

# Assessing the Characteristics, Determinants and Spatial Distribution of Internationalised New Ventures in the UK

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Some SMEs engage in exporting from their inception. This paper uses data from the UK's Longitudinal Small Business Survey (LSBS) to investigate what differentiates these 'internationalised new ventures' from other new ventures, as well as exploring the spatial distribution of these firms across the UK.

## Key findings

Start-ups are more likely to engage in export activity in the first five years of their lifecycle when:

- Their productivity is relatively high;
- Their innovation activities focus on the development of new goods;
- Their main activity is manufacturing, business services, or consumption-based services sectors;
- They possess significant capabilities in the area of innovation management;
- They place a higher importance on sales growth; and
- They have raised equity finance.

Internationalisation by new ventures is less likely when:

- The firm is run by a female;
- Their capabilities focus on the area of financial management; and
- They are located in either North West, North East, or West Midlands regions of the UK.

## Understanding early internationalisation

The paper's findings suggest that there are a number of significant differences between internationalised and non-internationalised new ventures. 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.

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While these firms were found to be located across the entire UK, the analysis found that a number of regions were over-represented with respect to internationalised new ventures, given their proportion of new ventures located there. For example, 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. Furthermore, internationalised new ventures are present in both urban and rural areas of the UK.



## Policy implications

As internationalised new ventures are prevalent across all regions of the UK, it is important to ensure that support programmes cover the entire country. Likewise, as internationalised new ventures were found in all sectors, a broad rather than targeted programme of support is required.

In addition, policy support could also be directed towards new ventures with a lower propensity to internationalise in order to boost exports among these firms. Firstly, support programmes targeted at newly established women-run 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.

**Full paper link:**

<http://www.enterpriseresearch.ac.uk/our-work/publications/?type=whitepaper-research>