Spain Export Consortia

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There are less than 3.5 million companies in Spain. Around 99.8% are small and medium size enterprises (SMEs) and 94% are considered micro SME (less than 10 workers) according to the European Commission Enterprise and Industry’s criteria.

Competitive key factors as the capacity to innovate, the degree of internationalization, financial strength, skilled human resources and professional management, etc. are directly linked to the size of the company as shown by empiric analysis.

However, only 10% of Spanish entrepreneurs have included growth plans into their short and medium term strategies.

When looking at foreign trade data, less than 40,000 SMEs are regular exporters and a minuscule 0.2% has deployed subsidiaries outside its country. Reasons vary but 81.3% argued domestic market demand was big enough to cover their sales target.

Business consortia have been signaled as a way of overcoming an excessive industry fragmentation.

But entering foreign markets is a demanding and somehow costly journey. Business consortia are legal entities that may facilitate this process.

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The Spanish Institute for Foreign Trade (ICEX), has supported 212 projects out of a total of 330 during the period 1985-2001.

SPAIN EXPORT CONSORTIA ICEX

ICEX SUPPORT TO EXPORT CONSORTIA (1985- 2001)

1985-2001: Consortia supported	Number	Percentage
Industrial products	68	26
Capital goods	41	15

Most of consortia are promoted by SMEs. In Italy – the world leader in fostering this type of alliances – 80% have less than 50 employees.

Consortia target many different goals. A typical consortium is set up by SMEs from the same industry sector, to sell – more than to promote – non-competing products that can be sold independently, established in their origin and with a finite life time.

But it could also prove a good tool for those small companies, already too busy to devote time to manage their own business that, by grouping with similar enterprises, may not only get to markets beyond their individual limits but accessing to professional management personnel.

Most of consortia are considered a time limited entity but many SMEs will find the new company as a permanent way of accessing and operating in foreign markets.

As we noted before, just a very few Spanish companies have gone through an internationalization process. There is quite a difference between exporting and internationalizing.

Typically, an exporter takes a passive attitude towards the destination market, thus a very limited knowledge and capacity to answer to the fast changing needs. And this as opposed to a proactive oriented internationalized company that will achieve a far better position to seize business opportunities.

Most entrepreneurs are looking into foreign markets more than ever before. The reason comes from a general opinion that our economies are going through a structural change – not cyclical – with long term consequences.

But companies need to understand that going international modifies the overall strategy as it changes the own conception of the company and should only be undertaken with the right attitude, a medium term horizon and built to last.

Many times, companies turn their eyes to foreign markets as a way to diversify risks, increase sales volume or get rid of second quality or production surplus. While all these will be some of the outcomes of this process, it should never be the reason to start it. Companies need to internationalize to get better, not bigger.

Some of the advantages provided to the partners by an Export Consortium are:

1. Come and sell to new customers.

2. Increase distribution control.

3. Early detection of new trends and business opportunities.

4. Anticipate risks (cyclical and structural market changes, new competitors, substituting products, disruptive innovations, etc.).

5. Enhance visibility and build brand.

6. Convey a sense of strength and reliability.

7. Improve competitiveness by deploying professional management techniques.

8. Implement safe operation practices due to a surge of market knowledge and specifically about legislation and regulatory requirements.

9. Economies of scale that allow them to use tools to promote greater breadth and depth, procurement savings, increased investments in R&D and high-profile human resources.

10. Implement structured and consistent quality and service processes.

11. Derive synergies from its partners.

12. Learn from best practices in other markets and experiences.

13. Advanced knowledge management inside the organization.

14. Save on the internationalization process costs by sharing with the rest of associates and applying to financial aids.

Before going international, companies should asses their reality and find out whether they hold distinctive characteristics on their products or services – whether or not they have advantages in costs, product differentiation or specialization – that will bring value to the new prospects.

Companies under financial distress should be well aware that internationalizing will not offer results in the short term. More on the contrary, during the first two or three years, sizeable cash allocations will be required to finance the operations.

Those failing to meet the above requirements should probably refrain from entering into an internationalization process that might eventually draw their attention away from their current business causing serious troubles.

Should we go international? Companies need to be realistic to answer this question. They should not attempt foreign markets just as a sign of distinction or to imitate competitors.

If the company finds an answer to this question then it must decide:
- What: Products or services to be offered.
- Where: Countries, sale channels, type of customers, etc.
- How: To what extend it should go international. From simply exporting to setting up a plant.
- Who: Alone or in cooperation with others, in a consortium for instance.

Internationalization should never be considered as a marginal activity. Competing in the global market is hard but it is also a never-ending source of knowledge and strategies, a way of unveiling new market opportunities, a continuous improvement that ultimately will reinforce our position in the domestic market.

For those with a clear vision of partnership to grow and improve by internationalization, we propose what we happen to call Highly Integrated Export Consortium (HIEC).

HIEC begins with stating a common vision where the new entity is fully defined particularly the values reflecting the company's culture. The promoters make sure the new company is well equipped including a powerful engine and enough gas to draw them to achieve their goals.

HIEC Characteristics

- Shared vision
- High performance manager
- Cross Functional teams
- Structured business process
- Own operating capacity
- New competencies developer.
- Competitive advantage generator

The HIEC participants aim to leapfrog to another level by wringing out all potential synergies, sharing knowledge, building capabilities and developing new competencies.

It is a challenging vision to compete in business scenarios where no one of them could ever dream of.

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