ERC
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EXECUTIVE SUMMARY

CHARACTERISTICS OF SME SERVICE EXPORTERS: BUSINESS SUPPORT AND BARRIERS

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Authors	Dr Carolina Marín-Cadavid Dr Juan Pablo Ríos-Ocampo
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1. Executive Summary

The limited evidence base concerning the characteristics of service firms beyond firm size points to a significant knowledge gap regarding the nature of service exporters and the types of assistance most effective in supporting them. Although current studies suggest that export promotion mechanisms can positively affect export intensity, there is a lack of research on whether these effects continue beyond the intervention. Furthermore, there is no clarity on whether support mechanisms, such as export advice and finance help service SMEs exporters to reduce obstacles. Therefore, this research has three main objectives:

1. Understand **who** the exporters of services are by characteristics including gender, ethnicity, location, business size, experience, and ownership type.
2. Determine **how** business support (e.g., business advice and external finance) influences the intention and behaviour of SMEs to expand abroad.
3. Define **what** types of obstacles affect the export intensity of exporters of services and the role of export promotion services in overcoming these barriers to trade.

To tackle these objectives, this study uses the Longitudinal Small Business Survey to examine the characteristics, support experiences, business obstacles and their relationship with export intensity of UK SMEs that export services exclusively. The analysis first develops a detailed profile of service-only exporters, including their size, age, sector, ownership characteristics, export activity, finance use, support engagement and reported obstacles. It then investigates whether business advice, support and external finance are associated with service export intensity using mixed-effects regression models and lagged specifications. The study also explores the obstacles faced by service-only exporters, compares these with those experienced by other exporter groups, and assesses how business advice, finance, and reported obstacles relate to export intensity. Finally, the findings are integrated through an exploratory systems-thinking framework that maps the relationships among service exporting, business support, access to finance, business obstacles, and export intensity, providing a holistic interpretation of the factors shaping the performance of service-exporting SMEs.

Key Findings at a Glance

- Finding one: Service-exporting SMEs form a distinct exporter group, being generally smaller, knowledge-intensive firms concentrated in markets such as the EU, US and Canada.
- Finding two: Between 2015 and 2024, overall SME exporting remained stable, but service exporting declined while product exporting increased slightly.
- Finding three: Neither advice nor external finance was linked to higher service export intensity, suggesting these supports may strengthen capabilities rather than immediately increase export revenues.
- Finding four: The findings support tailored, integrated policies that combine financial, advisory, regulatory and digital support to address the specific needs of service-exporting SMEs.
- Finding five: The causal map suggests that finance and advice are most effective when they contribute to firms' capability development, but their benefits may be delayed and may not immediately translate into higher export intensity or fewer reported obstacles.

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Contact Us

Centre Manager
Enterprise Research Centre
Warwick Business School
Coventry, CV4 7AL

Email: Centremanager@enterpriseresearch.ac.uk

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