How can SMEs be successful in the global marketplace?
Gone are the days when the goal of small and medium enterprises (SMEs) was simply to boost market share in their home country.

Their aims are now much grander, as the twin themes of globalisation and technological development present them with a unique opportunity for expansion across country borders, opening up a network of revenue-generating opportunities in the process.

With three-quarters of SMEs already receiving income from outside of their country of origin, it is clear these organisations recognise how important it is to target growth on the international stage. But creating a successful SME is still a very difficult proposition - more than half of small businesses don’t survive beyond five years, while the economic downturn has made the environment even more challenging.

Access to finance remains a major stumbling block, as banks are still reticent to return to pre-recession funding levels, while only 39 per cent of SME business owners are confident they can record three years of continued growth.

So to prepare for this new global business environment, companies need to update their strategies in line with their international ambitions.
Increasing global competition...

There has been a steady increase in the priority given to cross-border revenues in recent years, and this pattern is set to continue. The number of SMEs generating more than 40 per cent of revenue outside their home country is set to increase by 66 per cent in three years, underlining just how valuable international activity is becoming.

But adopting a global agenda is not a strategy that can be implemented overnight, as companies need to have a clear focus about their objectives and how they can be achieved. And with small businesses trying to compete in a world where the market weeds out the least sustainable business models or the least successful owner-managers, there are real and complicated challenges.

So how can SMEs achieve global success?

Steal a march on your competitors

SMEs can get too comfortable in their own skin, but they have to remember to keep a sharp focus on the market. David Smithson, UK head of OMB at Praxity member firm Mazars, thinks SMEs have to be ready to adapt to any changes that come their way. “It’s important for an SME to always give consideration to where it’s positioned and how appropriate its position is,” he added. By underpinning the business goals with flexibility, they can provide an offering that sets them apart from their competitors.

Embrace collaboration

Collaboration is a cornerstone of SME success on the global stage, as it allows companies to extend their reach without having to surrender their independence. Nearly two-thirds (62 per cent) of businesses collaborating in the global marketplace are using online business networks and platforms, while 66 per cent have formed partnerships with suppliers and other vendors located outside our home market. Partnering not only gives you access to local knowledge and important contacts, but also gives you the chance to see an alternative view on strategy.

Be financially disciplined

While the end goal is to boost profits and increase the bottom line, SMEs need to keep a firm handle on their finances, especially in the first few years. Poor financial management has the potential to ruin any business, so it’s vital to make sure the right expertise and personnel are in place. For example, strategically-minded CFOs can adopt a prudent approach to borrowing, which means debts are avoided and profits can be reinvested into the business. It is also important for SMEs to build up a financial safety buffer so they can cope with any unexpected pressures.

Continue to innovate

Successful SMEs are significantly more likely to innovate in an effort to create a competitive advantage. This is because they recognise innovation is the path of least resistance when working in an environment where talent and resources are at a premium. This mindset has to become part of your company’s culture, as employees should realise that truly innovative ideas are encouraged and will be trialled. By finding new ways of doing things, SMEs can target a range of improvements, including improved operational efficiency and new product offerings.

Use technology wisely

Technology has had a transformative effect on many aspects of business. Video conferencing and email makes it easy to stay in touch with clients based on the other side of the world, while the supply chain model has been simplified and improved. The key to using technology successfully is focusing on the programmes and systems that can make incremental improvements in how to run your business day-to-day. For example, business management software can drive growth, boost profitability and improve operations, while the cloud allows SMEs to significantly reduce their hardware costs. Leveraging technology successfully is vital if forward-looking companies want to bring scalability, flexibility and resilience to their business.

---

Case study: A global SME success story...

Imprint Plus is a Canadian SME that shows how global success can be achieved through creating a borderless product and marketing effectively. The company, which primarily makes name badges and associated materials, has 35,000 customers in 75 countries. CEO Marla Kott said international growth was initially organic, until the decision was taken to make a product that was usable for all companies of all sizes. This move, coupled with the creation of budgets for innovation and staff training, helped the SME to win clients all across the world.

Becoming a global brand proved to be more challenging, but by networking effectively, the business was able to develop strategic relationships. “Through networking organisations not only did we make connections in key companies, but these companies have now listed our products and we are selling through them,” she stated. This demonstrates how two key factors are behind SME global success - creating a global product and boosting its awareness.

“Through networking organisations not only did we make connections in key companies, but these companies have now listed our products and we are selling through them.”

- Marla Kott CEO, Imprint Plus

Imprint Plus is a Canadian SME that shows how global success can be achieved through creating a borderless product and marketing effectively. The company, which primarily makes name badges and associated materials, has 35,000 customers in 75 countries. CEO Marla Kott said international growth was initially organic, until the decision was taken to make a product that was usable for all companies of all sizes. This move, coupled with the creation of budgets for innovation and staff training, helped the SME to win clients all across the world.

Becoming a global brand proved to be more challenging, but by networking effectively, the business was able to develop strategic relationships. “Through networking organisations not only did we make connections in key companies, but these companies have now listed our products and we are selling through them,” she stated. This demonstrates how two key factors are behind SME global success - creating a global product and boosting its awareness.

“The Praxity take...

So what do SMEs need to do to be successful globally? And how does the Praxity alliance enable member firms to assist SMEs targeting cross-border expansion? We spoke to Neil Relph, Managing Partner at Rouse Partners, to find out a little more.

For me, SMEs should never underestimate the importance of networking - that is the process of making contact with customers, suppliers, advisors and agents/distributors in your international markets. People do business with other people and so personal contact matters. SMEs need to build relationships and demonstrate their expertise through attending trade shows, exhibitions or meeting international clients in their target regions. Not only will doing so boost your contact list, but it also demonstrates your commitment and investment of time in learning the local ways of doing business.

Being a member of Praxity has facilitated us to support international clients in finding local, experienced advisors. Though there have been many such examples, one notable project came about when we were approached by a client who had been let down by their previous accountant. Our international alliance enabled us to collaborate with member firms in their operational regions to develop a bespoke, automated reporting system. Through building a series of templates and reporting formats we were able to produce a global consolidation of profit and loss and balance sheet reporting, giving them the central management information they needed.

Praxity is a global alliance of independent firms. Praxity is organised as an international non-profit entity under Belgium law (a so-called IVZW or AISBL), with its registered office in Gent (Belgium), Bellevue 5/ b 1001. Praxity does not practice the profession of public accountancy or provide audit, tax, consulting or other professional services of any type to third parties. The alliance does not constitute a joint venture, partnership or network between participating firms. The firms that participate in the alliance are independent separate legal entities, and Praxity does not guarantee the services or the quality of services provided by participating firms. Praxity does not deliver services in its own name or at all. Services are delivered by the member firms. Praxity and its member firms are not agents of, and do not obligate, one another and are not liable for one another’s acts or omissions.