

current work, based on a sample of 335 French SMEs, has established that technological resources are key drivers.

The innovation process is based on a company's ability to activate its existing and available internal knowledge. It also depends on the firm's capacity to gain knowledge from external sources through imitation strategies, licensing acquisition, partnerships or the purchase of patents. Export strategies increase the innovative capacity of small- and medium-sized companies by increasing their access to resources such as skilled labour.

Global activities allow direct access to business partners and international experts in venture-capital markets. Only 30% of European SMEs engage in exportation, while in France the figure is about 16%. Product innovation is presented as a major factor of the propensity of German companies to export.

Moreover, SMEs operating within an industry or with technologically advanced suppliers have higher innovation potential. Research has shown that if business are constrained by geographic limitations, that also constrains their innovation capabilities.

Internationalisation provides the opportunity to increase their resources by reaching new markets. This leverage frees internal financial resources. Access to external financing is also improved through export activities, providing convenient access to new networks of potential investors more willing to participate in innovation efforts. Proximity allows access to critical information in terms of current and potential customers' expectations. Much research

considers customers as the main lever of product innovation.

#### **Toward more innovation and internationalisation of SMEs**

Nevertheless, implementing mixed strategies can result in major difficulties.

The size of SMEs limit innovation or internationalisation strategies, as they can they consume significant financial, technological, commercial and human resources. Considered fragile in terms of resources, small businesses maintain performance through high flexibility. The synergy expected as a consequence of the joint development of both innovation and internationalisation is limited by the low transferability of resources. Indeed, cultural and institutional distances can drastically reduce the transmission of skills and knowledge.

The results of our research allowed for a better adaptation of public innovation and export policies, which are separated and individually managed. The French Employment Orientation Council has identified more than 2,500 different promotion programs, mainly based on financial support, but coordination is lacking and effectiveness limited. Indeed, a study conducted by ANVAR (French organisation for the improvement of innovation in SMEs) reported that 39% of the firms that received financial support still failed. By focusing on support in codifying the existing innovations, public policy would sustain the internationalisation strategy, increase the value added and the industry production, and induce a job-creation effect.

39%

Percentage of firms that  
received financial support  
and still failed