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**Assessing the characteristics, determinants and spatial variations
of internationalised new ventures in the UK**

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Executive summary

This study focuses on internationalised new ventures, here defined as firms that have been trading for 5 years or fewer and which have already engaged in selling their goods and/or services abroad. The report presents analysis of data from the Longitudinal Small Business Survey that: 1) examines differences between internationalised and non-internationalised new ventures, 2) assesses the factors which determine whether a new firm is likely to engage in export activity early in its

lifetime; and 3) maps the geographic distribution of these internationalised new ventures across the UK.

The findings suggest that there are a number of significant differences between internationalised and non-internationalised new ventures. Those that have internationalised are, on average, more productive, and generate a higher level of turnover, than their non-internationalised counterparts. In addition, while internationalised new ventures were found to be operating in all sectors, distinct differences in the sectoral composition were noted. The majority of internationalised new ventures were in the business services sector, which accounted for nearly 60% of these firms, compared with around 40% of all new ventures. Significant differences were also found in other sectors; manufacturing firms accounted for only around 6% of all new ventures and 14% of those that had internationalised. Conversely, SMEs operating in consumption-based sectors account for around 21% of internationalised new ventures and around 30% of all new ventures.

A number of other differences were noted between internationalised and non-internationalised new ventures. Firstly, a distinct gender gap was noted; a significantly lower proportion of internationalised new ventures were run by women. There were also differences in the capabilities possessed by both groups of SMEs. On average, internationalised new ventures rate their capabilities in terms of innovation management more highly than their non-internationalised counterparts. In addition, a higher proportion of internationalised new ventures reported that they had obtained funding through selling equity. Furthermore, internationalised new ventures also tended to be more optimistic about their future performance in terms of positive changes in revenue, and employment.

With respect to the antecedents of internationalised new ventures, a number of factors that have a positive influence on a start-ups engaging in export activity in the first five years of their lifecycle were identified. Consequently, new ventures that have a higher propensity to internationalise are those:

- that have traded for longer;
- that have higher levels of productivity;
- whose innovation activities focus on the introduction of new goods;
- whose main activity is manufacturing, business services, or consumption-based services sectors;
- that possess greater capabilities in the area of innovation management;
- that place a higher importance on sales growth; and
- that have raised equity finance.

A number of factors were also identified that had a negative effect. New ventures with a lower propensity to internationalise are those that:

- are run by females;
- possess higher levels of capabilities in the area of financial management;

- are located in either North West, North East, or West Midlands regions of the UK.

With respect to the geographic distribution of internationalised new ventures, the analysis highlights the fact that these firms can be found across the entire UK. Furthermore, internationalised new ventures were present in both urban and rural areas. However, significant clustering of internationalised new ventures was observed around the London and the South East regions, which accounted for around one-third of these firms.

A number of regions were found to be over-represented with respect to internationalised new ventures given their proportion of new ventures located there. These were London, South East, Yorkshire and Humberside, Wales, and Northern Ireland, suggesting that regions outside the competitive core of the UK are performing well in terms of internationalised new ventures.

Location characteristics appear to be correlated with the internationalisation of new ventures. Regional characteristics that are associated with higher levels internationalisation are higher levels of GVA per capita, higher levels of regional R&D expenditure, and higher levels of degree level qualifications.

As the report highlights the antecedents of new ventures that have a higher propensity to export, the findings should be of use to policymakers in identifying new ventures that are likely to internationalise. As such, the report presents a number of policy recommendations:

- Given the fact that internationalised new ventures are found across all regions of the UK it is important to ensure that support programmes do indeed cover the entire country. Likewise, as internationalised new ventures were found across all sectors, which suggests that a broad rather than targeted programme of support is required.
- Policy support could also be directed towards overcoming disadvantages faced by new ventures with a lower propensity to internationalise. Firstly, support programmes targeted at female owned businesses to develop export markets appears to be appropriate, as such firms are under-represented among new internationalised ventures. Secondly, support for service innovators may be of use in order to identify and overcome the barriers that may account for their relative lack of internationalisation.