult to quantify.

### ***Measuring Financial Impact and Additionality***

The sixth and summary report, presented an evaluation of financial outcomes based on the impact of the GCDP on performance and growth, and estimating the additionality of the GCDP in terms of sales revenues generated. Sales revenue was chosen as the indicator rather than employment as it was felt this was a good indicator of market entry, due to the nature of SME international growth whereby firms can employ a variety of modes of market entry such as alliance and joint ventures. The term 'additionality' refers to the additional sales which can be attributed to the impact of the programme. This was calculated using the data which were available for all the 22 firms up to 2005. Actual figures can not be disclosed due to confidentiality issues.

Sales figures show that 16 of the firms (72%, comprising 9 from Cohort 1 and 7 from Cohort 2) expanded from the baseline year to 2005. However it would be unrealistic to expect growth to be linear for all companies. At times some firms experienced a drop in sales before subsequent growth. After a period of rapid expansion, a number of companies experienced a slowdown; while others experienced periods of consolidation, or growth followed by decline. Two thirds of the firms

recorded increases in *international* sales specifically, although high growth was concentrated in a small number of companies. To support their expansion, eight Cohort 1 firms increased the number of employees, average employee numbers doubling from the baseline figure to 2005. These tended to be UK-based employees. However the average number of employees for Cohort 2 declined. This was due to either a fall in revenues or internal changes undertaken by firms to support their international growth. While the aggregate figures are important from an evaluation standpoint, they have to be treated with caution because of the wide variation in company performance. For example, in Cohort 1 three companies accounted for the bulk of sales growth, although this would not be unexpected as the observations above indicate.

Estimates of the financial additionality of the GCDP are substantial. The approach pursued in this research differs from that in many other evaluation studies which base estimates of additionality on direct responses from firms to questions on how much of their additional sales (or some other performance measure) can be attributed to the support programme. This is a crude measure and as suggested by Potter and Storey (OECD, 2007; p23) there was a reluctance (or inability) by most firms to answer such a question. A different approach was thus followed in this study which involved asking companies to rate the overall impact of the GCDP on eight business activities and these ratings were used to estimate effects on sales. This methodology is, on the face of it, more general and less precise than the alternative, and it requires making judgements on the sales revenue growth associated with different Likert scores. On the other hand it does make it clear that there is imprecision associated with impact measurement, and the focus upon a range of possible levels of impact is beneficial.

A key question is clearly the assumptions to be made concerning the equivalence between company rankings of GCDP impact and the effects on company sales. There is little previous research to act as a guide on this matter, and reliance was placed on internal discussion and consultation. The Likert scores ranged from 1-5 where 1 indicated that the GCDP had no overall impact on business activities and 5 meant that the GCDP impact was very substantial. Two alternative scenarios were discussed and agreed: in Model 1, a score of 5 was associated with a 50% impact on sales; and in Model 2, the equivalent figure was 25%. For the mean score of 3, the impacts were therefore 30% and 15% for Models 1 and 2 respectively. This was reflected in interview data, where three firms had attributed 20-40% of sales increase to participating in the GCDP.

A further methodological innovation in this study was the incorporation of an adjustment factor from Likert scores to reflect the influence of the environment (international and domestic) on sales. Both the GCDP and the environment represent external influences on performance. Sales were adjusted to try to remove the influence of this external environment element and hence isolate the GCDP impact more accurately. In fact the adjustments for environmental influences were quite small, since most companies' responses suggested an environment which was fairly neutral in its effects on business. One explanation could be that firms were in small niche markets and not competing against larger firms. Overall, this combined approach enabled an in-depth understanding of the impact of the programme and the on the firms skills and capabilities and financial performance in the context of the firms' external environment.

## **CONCLUSIONS AND LESSONS**

### ***Implications for Methodology***

Rather than seeing evaluation as polarised as government sponsored and less independent or independent academic evaluation (Curran (2000), or by insiders or outsiders (Potter and Storey, 2007); this "process" approach to evaluation based on action research, enabled the researcher to work closely with SE to gain additional insights and to enable the evaluation to be an integral part of a process of improved policy and service delivery (Papaconstantinou and Polt, 1997; Potter and Storey, OECD 2007). Although the research and evaluation was funded by Scottish Enterprise it was

important that the researchers were independent in order to establish the credibility of the evaluation: for example companies were assured that their responses were confidential. Scottish Enterprise's main role in data collection was to help with access to the firms and provide access to archival records.

Case selection issues were important considerations for the researchers. Selection of firms onto GCDP meant they were willing to participate in learning and growth, thus controlling for, to some extent, the issue of differing aims by SMEs as discussed by Curran (2000). The firms were participating in the GCDP, which allowed good access to companies and to a variety of data. Although it can be argued this limits the generalisability of the research findings, it enabled researchers to study firms actively engaging in internationalisation, i.e. where the phenomena under investigation (internationalisation and learning) could be observed. Mahonley and Goertz (2004) state that the outcome under investigation should be possible, otherwise a case should be regarded as uninformative and irrelevant. This raised the issue of when a case should be dropped, which policy makers were reluctant to do. Policy objectives did influence the selection of cases, which were concerned with representativeness, meant that all firms in the programme were to be included. All 15 firms in cohort 1 (reducing to 12 due to drop-outs), were selected as cases which was at the top end recommended by case study researchers (Eisenhardt, 1989 and Miles and Huberman, 1994). This presented challenges for managing and analysing the large volume of data. Due to time restrictions and data management, Cohort 2 research was restricted to CEO interviews only. The programme targeted a heterogeneous mix of firms, which were at different stages of internationalization. This presented comparability and analysis challenges for the doctoral research and evaluation. An approach whereby outcomes linked to individual firms' objectives could have been taken reduce these difficulties.

Highlighting importance of evaluation and obtain the commitment of SMEs as a condition of joining the programme enabled high participation levels and the collection of good reliable financial data by researchers. However access to firm was not guaranteed and co-operation had to be obtained from the CEOs. A follow-up, study where the evaluation was not emphasised contributed to lower participation levels and a further study had difficulties obtaining reliable financial information (Scottish Enterprise, 2009). A further issue for subsequent evaluations, was that firms were being asked to respond to several other requests for information by policy makers at this time.

### ***Implications for Policy***

A critical issue concerns the sustainability of the GCDP effects. Observations have been made on the continued positive responses of firms well after the GCDP ended (a major contribution of this longitudinal study), and on the qualitative impacts, some of which are longer-term in nature. However, as companies grow new challenges emerge, and one of the recommendations of the evaluation is that further assistance may be beneficial in order to address the resource constraints and organisational challenges associated with expansion and internationalization.

This research and evaluation adopted an innovative approach, whereby the importance of knowledge acquisition and learning emerged through a process of linking the extant internationalisation literature and induction from the data. The findings show that the GCDP provided specific overseas market knowledge but also more general internationalization related and product/ technological knowledge. This begins to ask questions about the design of a specifically international programme like the GCDP; although there are also very obvious 'international' knowledge management requirements, there are also more general knowledge requirements. On the other hand, while *general* knowledge within these various categories is helpful, the requirement is also for firm-specific knowledge involving targeted provision, tailored to meet individual companies' needs. This firm-specific approach applied by the GCDP may be difficult and costly for a public sector programme to provide, an alternative is to focus support on improving firms' knowledge acquisition and learning skills and developing absorptive capacity. However the firm-specific, internationalization focus of

this programme was an important aspect that encouraged firms to participate, a challenge facing policy is to design a generic programme which is attractive to firms.

A key theme in UK small business and entrepreneurship research is the link with a public policy agenda, whereby engagement by researchers has helped to demonstrate the applied relevance of research (Blackburn and Smallbone, 2008). However this presents challenges for academics, for example how can research that is academically robust relate to policy, and shape and inform thinking (Atherton, 2008). This research adopted a processes approach to evaluation, which involved working closely with policy makers to develop the research agenda for the research and evaluation at the outset of the study. At the heart of this study was a desire to promote knowledge transfer/exchange between academics, policy makers and business managers. In meeting government concerns for evidence based policy (EBP), policy research has tended to follow a positivist epistemology and deductive methods (Wilson et al., (2008). The alternative qualitative and case study research approach of this study focusing on “soft” evidence rather than quantitative data.

For policy-makers in Scottish Enterprise the big question to be asked relates to the ‘value for money’ of the GCDP, that is, economic impacts related to programme costs; but this was outside the scope of this evaluation research. Furthermore, future evaluation could investigate the existence and nature of displacement on existing firms, as support for internationalisation been viewed as minimising these effects on local firms (Westhead, Ucbasaran, Wright and Martin, 2003), and benefits in terms of spillover to the local economy.

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