Everywhere International SMEs (EIS)

How COVID-19 impacted SMEs and their internationalisation activities?

Report by the EIS project on the consultation with SMEs and BSOs in European regions

(May 2022)

Disclaimer

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We are grateful to the work of Simona Cavallini (external expert - Hampshire County Council for the EIS project) in the compilation of this report.

Suggested citation:
Interreg Europe Everywhere International SMEs (EIS) project, (2022), *"How COVID-19 impacted SMEs and their internationalisation activities. Report by the EIS project on the consultation with SMEs and BSOs in European regions"*.

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Glossary

B2B	Business to Business
BSO	Business Support Organisation
CoR	European Committee of the Regions
COVID-19	COronaVIrus Disease 2019
DIH	Digital Innovation Hub
EIS	Everywhere International SMEs
ESIF	European Structural and Investment Funds
EU	European Union
SME	Small and Medium Enterprise

Introduction

The main objective of the extension of the Interreg Europe Everywhere International SMEs (EIS) project is to investigate the impact of COVID-19 on the internationalisation of SMEs.

In spring 2020 the pandemic began affecting European economies with widespread consequences on enterprises in all sectors. Business continuity was impacted by a large number of factors such as limitations imposed on workers' movements, restrictions on people gathering in workplaces, contagions and health issues of the labour force, changes in the demand for goods and services during lockdowns, occurrence of additional costs and finance related challenges, and failures in supply chain logistics (OECD, 2020) (Zutshi et al., 2021) Priyabrata et al., 2021. The EIS project seeks to understand if the smallest enterprises active at the international level were impacted differently by COVID-19 and how the international business support system assisted them in overcoming barriers to continued international trade.

The pandemic affected internationalising enterprises in Europe in both a direct and indirect way. International supply chains suffered disruptions with effects on the availability of what enterprises needed for the production of goods or delivery of services (Juergensen et al., 2020). The digital uptake was then perceived and experienced as a means of coping with the pandemic (Klein and Todesco, 2021). The COVID-19 outbreak tested the capacity of internationalising enterprises and their business models to adapt, but it also challenged the resilience of the territorial ecosystems supporting international business. An early activity of the EIS extension (2021-22) required the project partners (i.e., regional authorities, business support organisations and agencies)[1] to launch a survey to investigate the impact of COVID-19 on the internationalisation of SMEs across the seven EIS regions (i.e., Alentejo, Central Denmark, Donegal, Emilia-Romagna, Hampshire, Koprivnica, and Pomerania). In fact, the survey was open to any SME or BSO.

This report is organised as follows. Chapter 1 details the approach adopted in designing and disseminating the survey. It also provides indications regarding target stakeholders and respondents. Chapter 2, Chapter 3 and Chapter 4 present outcomes on the three main themes addressed in the survey (i.e., disruption to international supply chains and effects on SMEs; digitalisation as a means of coping with the pandemic; resilience of the SMEs and of the international business support ecosystem in the face of the pandemic). Chapter 5 highlights some interesting evidence for each of the regions participating in the EIS project. Recommendations for practitioners and policy makers in Chapter 6 close the report. References are in Annex I.

[1] The consortium of the EIS project extension is composed of eight partners: Hampshire County Council (lead partner)(UK), Central Denmark EU Office (DK), ENTER Koprivnica (HR), Donegal County Council (Local Enterprise Office) (IE), Emilia-Romagna Region (non-reporting observer partner)(IT), Pomerania Development Agency Co (PL), Regional Development Agency of Alentejo (PT), WSX Enterprise Ltd (UK).

1 A survey for Small and Medium Enterprises and Business Support Organisations

1.1 The approach

The EIS survey was addressed to two key target grops operating in the regional ecosystem promoting the internationalisation of business: small and medium enterprises (SMEs) and business support organisations (BSO). For this reason, the survey was structured through two 'twin questionnaires' i.e., following the same structure and aiming at gathering similar information from the two different target group.

Each questionnaire foresaw an initial section requesting information about the respondent and about the organisation for which he/she was answering. Enterprises were characterised by size:

- micro enterprises with fewer than 10 employees and €2 million turnover per year (MICRO);
- small enterprises with fewer than 50 employees and €10 million turnover per year (SMALL);
- medium enterprises with fewer than 250 employees and €50 million turnover per year (MEDIUM).

Within this report, SMEs are defined as all enterprises with fewer than 250 employees (i.e., including MICRO, SMALL and MEDIUM).
BSOs were classified as local/regional authorities or other public entities at the local/regional level; chambers of commerce and industry; private BSOs/consultancies/training providers; other business support organisations; universities or research institutes; and other informed stakeholders.

Each of the following core survey sections focused on questions related to one of the three key themes investigated by the EIS project:

1. disruption to international supply chains and effects on SMEs;
2. digitalisation as a means of coping with the pandemic;
3. resilience of the SMEs and of the international business support ecosystem in the face of the pandemic.

Part of the EIS questionnaire was based on some of the questions of the survey conducted for the study *'The state of digital transformation at regional level and COVID-19 induced changes to economy and business models, and their consequences for regions'*[2].

The survey was made available on the EIS website and disseminated by the EIS partners through their contact networks in order to reach SMEs and BSOs in their own regions i.e., Alentejo (Portugal), Central Denmark (Denmark), Donegal (Ireland), Emilia-Romagna (Italy), Hampshire (United Kingdom), Koprivnica (Croatia), and Pomerania (Poland), and beyond. The survey remained open for more than two months from mid-November 2021 to the end of January 2022.

The analysis of the survey results was carried out using a two-fold approach:

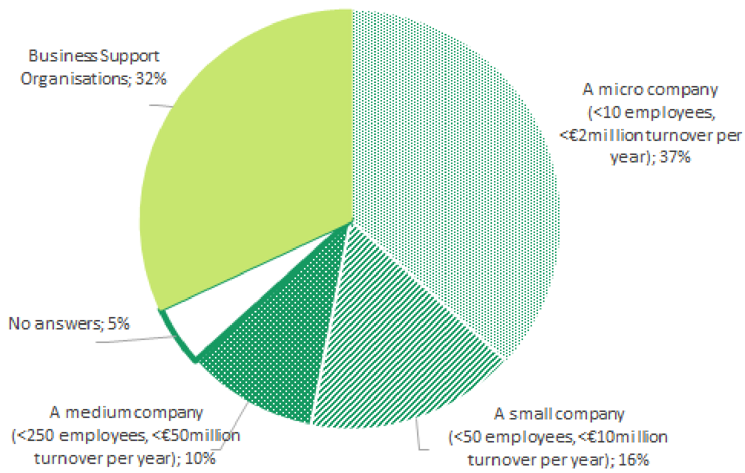
- Comparing the outcomes of SMEs and BSOs on the same topic or issue. This allowed the EIS partners to appreciate the difference between the direct experience of a (limited) number of SMEs and the perception of the BSOs supporting SMEs on the same topic or issue.
- Focusing on interesting evidence for regions participating in the EIS project.

[2] The study (Cavallini and Soldi, 2021), carried out for the European Committee of the Regions (CoR), included the analysis of a survey disseminated by EUROCHAMBRES to its members that was aimed at understanding how the COVID-19 pandemic affected the digital transformation of businesses in European regions.

1.2 The respondents

On the survey closure date of 31 January 2022, overall, 147 respondents completed the EIS survey. BSOs represented by one-third (32%) of the respondents. Two-thirds of the respondents (100) were enterprises. Micro enterprises represented 37% of the total number of respondents (Chart 1).

Chart 1 – Survey respondents by type



Among BSOs, most of the respondents (43%) were local/regional authorities or other public entities at the local/regional level. Within the SMEs sample, 54% of the enterprises answering the survey were micro enterprises with fewer than 10 employees.

Looking at the respondents from the geographical point of view, 77% of the BSOs belong to one of the EIS partners' regions, ranging from 3 BSOs in Alentejo, Central Denmark, Emilia-Romagna and Koprivnica to 12 BSOs in Donegal (Chart 2).

From the 100 enterprises answering the survey, 82% belong to one of the EIS partners' regions (Chart 3). One-third of the enterprises are based in Pomerania, followed by Donegal (20%) and Alentejo (14%). Enterprises from Central Denmark were poorly involved in the EIS survey as they were already committed to other similar consultations running in Denmark (see Chapter 5). Emilia-Romagna decided to be involved in the EIS project extension as a non-reporting observer partner, and therefore focused its effort on a similar and already-planned consultation on digital export addressed to SMEs belonging to traditional sectors and based in the region (see Chapter 5).

Chart 2 – BSOs respondents by region

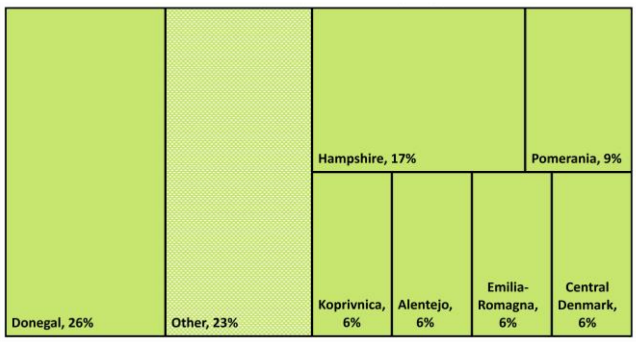
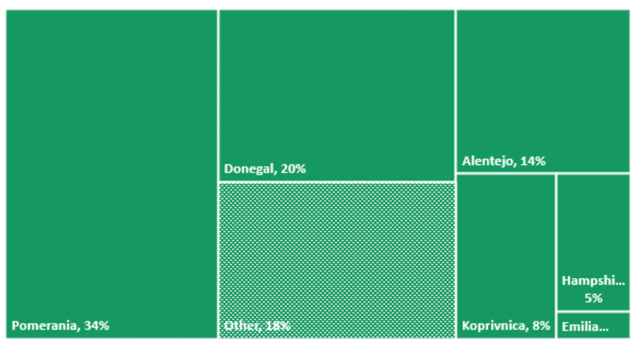


Chart 3 – SMEs respondents by region



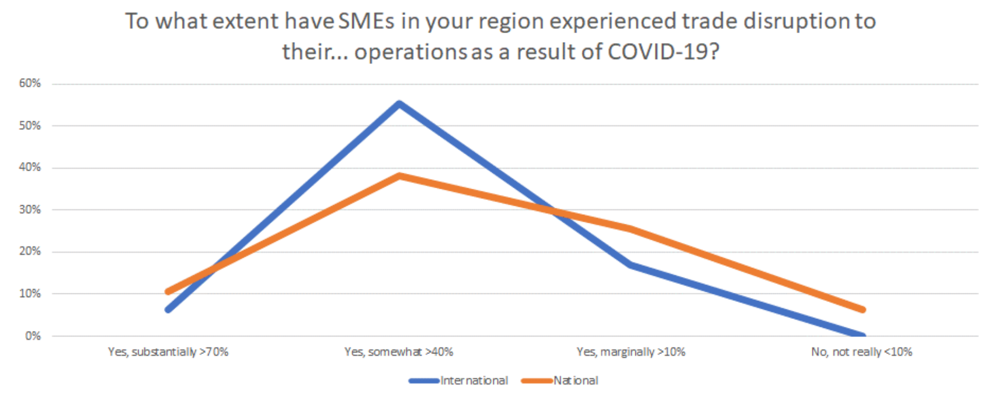
2 Theme 1: disruption to international supply chains and effects on SMEs

The first core section of the EIS survey attempts to investigate the impact of the COVID-19 pandemic in terms of international supply chain disruption for SMEs, understanding the SMEs' capacity to adapt international trade strategies, and assessing the BSOs' support to SMEs. The analysis is based on the comparison between the perspective of BSOs and the experience of SMEs.

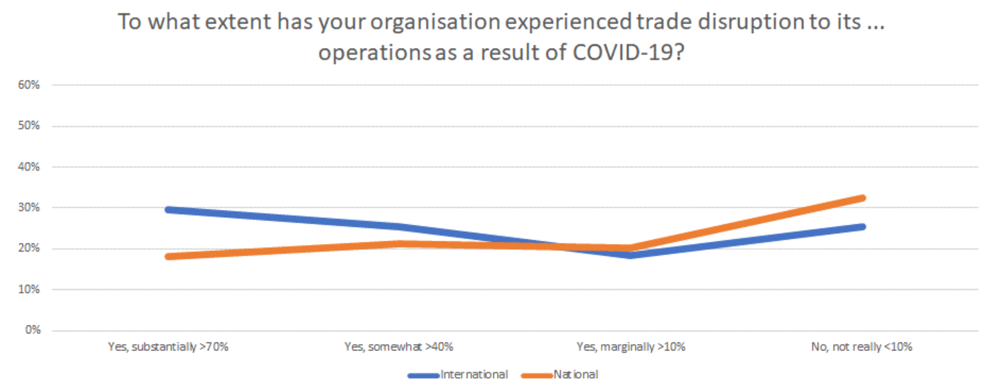
2.1 Trade disruptions due to COVID-19

When asked about the extent of trade disruption experienced by national and international operations as a result of COVID-19, more than half of BSOs perceived a high quite relevant impact (>40%) in their region, especially in international operations (Chart 4). Answers from SMEs indicate a polarisation of the respondents ranging from around one-third that experienced substantial disruptions (>70%) in international operations to one-fourth that declared *'no, not really (<10%)'*. The 'X shape' of Chart 5 confirms that for SMEs, COVID-19 structurally generated more relevant trade disruptions in international operations (INT) than in national operations (NAT).

BSOs' perspective (Chart 4)



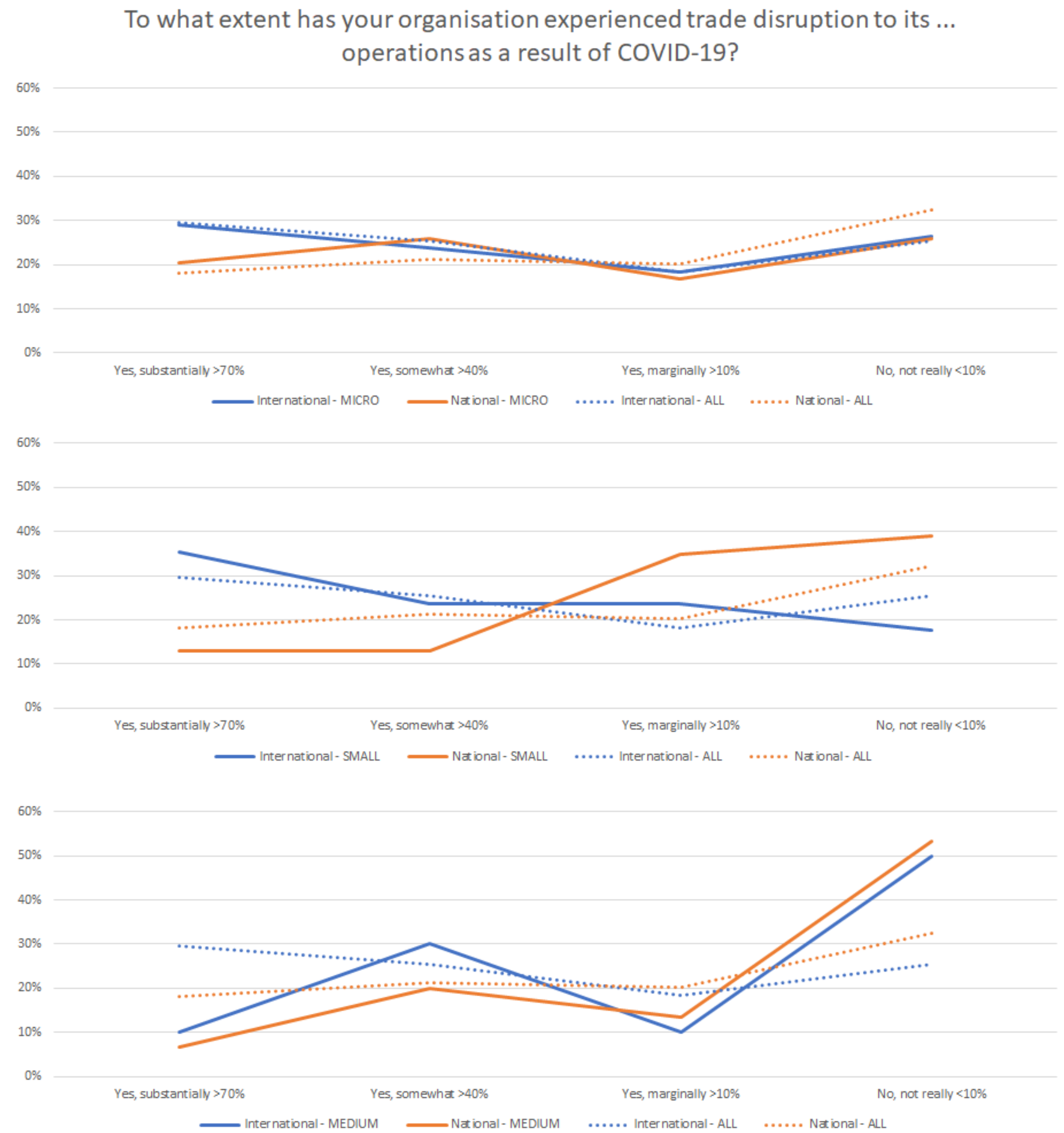
SMEs' perspective (Chart 5)



SMEs' focus (Chart 6)

To what extent has your organisation experienced trade disruption to its... operations as a result of COVID-19?

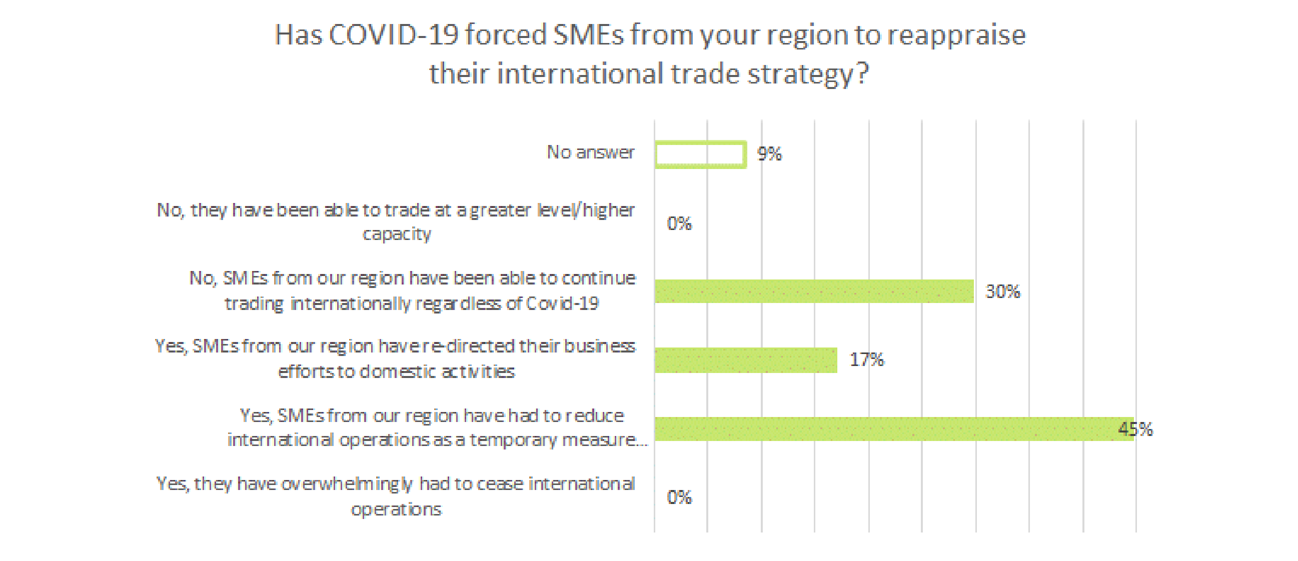
There are three main outcomes concerning the enterprise size when analysing trade disruptions due to COVID-19. The share of SMEs experiencing trade disruptions in NAT in a substantial way due to COVID-19 decreases with the size of the enterprises: 23% MICRO, 13% SMALL and 7% MEDIUM. MEDIUM also is the category of SMEs which is suffering less from trade disruption both in national and international operations. '*no, not really*' was selected by 50% of MEDIUM when referring to NAT and by 57% of MEDIUM when referring to INT. '*yes, substantially*' was answered by 10% with respect to INT and 7% with respect to NAT. Concerning INT trade disruptions, SMALL were the enterprises that suffered more with 35% of the respondents declaring '*yes, substantially*' and only 13% that were not really affected.



2.2 *Reappraisal of the international trade strategy due to COVID-19*

The assessment of the necessity to reappraise the international trade strategy due to the pandemic differs between BSOs and SMEs. A reduction of INT as a temporary measure pending recovery was perceived by 45% of the BSOs as having occurred in SMEs in their region (Chart 7). On the contrary, only 14% of responding SMEs declared having temporary reduced INT (Chart 8). More convergence is found in business continuity in INT: perceived by 30% of BSOs when referring to SMEs of their region and experienced by 42% of SMEs. Another 8% of SMEs also declared that they were able to trade at a greater level/higher capacity at the international level. None had to cease INT for both BSOs and SMEs.

BSOs' perspective (Chart 7)

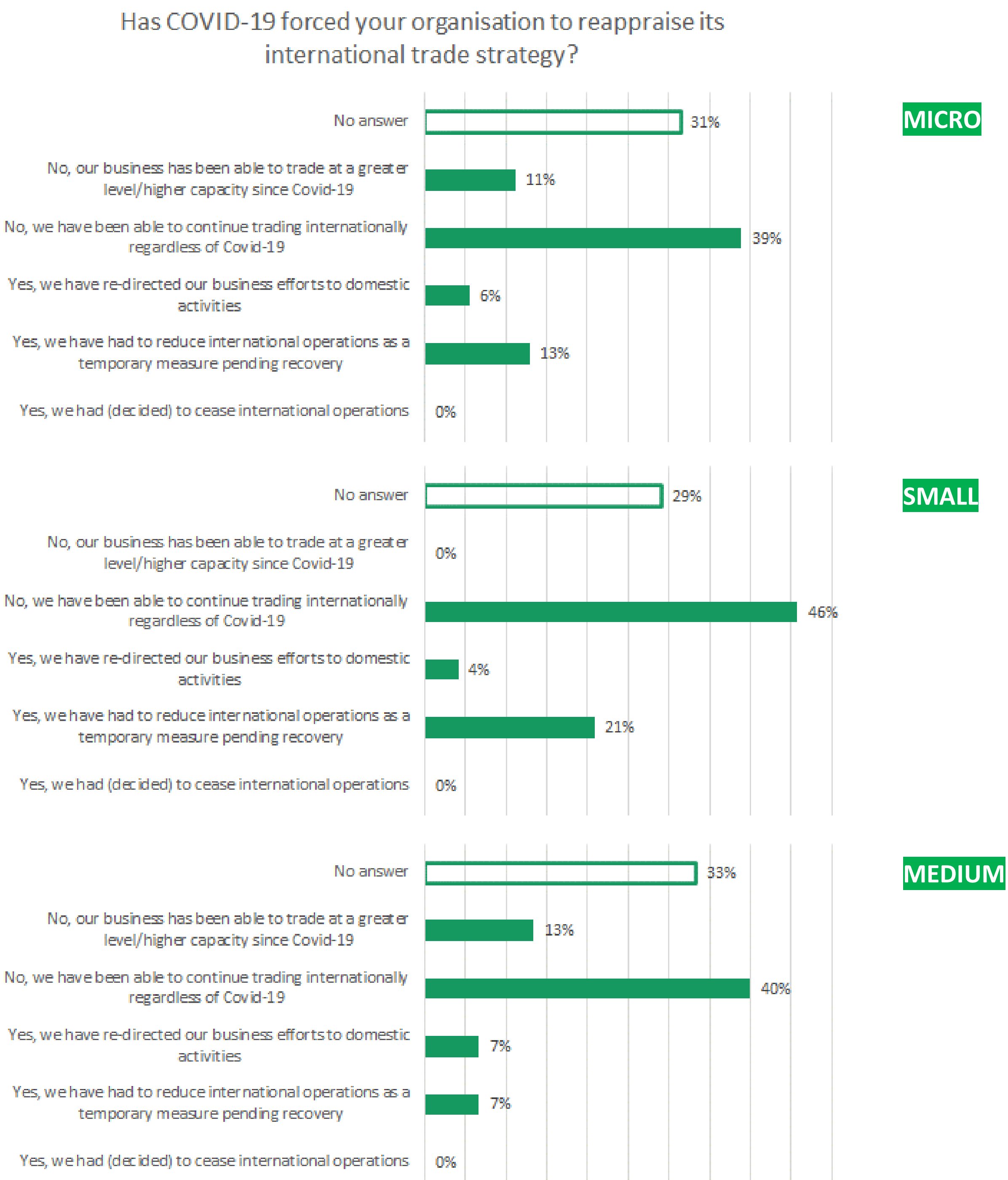


SMEs' perspective (Chart 8)

SMEs' focus (Chart 9)

Has COVID-19 forced your organisation to reappraise its international trade strategy?

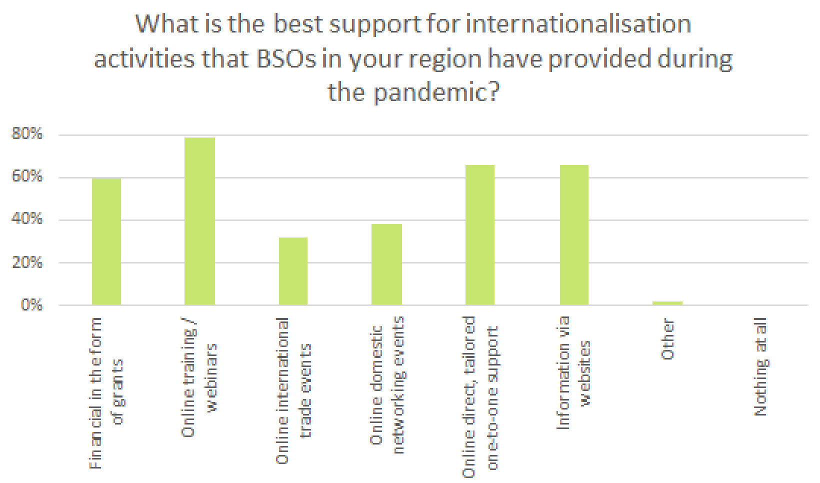
There are no substantial differences between enterprises of different sizes in terms of reappraisal of international trade strategy. Most enterprises (39% of MICRO, 46% of SMALL and 40% of MEDIUM) were able *'to continue trading internationally regardless of COVID-19'*.



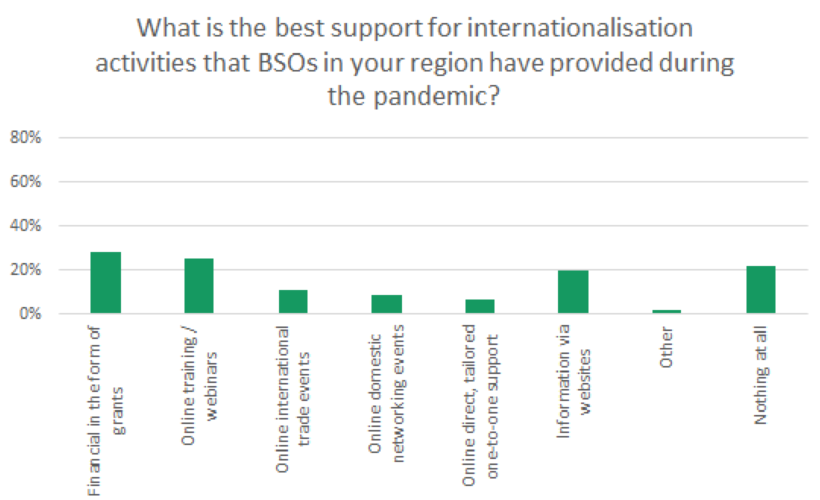
2.3 *Support from BSOs during the pandemic*

There was some convergence of opinions on the best support for internationalisation during the pandemic. Among the proposed options, remote targeted information was considered the best support for internationalization activities offered by a large part of BSOs in their own region (i.e., 79% online training/webinars, 66% online direct, tailored one-to-one support, 66% information via websites) (Chart 10). 60% of BSOs rated financial support as the best support for internationalisation in their region during the pandemic. SMEs answering the survey mainly rated financial support (28%) and online training/webinars (25%) as the best support provided by BSOs in their region during the pandemic (Chart 11).

BSOs' perspective (Chart 10)

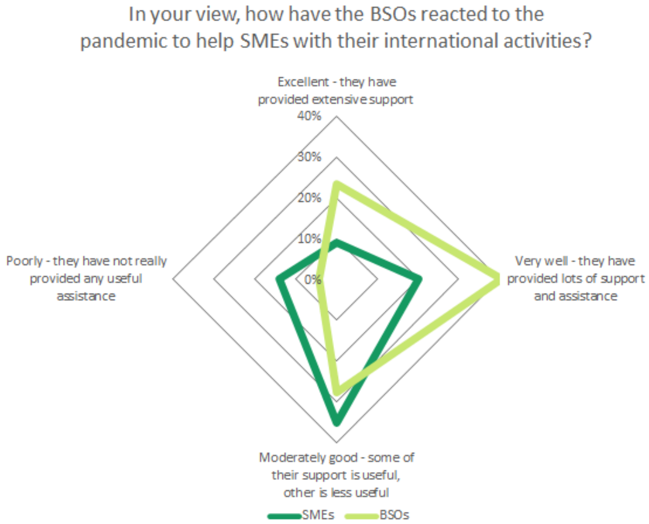


SMEs' perspective (Chart 11)



The response by BSOs to help SMEs in INT during the pandemic was assessed slightly differently by BSOs and SMEs. As indicated by 'diamonds' shown in Chart 12, the opinion of BSOs is naturally more positive. A large part of BSOs responding to the survey considered that they reacted *'very well'* (40%). This judgement was expressed by only 20% of the SMEs. On the contrary, most of the SMEs (35%) considered the reaction of BSO '*moderately good'.* BSOs performed in an *'excellent'* way for 9% of the SMEs and *'poorly'* for another 14%.

Chart 12 – Comparison of the assessment of the BSOs performance in supporting internationalisation activities of SMEs during the pandemic



2.4 Key findings about disruption to international supply chains and effects on SMEs

- According to the SMEs' answers, COVID-19 structurally generated more relevant trade disruptions in international operations (INT) than in national operations (NAT).
- More than half of BSOs perceived a high quite relevant impact (>40%) in their region due to the pandemic, especially in the international operations. Answers from SMEs indicate a polarised situation: around one-third of the SMEs experienced substantial disruptions (>70%) in INT while one-fourth declared *'No, not really (<10%)'*.
- Considering the enterprise size, MEDIUM suffered less from trade disruption both in NAT and in INT.
- No SMEs had to cease international operations during the pandemic but, most BSOs reported (45%) that SMEs had '*to reduce their international operations as a temporary measure'* while most SMEs (42%) reported being able to continue trading internationally regardless of COVID-19. The size of the enterprise does not unduly affect this result.
- Opinions on the best support for internationalisation provided at the regional level during the pandemic partially aligned. Provision of remote targeted information (e.g., online training/webinars for 79% of the respondents) followed by financial support (60%) were indicated by a large part of BSOs. SMEs ranked financial support first (28%) followed by online training/webinars (25%).
- Naturally, BSOs were more positive in assessing their intervention: 40% of BSOs considered that they reacted *'very well'* (vs 20% of the SMEs). Most of the SMEs (35%) consider the reaction of BSOs *'moderately good'*.

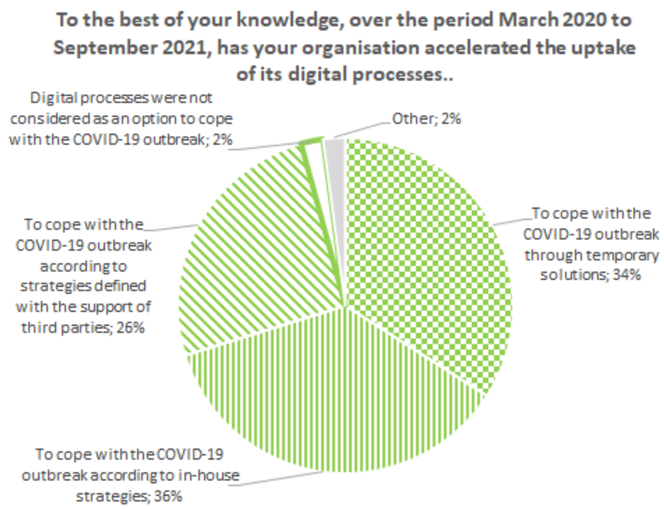
3 Theme 2: digitalisation as a means of coping with the pandemic

The second core section of the EIS survey focuses on digitalisation as a way of coping with the effects of the pandemic for SMEs in particular, on investments and support needed to increase the digital readiness of SMEs and on domains in which future actions can make SMEs digitally-prepared and able to operate in a more effective and efficient way on international markets.

3.1 The digital uptake as an option for coping with the pandemic

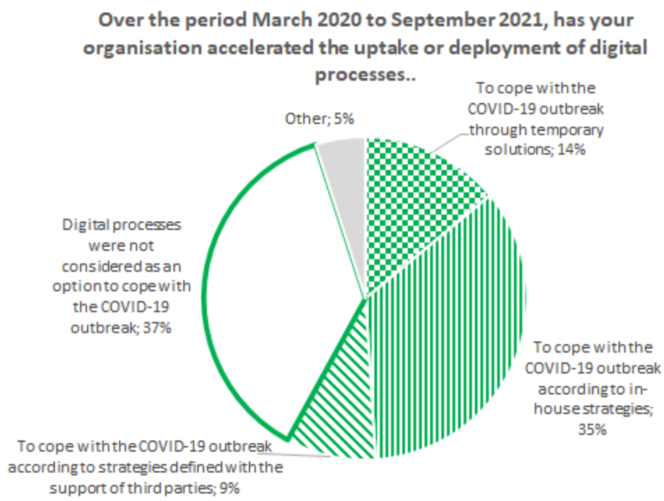
The acceleration of digital uptake as a means of coping with the pandemic from March 2020 to September 2021 was experienced by 96% of BSOs (Chart 13). For 34% of BSOs, the acceleration of digital uptake was a temporary solution for coping with the pandemic. For 36% of BSOs, the acceleration of digital uptake for coping with the COVID-19 outbreak was carried out according to in-house strategies, while the support of third parties to define strategies was needed by 26% of them. Only 2% did not consider digital processes to mitigate the impact of the COVID-19 outbreak.

BSOs' perspective (Chart 13)



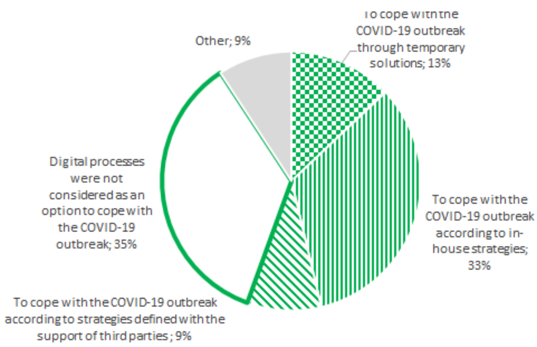
Almost 40% of SMEs did not consider digital processes as an option for coping with the COVID-19 outbreak from March 2020 to September 2021 (Chart 14). The percentage of SMEs that accelerated their digital uptake or deployment as a temporary solution due to the pandemic was 14%. In addition, almost 45% of SMEs accelerated their digital uptake or deployment according to a strategy (i.e., 35% through in-house strategies, 9% through strategies defined with the support of third parties).

SMEs' perspective (Chart 14)

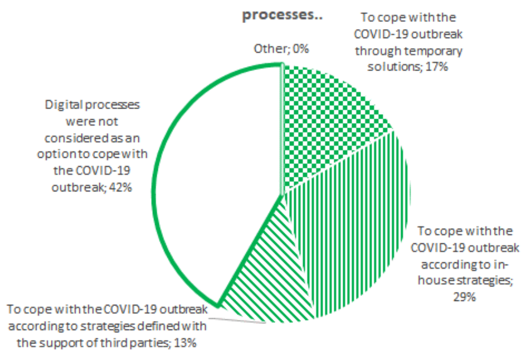


SMEs' focus (Chart 15)
Over the period March 2020 to September 2021, has your organisation accelerated the uptake or deployment of digital processes…?

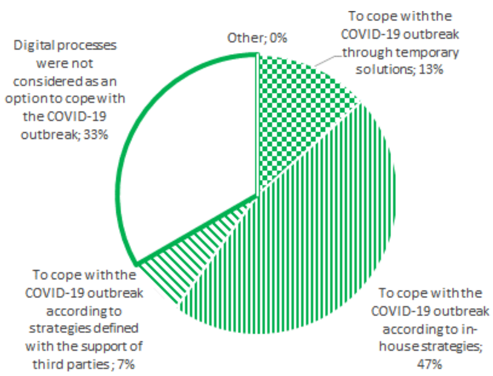
MICRO



SMALL



MEDIUM



The percentage of enterprises not considering digital processes as an option for coping with COVID-19 marginally changes with the size of the enterprise (i.e., 35% for MICRO, 42% for SMALL, 33% for MEDIUM).

Almost 50% of MEDIUM considered the acceleration of digital uptake or deployment according to in-house strategies as a way of coping with the COVID-19 outbreak.

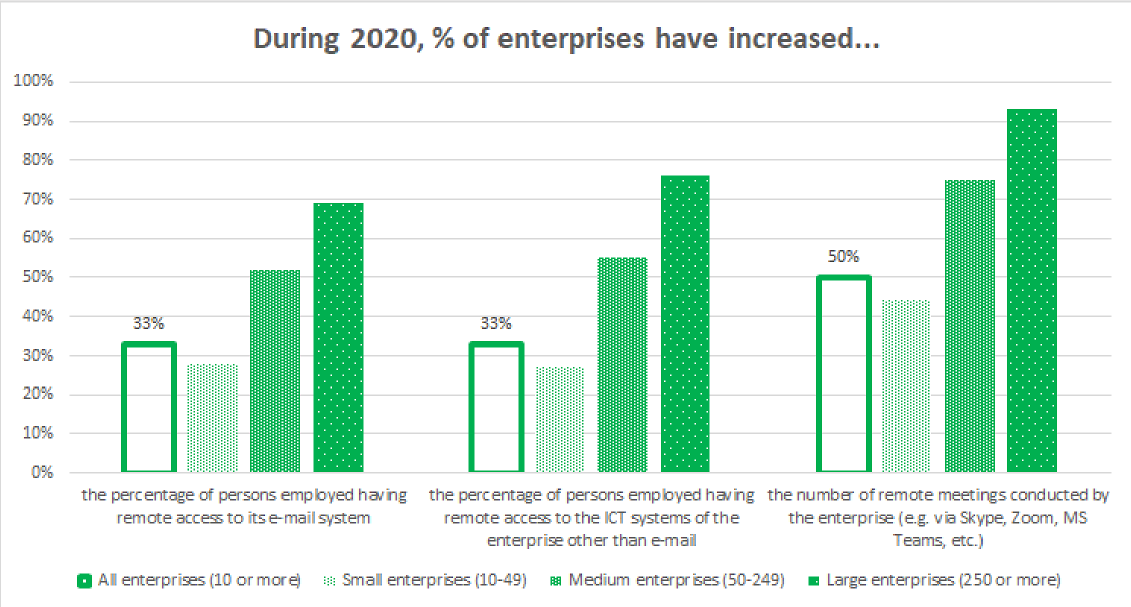
Further interesting insights about the impact of COVID-19 on the digital uptake by enterprise size at the EU27 level are provided in Box 1.

Box 1. The COVID-19 impact on ICT usage at the European level

The last update of EUROSTAT statistics on ICT usage in enterprises* provides interesting evidence about the impact of COVID-19 on ICT usage at the EU27 level**.

During 2020, in EU27 around one-third of the enterprises (with 10 or more employees and self-employed persons) increased the percentage of persons employed having remote access to their e-mail system and the percentage of persons employed having remote access to the ICT systems of the enterprise other than e-mail (Chart 16). Half of them also increased the number of remote meetings conducted by the enterprise (e.g., via Skype, Zoom, MS Teams, etc.). Looking at the breakdown by enterprise size (i.e., small enterprises, medium enterprises, large enterprises), the percentages of small enterprises in which change occurred is less than half of the percentages of large enterprises.

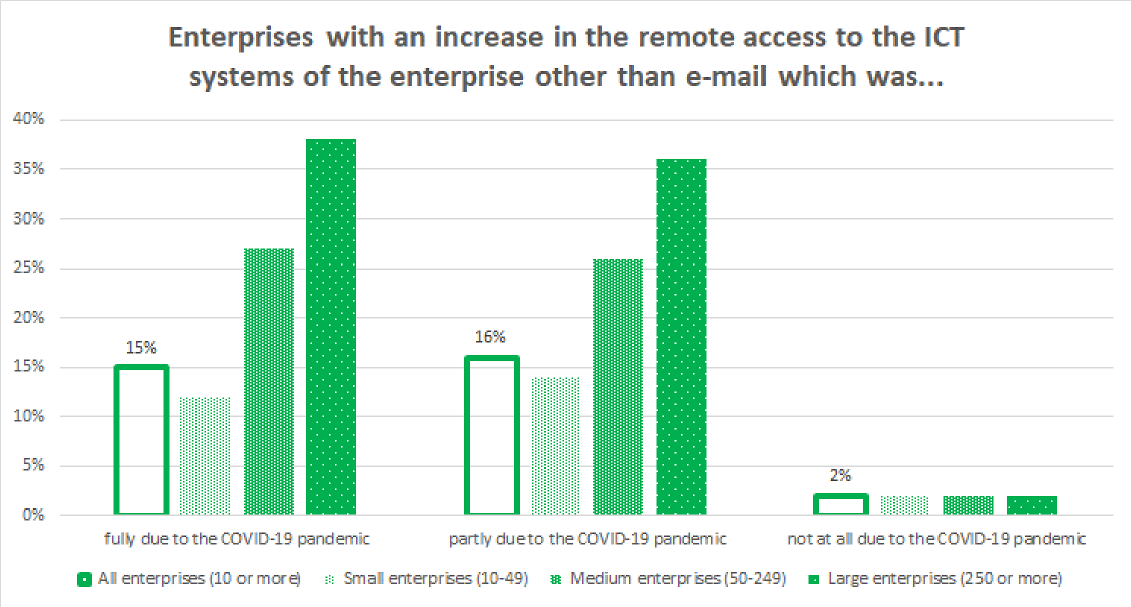
Chart 16 – Increase of remote digital activities during 2020, by enterprise size



Source: Eurostat data on the impact of COVID-19 on ICT usage (isoc_e_cvd).

Focusing on the effect of COVID-19 on the uptake of digital processes in order to remotely access the enterprise's ICT systems (other than email), only less than one-fifth of the enterprises declared that it was fully or partially due to the pandemic (15% and 16%, respectively) (Chart 17). This suggests that the digital uptake was a process already started before 2020 and that the pandemic has accelerated this uptake with a clear differentiation between small and large enterprises. The size of the enterprises does not matter except in the few cases of enterprises (on average 2%) that declared that the remote access to the enterprise's ICT system was not at all due to the COVID-19 pandemic.

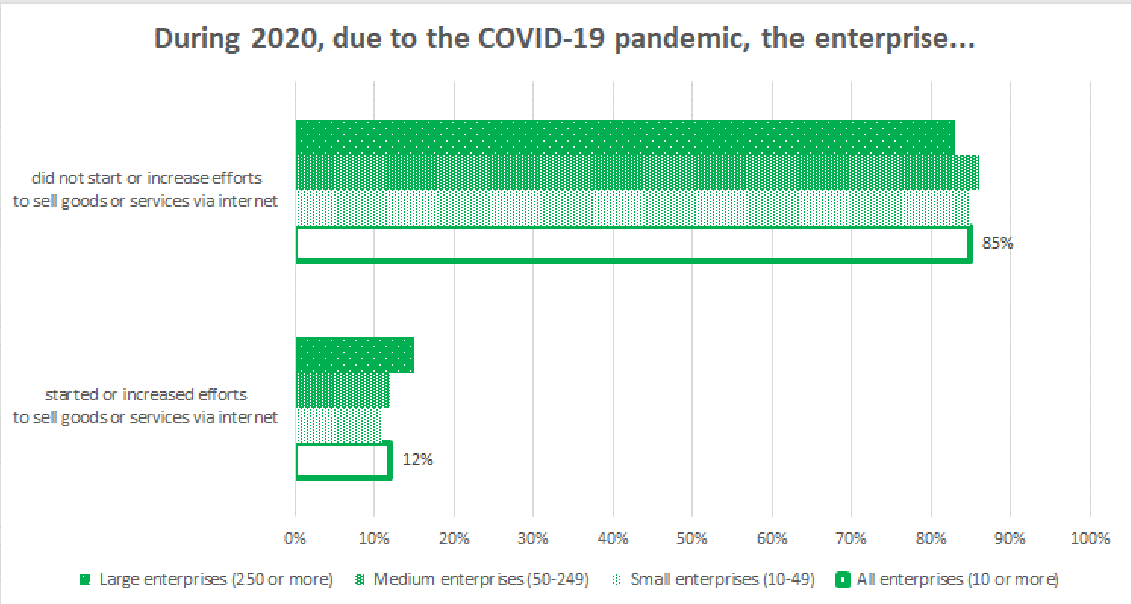
__Chart 17 – Relation between the COVID-19 pandemic and the increase of remote access to ICT systems, by enterprise size__



Source: Eurostat data on the impact of COVID-19 on ICT usage (isoc_e_cvd).

During 2020 the COVID-19 pandemic fostered online sales only in a limited way. 85% of the enterprises declared to have not started or increased the effort in selling goods and services via internet (Chart 18). 12% of the enterprises were pushed by the pandemic to sell online. There is no difference in what was experienced by small and large enterprises.

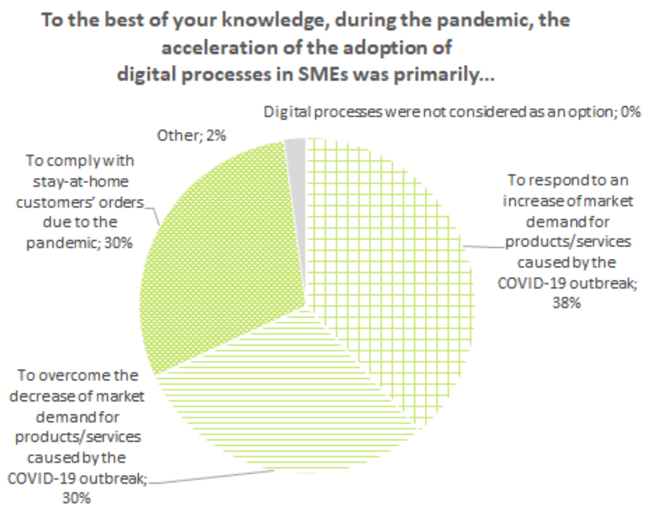
__Chart 18 – Relation between the COVID-19 pandemic and the effort to sell goods or services via internet, by enterprise size__



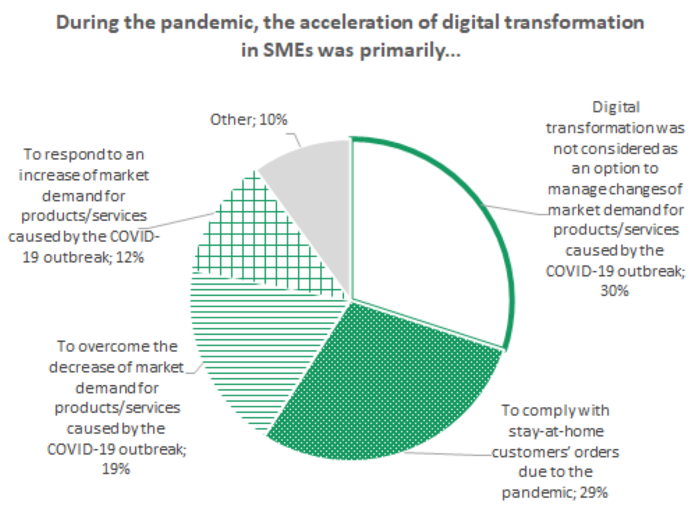
Source: Eurostat data on the impact of COVID-19 on ICT usage (isoc_e_cvd).
* On 17 March 2022.
** Data for the United Kingdom are not available.

BSOs and SMEs were asked to provide indications about the primary reason for digital transformation in SMEs during the pandemic. BSOs dispelled the notion that digital processes were not considered by SMEs as an option for coping with the effects of the pandemic (Chart 19). Whereas 30% of SMEs answered that *'digital transformation was not considered as an option to manage changes of market demand for products/services caused by the COVID-19 outbreak'* (Chart 20). BSOs and SMEs agree on the fact that digital processes were an option *'to comply with stay-at-home customers' orders due to the pandemic'* (around 30%), but, BSOs (38%) answered that digital processes were mainly an option *'to respond to an increase of market demand for products/services caused by the COVID-19 outbreak'.* Acceleration of digital transformation was considered to address an increase in market demand due to COVID-19 by only 12% of the SMEs. This evidence is in line with the fact that at the EU27 level only 12% of enterprises declared having started or increased effort in selling goods and services via the internet as a result of the pandemic (Chart 18 in Box 1).

BSOs' perspective (Chart 19)



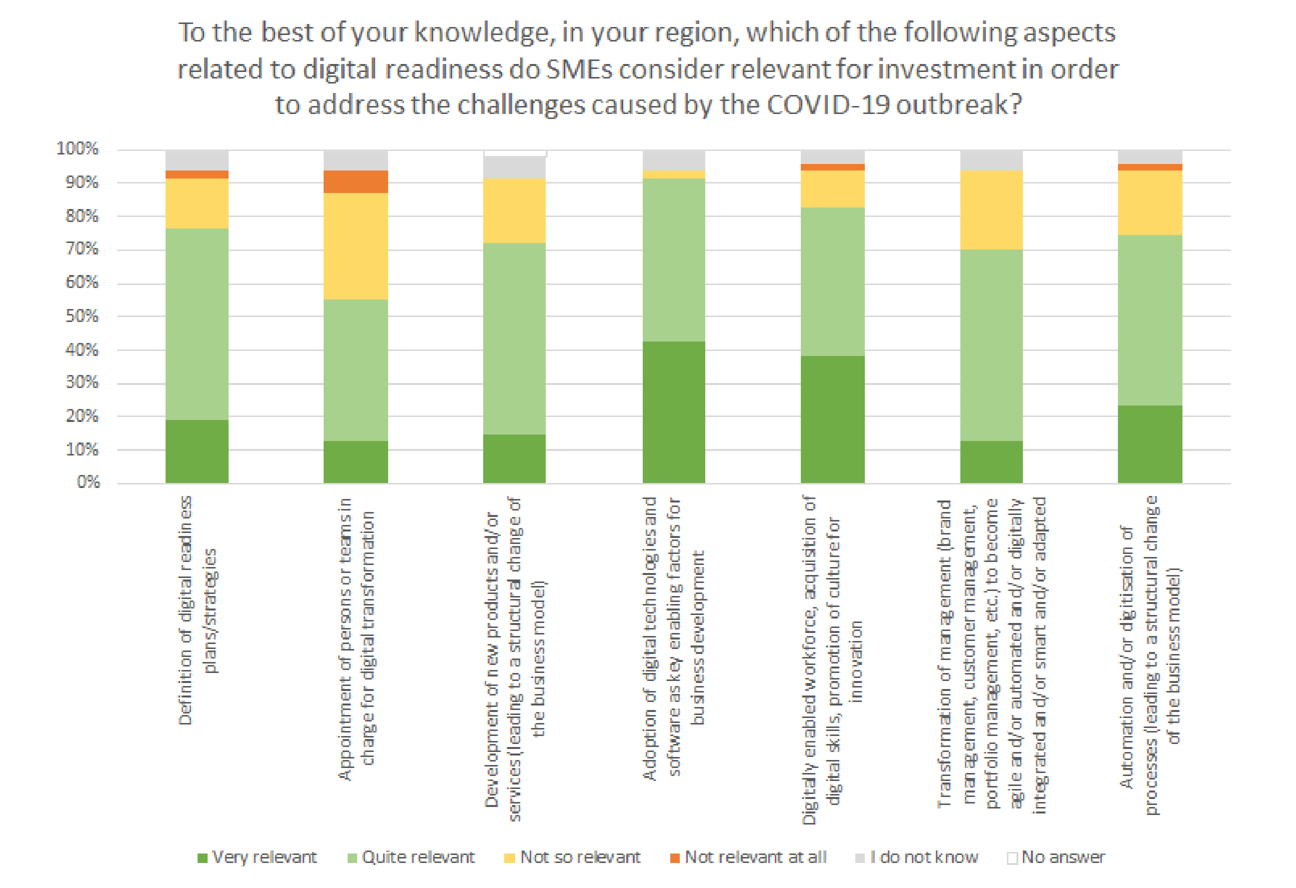
SMEs' perspective (Chart 20)



3.2 *Investment and support for digital in mitigating the impact of COVID-19 (and future crises)*

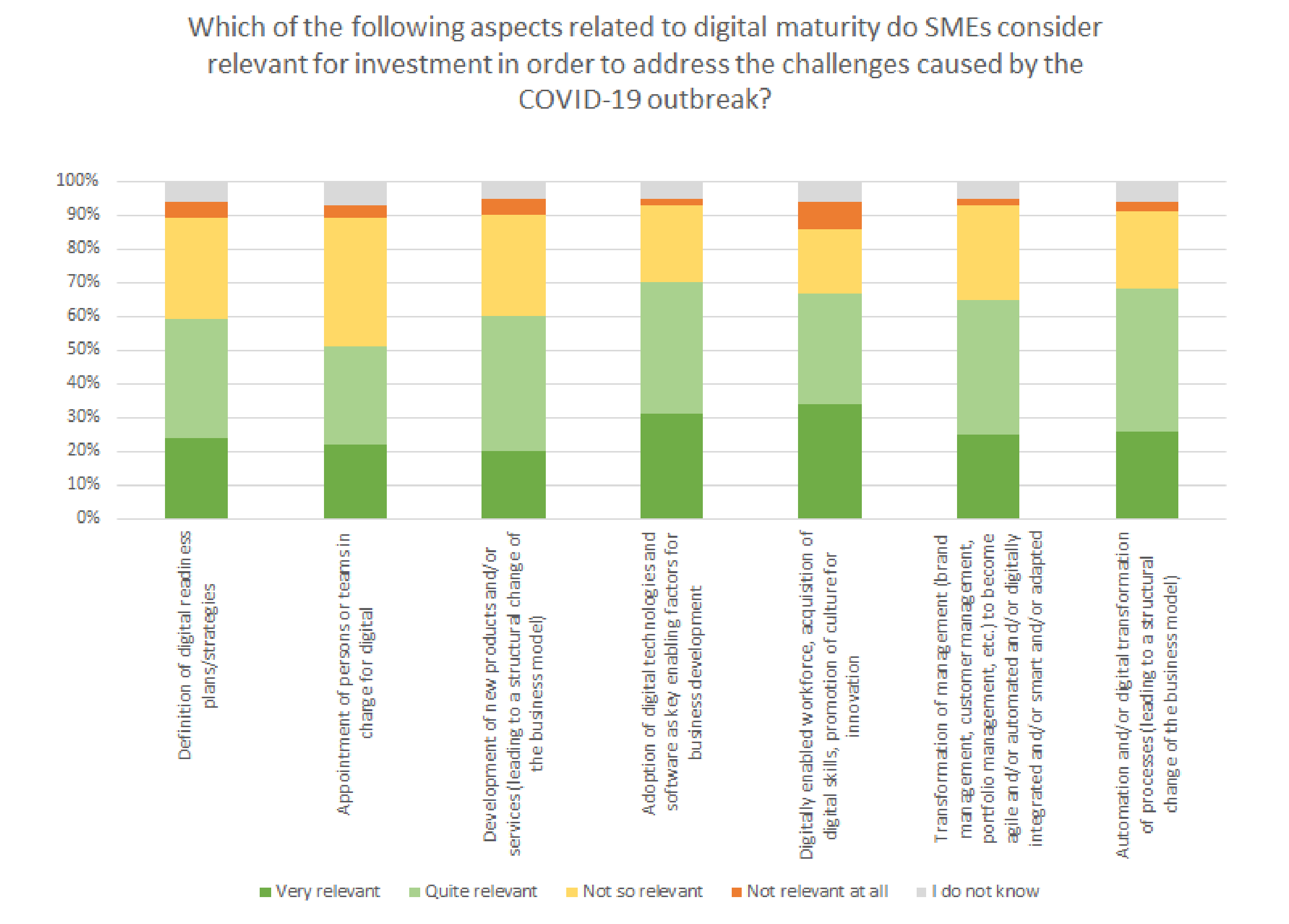
When asked to indicate the relevance of potential investments in digital readiness for SMEs in their region to address the challenges caused by COVID-19, most of the BSOs considered *''very relevant'* the *'adoption of digital technologies and software as key enabling factors for business development'* (43%) followed by *'digitally enabled workforce, acquisition of digital skills, promotion of culture for innovation'* (38%) (Chart 21). Adoption of digital technologies and software is considered at least *'quite relevant'* by 91% of BSOs.
The *'appointment of persons or teams in charge for digital transformation'* was the investment rated *'not relevant at all'* by most BSOs (6%).

BSOs' perspective (Chart 21)



For SMEs *'digitally enabled workforce, acquisition of digital skills, promotion of culture for innovation'* ranked, at the same time, first among the *'very relevant'* investments (34%) as well as among the investments *'not relevant at all'* (8%) (Chart 22). Looking at the investments that were considered at least *'quite relevant'* by SMEs, *'adoption of digital technologies and software as key enabling factors for business development'* ranked first according to 70% of SMEs.

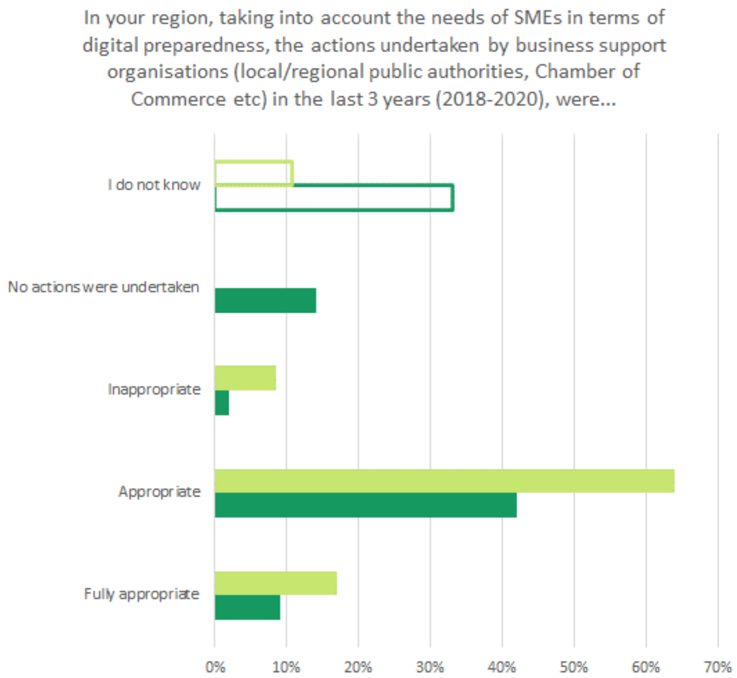
SMEs' perspective (Chart 22)



3.3 Actions for digitalisation need to continue to be taken to support the international operations of SMEs

The actions undertaken by BSOs in their region to support the needs of digital preparedness of SMEs from 2018 to 2020 were assessed quite similarly by BSOs and SMEs. Most of the BSOs and SMEs considered the support actions for digitalisation *'appropriate'*, although the percentages of respondents are different (the judgement of BSOs was more positive than that of the SMEs' (64% of BSOs versus 42% of SMEs)(Chart 23). The overall assessment differs also in the percentages of respondents that assessed the BSOs' performance as '*fully appropriate'* (17% of BSOs and 9% of SMEs) and in the fact that 14% of SMEs declared that *'no actions were undertaken'*.

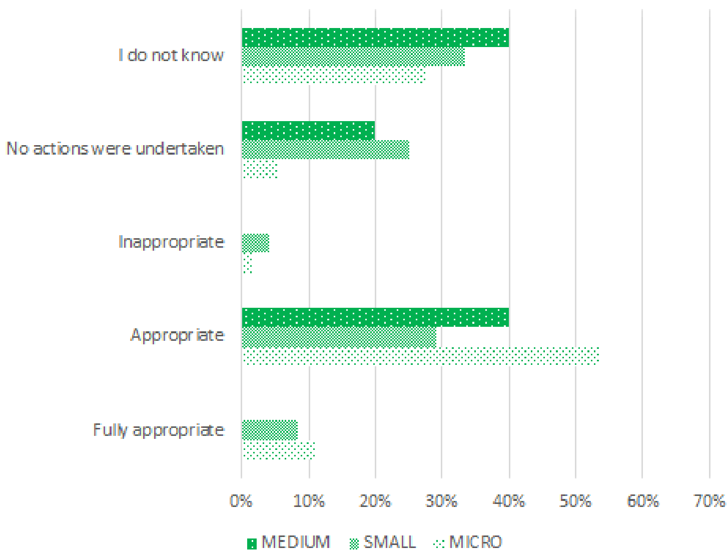
Chart 23 – Comparison of the assessment of the BSOs performance in supporting digital preparedness needs of SMEs



SMEs' focus (Chart 24)

In your region, taking into account the needs of SMEs in terms of digital preparedness, the actions undertaken by business support organisations (local/regional public authorities, Chamber of Commerce etc) in the last 3 years (2018-2020), were...

The main evidence arising in the breakdown of enterprises by size when assessing the support in SMEs digitalisation is the higher percentage of MICRO assessing the action of BSOs *'appropriate'* (54% of MICRO vs the 42% of all SMEs) or *'fully appropriate'* (11% of MICRO vs 9% of all SMEs).



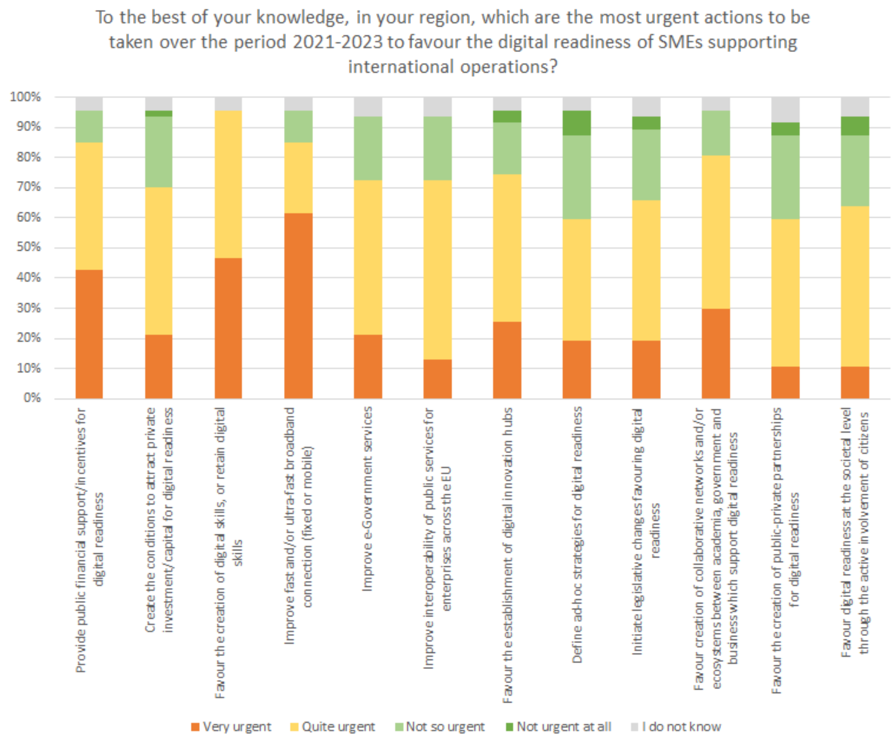
Assessing the increase of eGovernment services for SMEs due to the pandemic, half of BSOs indicated that the increase occurred and was significant while for 40% of them it was only marginal. Looking at the SMEs responding to the survey, the increase of eGovernment services was perceived as either substantial or marginal by lower percentages of respondents (31% and 36%, respectively)(Chart 25).

Chart 25 – Comparison of the assessment of the increase of eGovernment services for SMEs as a consequence of the COVID-19 outbreak

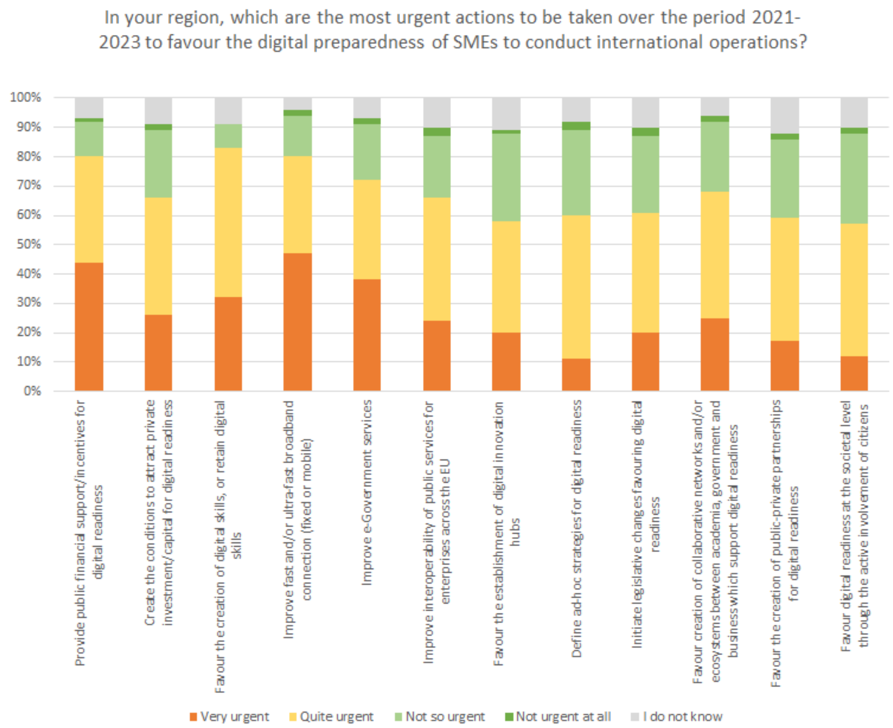
When asked to assess the most urgent actions to be taken in the region over the period 2021-2023 to favour the digital preparedness of SMEs to conduct international operations, BSOs and SMEs agree on the key priority: *'improve fast and/or ultra-fast broadband connection (fixed or mobile)'* ('*very urgent*' for 62% of BSOs and for 47% of SMEs)(Chart 26 and Chart 27). The second priority for BSOs is *'favour the creation of digital skills, or retain digital skills'* (47%). The second priority for SMEs is *'provide public financial support/incentives'* (44%).

Within the *'not urgent at all'* actions to be taken in the next future, most of the BSOs indicated the definition of ad-hoc strategies for digital readiness (9%) while most of the SMEs (3%) selected the improvement of interoperability of public services for enterprises across the EU, the definition of ad-hoc strategies for digital readiness and the initiation of legislative changes favouring digital readiness.

BSOs’ perspective (Chart 26)

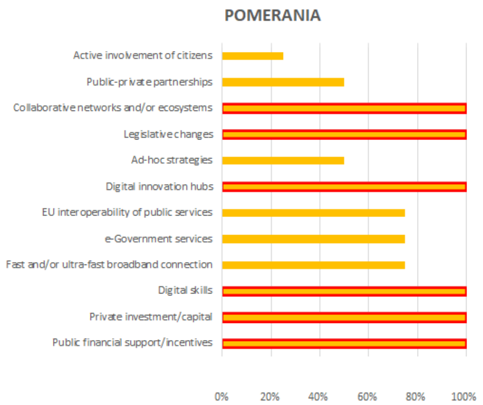


SMEs’ perspective (Chart 27)



BSOs' focus (Chart 28)

To the best of your knowledge, in your region, which of the following aspects related to digital readiness do SMEs consider relevant for investment in order to address the challenges caused by the COVID-19 outbreak?*



Considering the actions at least *'quite urgent'* selected by BSOs in each of the EIS regions, the creation or retention of digital skills is a priority for all (i.e., resulting in being selected as *'quite urgent'* or '*very urgent*' by the highest percentages of BSOs).

*The answers of the *'Other'* regions are not reported.

3.4 Key findings about digitalisation as a means of coping with the pandemic

- The acceleration of the digital uptake as a means of coping with the pandemic from March 2020 to September 2021 was experienced by 96% of BSOs.
- Over the same period, almost 40% of SMEs did not consider digital processes as an option to cope with the impact of COVID-19 and 14% of SMEs surveyed considered digital processes only as offering a 'temporary solution'.
- Looking at the breakdown of the enterprises by size, the acceleration of the digital uptake or deployment according to in-house strategies was mainly considered by MEDIUM (almost 50%).
- 30% of the SMEs answered that '*digital transformation was not considered as an option to manage changes of market demand for products/services caused by the COVID-19 outbreak',* but the same share of BSOs and SMEs agree on the fact that digital processes were an option '*to comply with stay-at-home customers' orders due to the pandemic'* (around 30%).
- BSOs (38%) answered that digital processes were mainly an option '*to respond to an increase of market demand for products/services caused by the COVID-19 outbreak'.* Only 12% of SMEs considered the acceleration of digital transformation as addressing an increase in the market demand due to COVID-19. At the EU27 level, only 12% of the enterprises declared having started or increased the effort in selling goods and services via the internet in order to cope with the effects of the pandemic.
- BSOs and SMEs agree on the key priorities in terms of investments in digital readiness for SMEs in their region to address the challenges caused by COVID-19: *'digitally enabled workforce, acquisition of digital skills, promotion of culture for innovation*' (*'very relevant'* for 34% of SMEs and for 38% of BSOs) and *'adoption of digital technologies and software as key enabling factors for business development' ('very relevant'* for 31% of SMEs and for 43% of BSOs).
- Actions taken by BSOs in supporting the digital needs of SMEs were considered *'appropriate'* (more than 40% of the SMEs vs. almost 65% of BSOs). Among SMEs, more satisfaction was expressed by MICRO (11% *'fully appropriate'* and 54% *'appropriate'*)
- The increase of the eGovernment services for SMEs due to the pandemic in the region was considered by half of the BSOs as significant while for 40% of them it was only marginal. For the SMEs the increase in eGovernment services was perceived as either substantial or marginal by lower percentages of respondents.
- BSOs and SMEs agreed on the most urgent action to be taken in the region over the period 2021-2023 to favour the digital preparedness of SMEs for conducting international operations: *'improve fast and/or ultra-fast broadband connection (fixed or mobile)'* (*'very urgent'* for 62% of BSOs and for 47% of SMEs). The second priority for BSOs was *'favour the creation of digital skills, or retain digital skills'* (47%). The second priority for SMEs was '*provide public financial support/incentives'* (44%).
- Digital skills are the top '*quite urgent'* action for BSOs of all the EIS regions.

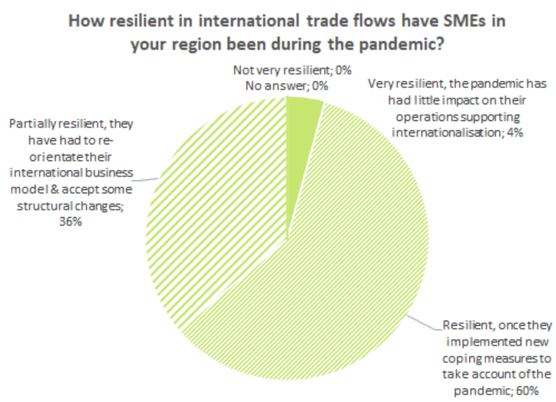
4 Theme 3: resilience of the SMEs and of the international business support ecosystem in the face of the pandemic

The last section of the EIS survey focuses on the resilience of international operations. It looks at how SMEs reacted to the pandemic as well as at how they were supported in the hardest phases of the COVID-19 outbreak by the actors of the ecosystem promoting internationalisation of businesses in their region.

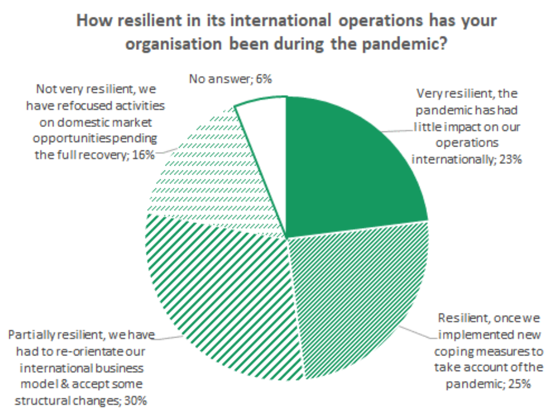
4.1 SMEs resilience in international trade

The resilience of business at the international level was assessed in a different way by BSOs and SMEs (Chart 29 and Chart 30). Only 4% of BSOs believed that SMEs were very resilient and that the pandemic had little impact on international operations, whereas 23% of SMEs declared that their organisation was very resilient to the pandemic. At the same time, 16% of the SMEs assessed themselves as not very resilient in international operations, forcing a refocus on the domestic market. For 60% of BSOs, SMEs in their region were resilient once they implemented new measures for coping with the pandemic. This was the answer of 25% of the SMEs involved in the survey. Around one-third of BSOs and SMEs declared the need for reorientating international business models and for accepting some structural changes.

BSOs' perspective (Chart 29)

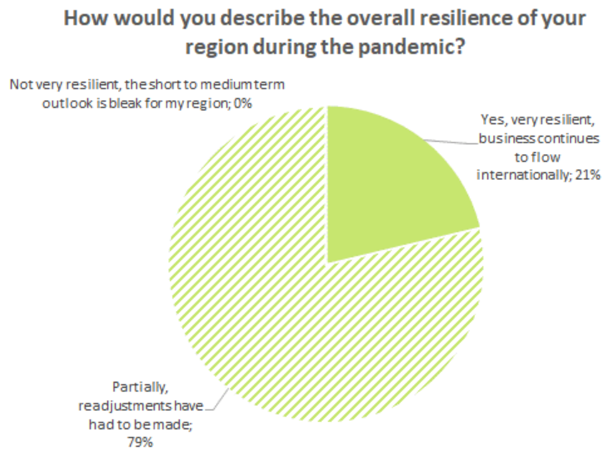


SMEs' perspective (Chart 30)



BSOs were asked to assess the overall resilience in terms of international 'business continuity' in their region during the pandemic. Only one-fifth considered their regions very resilient (Chart 31).

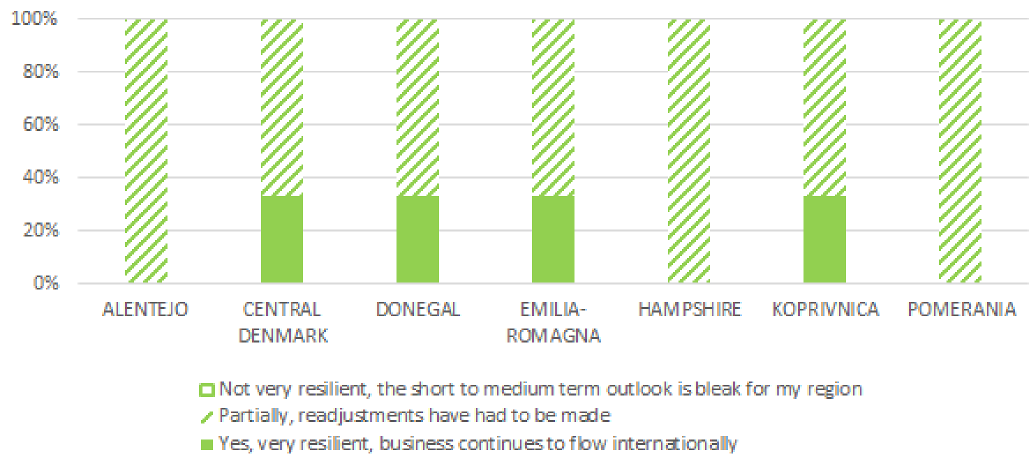
BSOs' perspective (Chart 31)



BSOs' focus (Chart 32)

How would you describe the overall resilience of your region during the pandemic?*

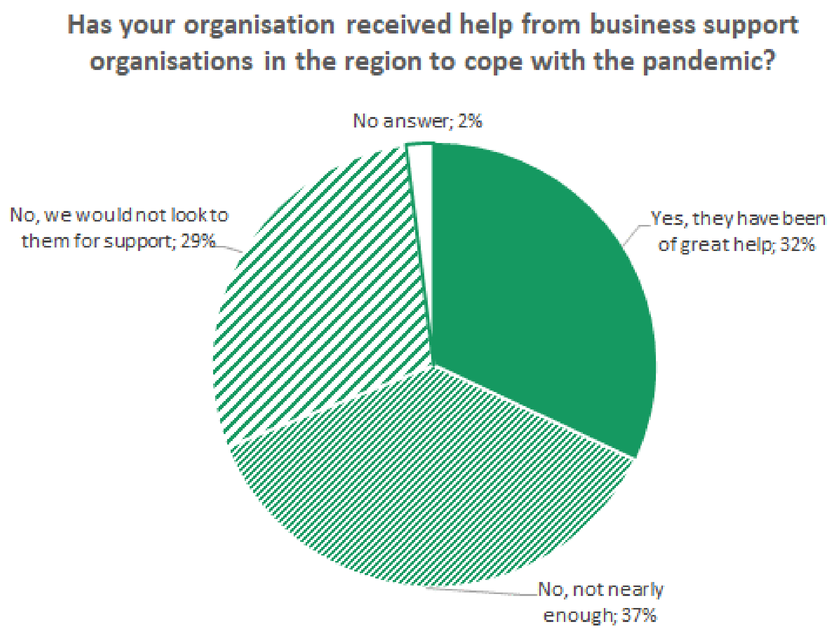
Looking at the indications of BSOs for each of the EIS regions, BSOs in only four regions (Central Denmark, Donegal, Emilia-Romagna and Koprivnica) (i.e., one-third) considered their region very resilient in terms of international 'business continuity'.



*The answers of the *'Other'* regions are not reported.

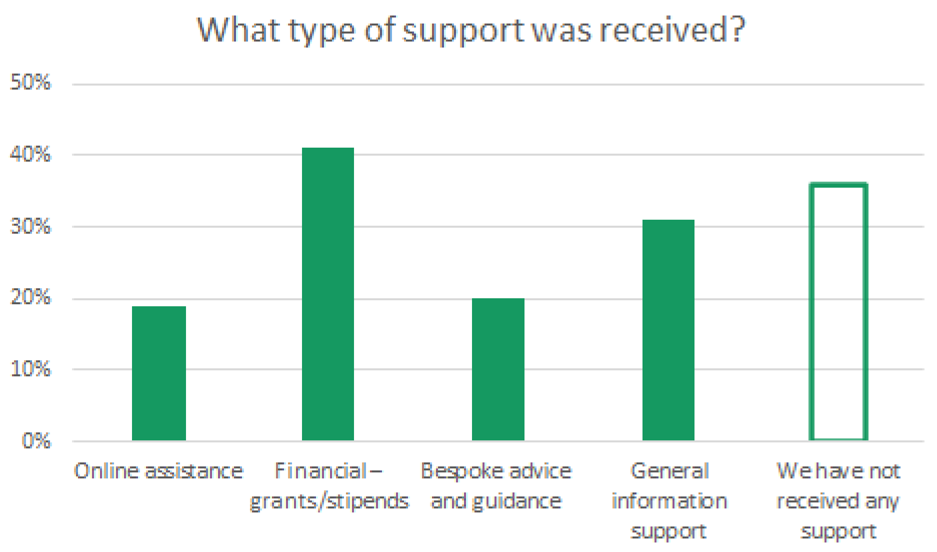
For 32% of the SMEs surveyed, support provided by BSOs in the region was considered a '*great help'* for coping with the pandemic. 37% of the SMEs declared that it was not nearly enough and the remaining third of the SMEs did not look for BSOs support (Chart 33).

SMEs' perspective (Chart 33)



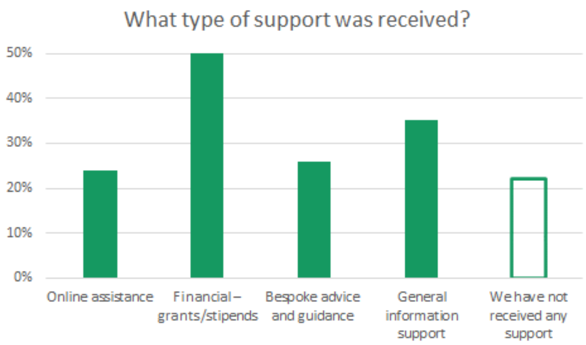
Concerning the type of support provided by BSOs, more than 40% of SMEs received financial support (i.e., financial grants/stipends) followed by general information support of which more than 30% of the SMEs participating in the EIS survey took advantage (Chart 34). One-third of SMEs have not received any support.

SMEs' perspective (Chart 34)

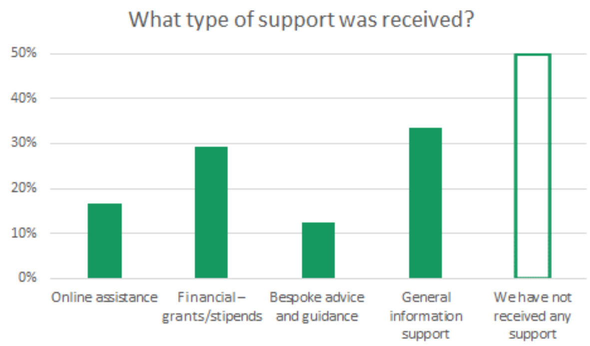


SMEs' focus (Chart 35)
What type of support was received?

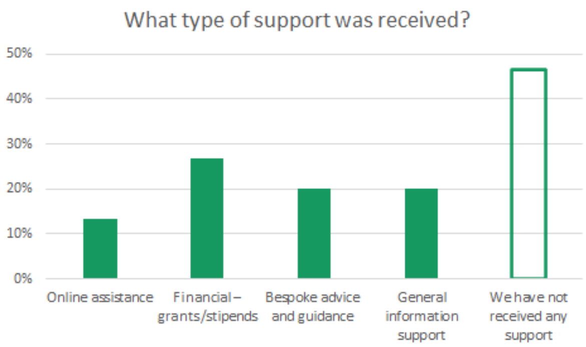
MICRO



SMALL



MEDIUM



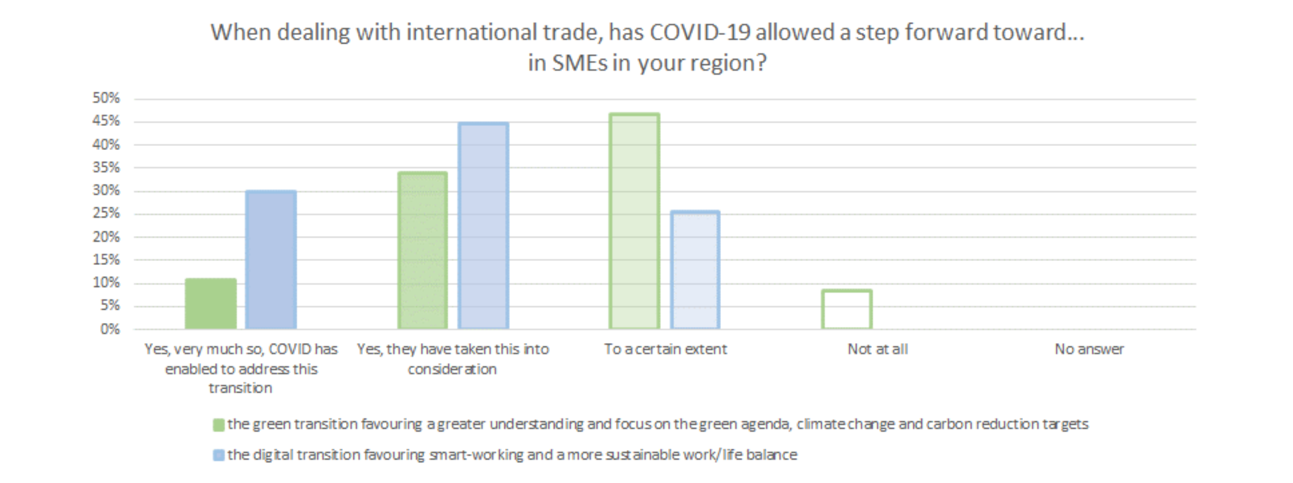
The type of support received by BSOs changes with the enterprise size. SMALL and MEDIUM received less support than MICRO. 50% of SMALL and 47% of MEDIUM did not receive any support against 22% of MICRO.

In addition, a larger share of MICRO has received financial support (i.e., 54%) against 29% of the SMALL and 27% of MEDIUM.

4.2 COVID-19 effects on regional ecosystems supporting internationalisation of business

The COVID-19 pandemic impacted businesses as well as regional ecosystems supporting businesses in their international activities. Some of the necessary changes are likely to be permanent, especially when concerning the twin transitions (i.e., digital transition and green transition). When dealing with international trade, BSOs and SMEs agree that COVID-19 has helped foster digital transition more than green transition. According to 30% of BSOs, COVID-19 allowed SMEs to make a step forward towards digital transition and for 45% of BSOs SMEs in their regions have taken digital transition into consideration when dealing with international trade. None of the BSOs answered *'not at all'* to the question: *'when dealing with international trade, has COVID-19 allowed a step forward toward the digital transition in SMEs in your region?'*. For almost half of the BSOs (47%), green transition was only considered *'to a certain extent'* and for 9% of them it was not considered at all (Chart 36). Looking at the answers provided by SMEs, the difference between the two transitions is flattened, with a predominance only in the share of SMEs that recognised the role of COVID 19 in fostering digital transition (9%) with respect to those that saw a positive side effect of the pandemic on green transition (3%) (Chart 37).

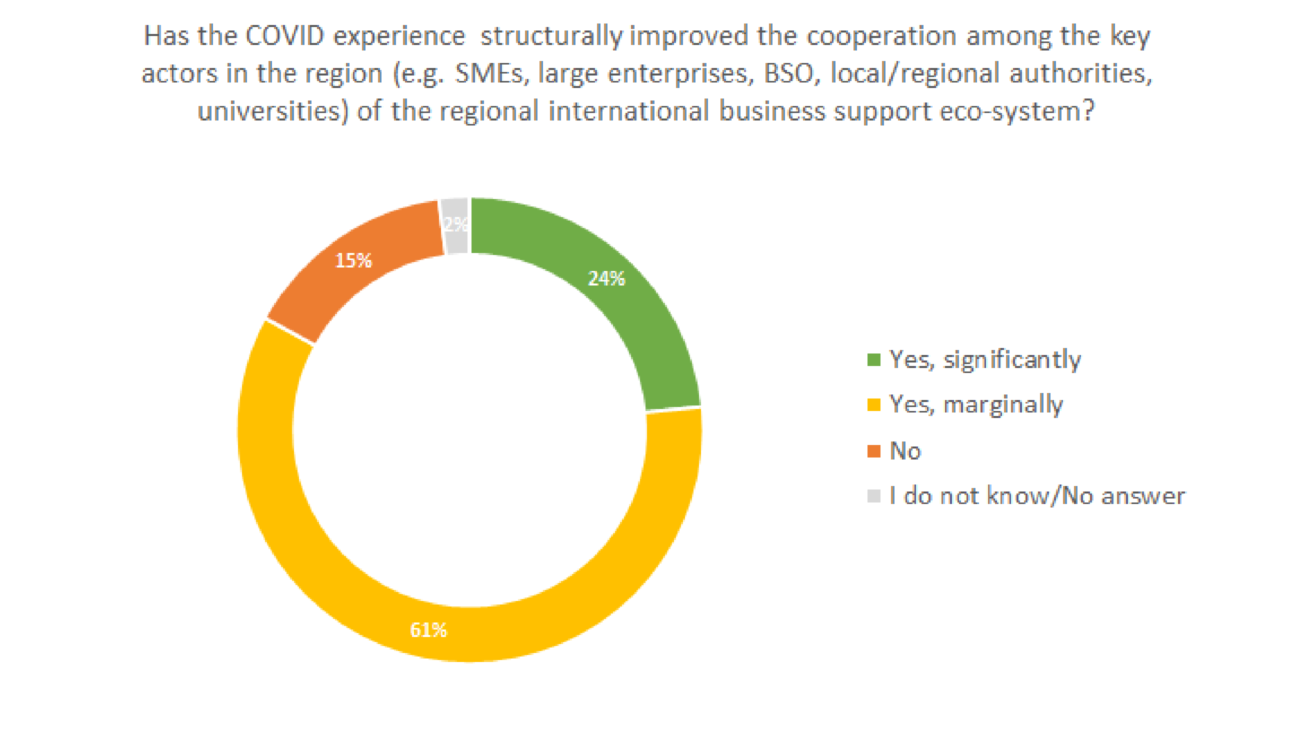
BSOs' perspective (Chart 36)



SMEs' perspective (Chart 37)

A quarter of BSOs indicated that the COVID-19 experience facilitated cooperation among key actors in the region which improved the regional international business support ecosystem in a significant way. For 61% of the BSOs, cooperation was facilitated only marginally (Chart 38). Half of SMEs did not answer or had no idea of the pandemic's effect on a possible improvement in cooperation in the regional business support ecosystem. Shares of those perceiving a positive effect of the COVID-19 pandemic in facilitating cooperation among key actors are structurally lower than those of BSOs (6% significantly, 24% marginally) (Chart 39).

BSOs' perspective (Chart 38)

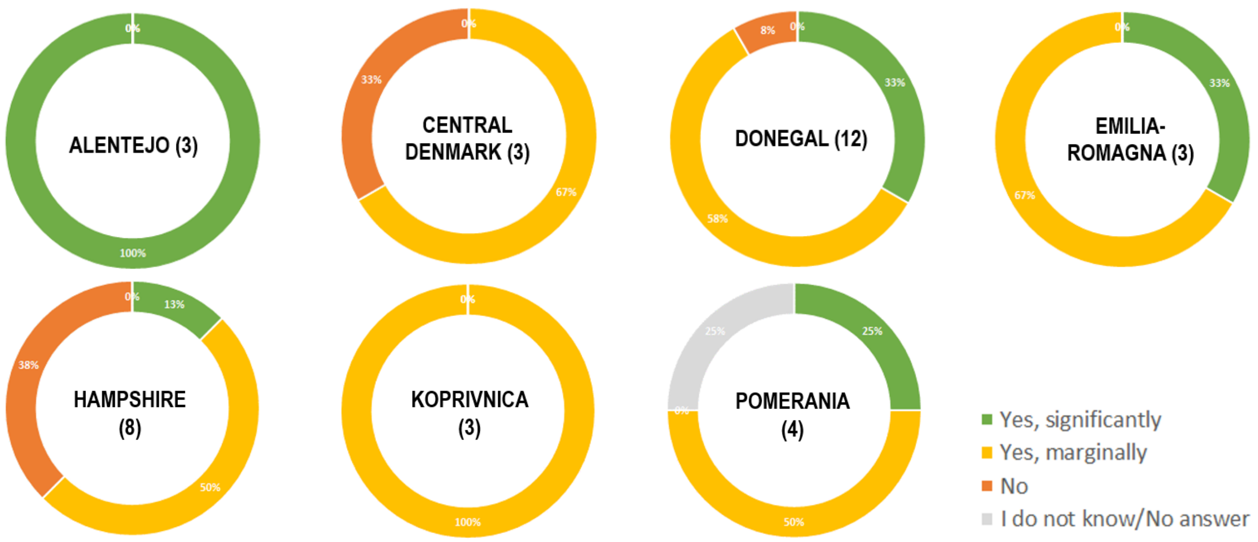


SMEs' perspective (Chart 39)

BSOs' focus (Chart 40)

Has the COVID-19 experience structurally improved the cooperation among the key actors in the region (e.g. SMEs, large enterprises, BSO, local/regional authorities, universities) of the regional international business support ecosystem?*

The COVID-19 experience facilitated cooperation among key actors in the region which improved the regional international business support ecosystem for most of the BSOs in all EIS regions. A significant increase in cooperation was perceived by 100% of the BSOs in Alentejo, by 33% of the BSOs In Donegal and Emilia-Romagna, by 25% of the BSOs in Pomerania and by 13% of the BSOs in Hampshire. The pandemic did not facilitate cooperation among key actors supporting international business according to 38% of the BSOs in Hampshire, 33% of the BSOs in Central Denmark and 8% of the BSOs in Donegal.



*The answers of the '*Other*' regions are not reported.

4.3 *Key findings about resilience of the SMEs and of the international business support ecosystem in the face of the pandemic*

- BSOs were less optimistic than SMEs about resilience in international trade against the pandemic. Only 4% of BSOs believed that SMEs were very resilient and that the pandemic had little impact on international operations whereas 23% of SMEs declared that their organisation was very resilient to the pandemic. For 60% of BSOs, SMEs in their region were resilient once they implemented new measures for coping with the pandemic.
- Only one-fifth of BSOs assessed their region as being very resilient in terms of international 'business continuity' during the pandemic. In four regions (Central Denmark, Donegal, Emilia-Romagna and Koprivnica) some BSOs (i.e., one-third) considered their region very resilient in international trade.
- Support provided by BSOs was considered a 'great help' for 32% of SMEs surveyed. 37% of the SMEs declared that it was not nearly enough and the remaining third of the SMEs did not look for BSOs support.
- 40% of SMEs received financial support. One-third of the SMEs did not receive any support.

- The type of support received by BSOs changes with the enterprise size. SMALL and MEDIUM received less support than MICRO. 50% of SMALL and 47% of MEDIUM did not receive any support against 22% of MICRO. In addition, a larger share of MICRO has received financial support (i.e., 54%) against 29% of the SMALL and 27% of MEDIUM.
- BSOs and SMEs agree that COVID-19 has helped foster the SMEs' digital transition more than the SMEs' green transition. BSOs are more optimistic about the contribution of the pandemic to the digital transition.
- According to BSOs, the COVID-19 experience has had a positive side effect in facilitating cooperation among key actors in the region which has improved the regional international business support ecosystem (24% significantly, 61% marginally).
- This is confirmed by responses from BSOs in all the EIS regions (to differing extents).

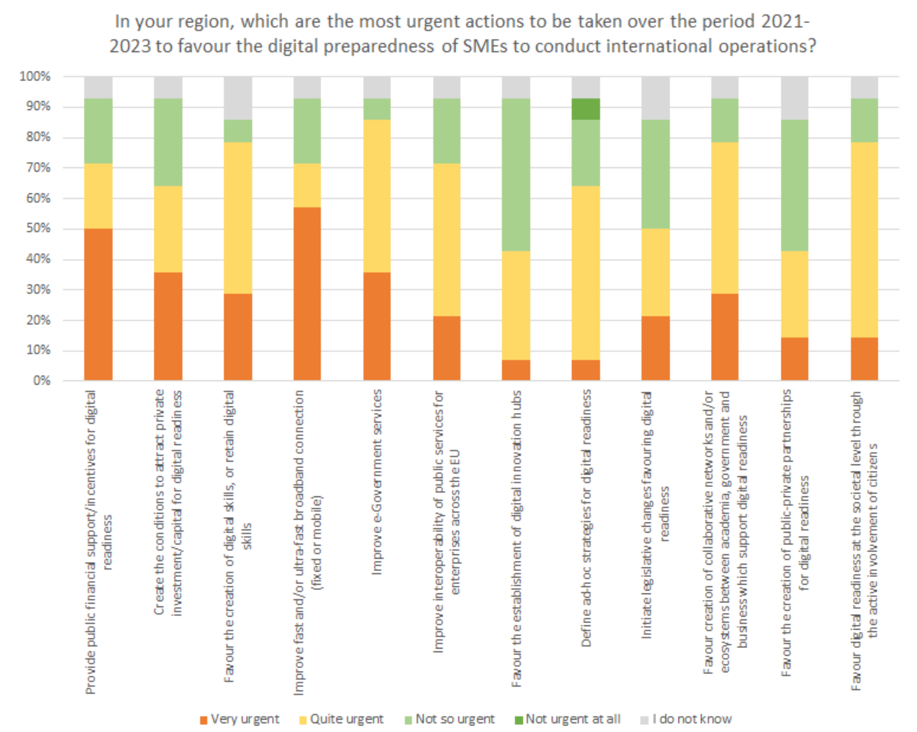
5 Snapshots of the EIS regions

5.1 Alentejo (PT)

Alentejo is one of the seven Portuguese regions. According to Eurostat statistics on active enterprises (Eurostat, Business demography by size class and NUTS 3 regions), in 2019, 67,000 enterprises (i.e., almost 6% of the Portuguese enterprises) were based in the region. Statistics by size indicate that 97% of businesses had fewer than 10 employees and among them, 69% had zero employees. The EIS survey was translated into Portuguese which helped register a good response rate.

14 SMEs from Alentejo answered the EIS survey. When asked to assess the most urgent actions to be taken in the region over the period 2021-2023 in order to favour SMEs' digital preparedness for conducting international operations, most of the SMEs (57%) in Alentejo declared that it was *'very urgent'* to *'improve fast and/or ultra-fast broadband connection (fixed or mobile)'* (Chart 41). This is a higher share than that of the entire sample of SMEs in the EIS survey that considered the improvement of broadband as *'very urgent'* (47%) (Chart 27). The second priority for SMEs in Alentejo is the same as all of the other SMEs responding the EIS survey (i.e., *'provide public financial support/incentives'*). Again, in this case, the share of SMEs in Alentejo who considered this action to be *'very urgent'* is higher than all the SMEs who responded (50% versus 44%). When considering at least quite urgent actions (i.e., *'quite urgent'* or *'very urgent'*), the first priority for SMEs in Alentejo is *'to improve the eGoverment services'* (86%) rather than *'to favour the creation of digital skills, or retain digital skills'* as for 79% of the total SMEs which answered the survey.

SMEs' perspective (Chart 41)



5.2 *Central Denmark (DK)*

Central Denmark (Midtjylland) is one of the four Danish regions. In 2019 more than 60,000 enterprises were active in the region (i.e., almost 22% of the total Danish enterprises (Eurostat, Business demography by size class and NUTS 3 regions). 89% of these enterprises had fewer than 10 employees (49% with zero employees).

Enterprises from Central Denmark were not involved in the EIS survey. However, interesting evidence on related topics can be gathered from other similar consultations carried out on the effects of COVID-19 on SMEs' export activities and on SMEs' investments in digitalisation (Box 2 and Box 3).

Box 2. The effects of COVID-19 on exporting SMEs in Denmark

From the end of February 2021 to the beginning of March 2021, Dansk Industri (a business association with around 19,000 members in Denmark) carried out a survey among its members about the effects of COVID-19. The survey was addressed to 6,268 enterprises and 801 replies were collected. According to the survey results, 24% of the Danish SMEs* lost at least 20% of their turnover during the first year of the pandemic. The share of large enterprises was 12%. SMEs for which exports account for more than half of their turnover suffered more. On average, they experienced a revenues reduction of around 13% after one year of the pandemic. Enterprises for which exports are less than half of the turnover or which only sell to the domestic market were hit less (i.e., 8% and 9% of revenues reduction, respectively). In comparison to large enterprises, when exporting enterprises were asked which kind of support they need in order to address the challenges due to COVID-19, SMEs requested a quicker removal of domestic restrictions (around 35%), lower taxes (more than 25%), better access to capital through public schemes (more than 10%), more trade fairs/access to markets opportunities (digital/not digital)(around 9%), more knowledge about export opportunities (around 5%), and more advice on ecommerce and other digital solutions (around 5%).

*Within this survey SMEs are defined as enterprises with fewer than 100 full-time employees.
Source: Analysis of the survey carried out by Dansk Industri

Box 3. Investments in digitalisation of Danish SMEs to cope with the pandemic

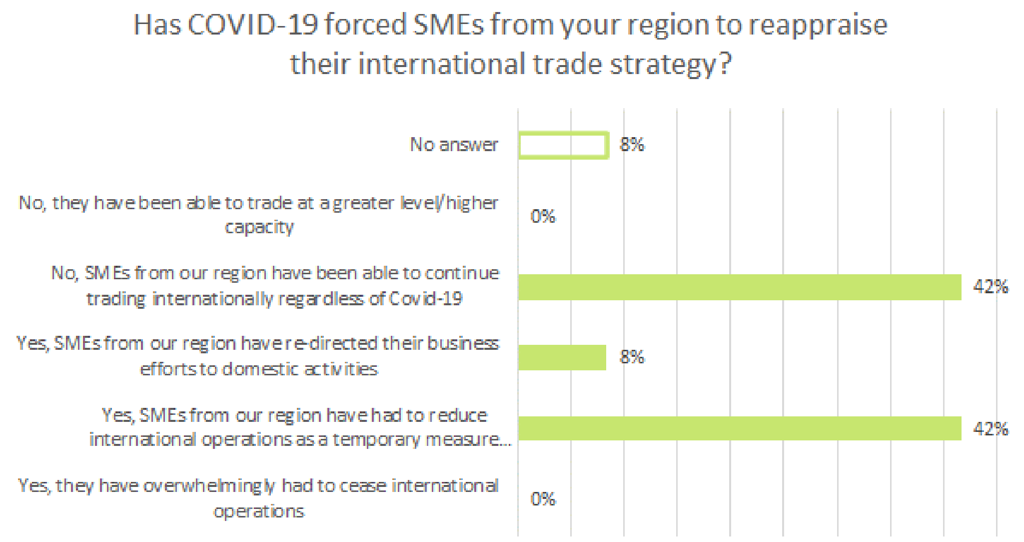
In September-October 2020 a survey conducted by the Teknologisk Institut, CBS and SDU contacted 3,469 Danish SMEs*. The goal of the analysis carried out on the 1,380 collected responses was to understand if SMEs' digitalisation made any difference in addressing COVID-19 issues and if digitalisation affected the SMEs' performance. When asked which effects the pandemic had on the enterprise's investments for new digital tools in 2020, 16% of SMEs answered that COVID-19 increased these investments, 12% responded that COVID-19 decreased these investments and 70% that COVID-19 did not impact the investments in new digital tools. Only 7% of SMEs declared that the pandemic has led to an increase in investments when answering an analogous question on investments in automation. When comparing performance in 2020 between SMEs that increased digital investments during the pandemic and SMEs that decreased digital investments during the pandemic, 34% of the 'digital investors' increased their turnover (against 3% of the 'digital skeptics') and 41% decreased their turnover (against 83% of the 'digital skeptics').

Source: Virksomheder investerer sig ud af COVID-19 problemer.
*Within this survey SMEs are defined as enterprises with 10-250 employees.

5.3 Donegal (IE)

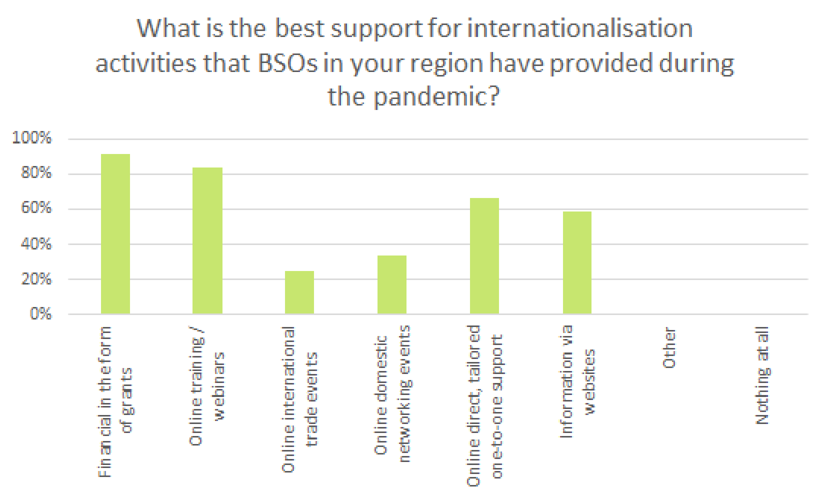
12 BSOs from Donegal answered the EIS survey. The assessment of the necessity to reappraise the international trade strategy due to the pandemic differs between the BSOs in Donegal and the other BSOs answering the survey. Essentially, greater SMEs' business continuity was perceived by BSOs in the Irish region. 42% of the BSOs in Donegal declared that COVID-19 had not forced SMEs in the region to reappraise their international trade strategy (Chart 42). The share among the respondents to the EIS survey is 30% (Chart 7). The SMEs' need to redirect business to domestic markets was perceived by a few Irish BSOs (8%).

BSOs' perspective (Chart 42)



Most BSOs in Donegal (92%) rated financial support, e.g. online voucher support, as the best assistance for internationalisation during the pandemic (Chart 43). 60% of all BSOs that answered the same question considered financial support (Chart 10). Online training/webinars ranked second for the BSOs in Donegal (83%) while it was considered the best support by most of SMEs answering the survey (79%)(Chart 10).

BSOs' perspective (Chart 43)



5.4 Emilia-Romagna (IT)

Emilia-Romagna is one of the 20 Italian regions. The region hosts around 350,000 enterprises (i.e., 8% of all Italian enterprises) according to Eurostat statistics on active enterprises (Eurostat, Business demography by size class and NUTS 3 regions). Statistics by size indicate that in 2019, 95% of businesses in the region had fewer than 10 employees (66% had zero employees). According to the data of the Italian national statistical institute (i.e., ISTAT), in 2021 Emilia-Romagna ranked second after Lombardia in contributing to the Italian export with a 14% share.

As the Emilia-Romagna regional authority was included in the EIS project extension as a non-reporting observer partner, the partner focused its effort on a similar and already-planned consultation on digital export addressed to SMEs belonging to traditional sectors and based in the region (Box 4).

Box 4. SMEs and traditional sectors in the Emilia-Romagna region: the unexploited opportunities of the international supply chains digitalisation

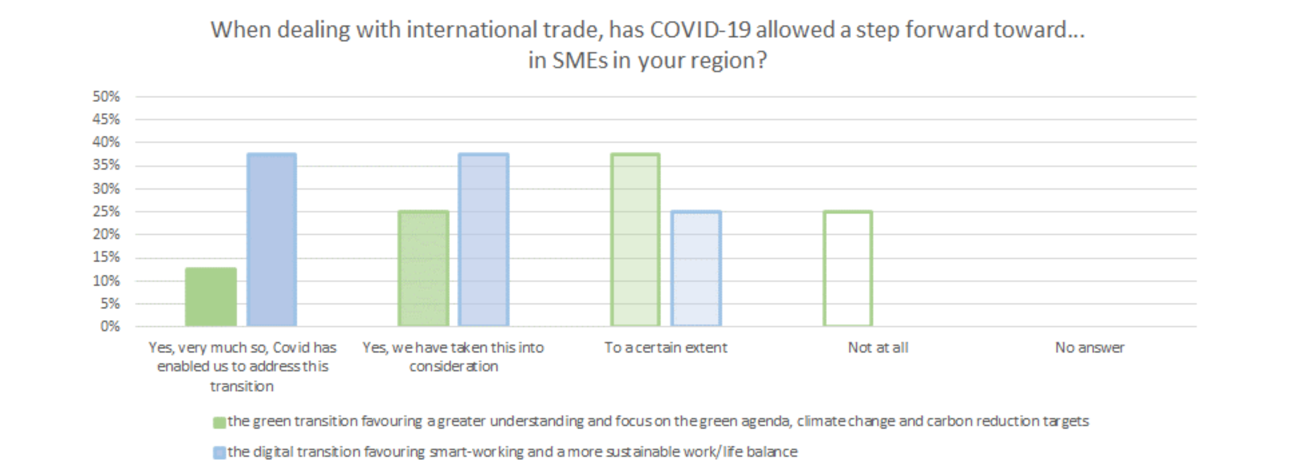
The propensity of SMEs in using digital tools to build or reinforce their own international supply chain was investigated in a consultation carried out by the Emilia-Romagna Regional Government in December 2021. The consultation concerned a population of around 16,000 SMEs* based in the region. These SMEs belonged to seven economic sectors focused on the production and/or processing of metals, food, textiles, wood, mechanics, construction, and other manufacturing. Although the consultation focused strictly on understanding how much the SMEs of the region were exploiting the digital export opportunities, some of the answers provide an interesting overview of the role digital technologies have in the internationalisation process of SMEs. The consultation collected complete questionnaires from 410 SMEs. For 75% of them, 100% of the turnover is B2B generated and most of them only sell in the Emilia-Romagna region. A short supply chain is the case of most of the SMEs answering the survey. The answers collected depict a sample of SMEs for which digital export advantages were still unexplored. Only 4% declare that they are interested in developing internationalization strategies through digital export and 80% state that they are not interested in approaching/enforcing export opportunities by means of technologies. When asking SMEs that indicated they are interested in developing internationalization strategies through digital export (i.e., 4% of the respondents) which is their reason for approaching, strengthening or consolidating digital export, most of them (i.e., 85%) replied *'to open new markets'*. The adoption of ecommerce tools (i.e., not exploited and deemed not useful by 76% of the respondents), social media strategies (i.e., essentially based on Facebook, i.e., 85% of the respondents) and online promotional channels for products/services (i.e., only 10% only of the respondents using the digital platforms for promoting products/services) resulted poorly. 62% of the SMEs answered that they had never allocated a budget to develop digital export activities, but that they would not discard this option in the future. When asked if the enterprise would like to be assisted in acquiring the digital skills needed for digital export, 61% of the SMEs answered *'yes'*. Although not investigated in this consultation, the overall picture highlights a crucial need for BSOs to act in order to raise awareness on two main aspects: the increased accessibility to foreign markets offered to SMEs by digital tools and the potential advantages of the digitalisation of commercial processes also in short supply chains of traditional sectors.

Source: Report on the spread of Digital Export in Emilia-Romagna Region carried out by Octagona S.r.l. for Emilia-Romagna Region and ART-ER.
*Target SMEs belong to three classes by size: from 6 to 9 employees, from 10 to 49 employees, and from 50 to 99 employees.

5.5 *Hampshire (UK)*

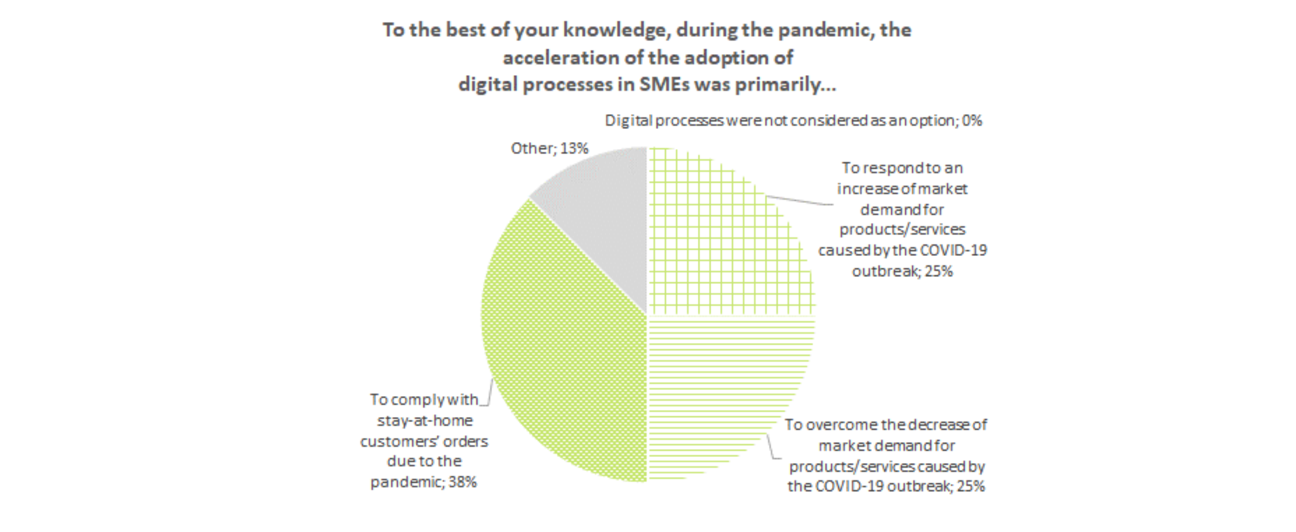
Eight BSOs from Hampshire answered the EIS survey. When dealing with international trade, the responses of BSOs in Hampshire indicated that COVID-19 has helped foster digital transition more than green transition. For 38% of BSOs, COVID-19 allowed a step forward towards digital transition (Chart 44). The share of all the BSOs answering the EIS survey was 30% (Chart 36). An important difference is in the results of the green transition. 25% of BSOs in Hampshire declared that SMEs did not consider green transition at all. The share of all BSOs with the same opinion was 9% (Chart 36).

BSOs' perspective (Chart 44)



All BSOs answering the EIS survey (including those from Hampshire) dispelled the notion that digital processes were not considered by SMEs as an option for coping with the effects of the pandemic (Chart 19 and Chart 45). In Hampshire the same share of BSOs (25%) indicated that digital processes were mainly an option for responding to either an increase or decrease in market demand. Among the *'other'* reasons, one of the BSOs from Hampshire specified that the acceleration of digital processes was due to the SMEs' need to allow their employees to work from home.

BSOs' perspective (Chart 45)

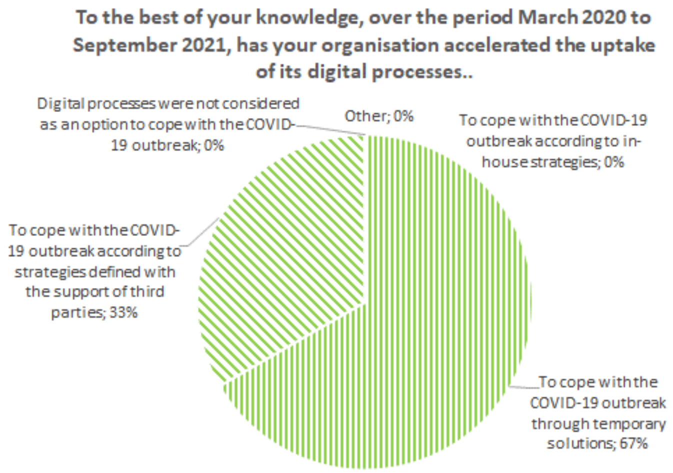


5.6 *Koprivnica (HR)*

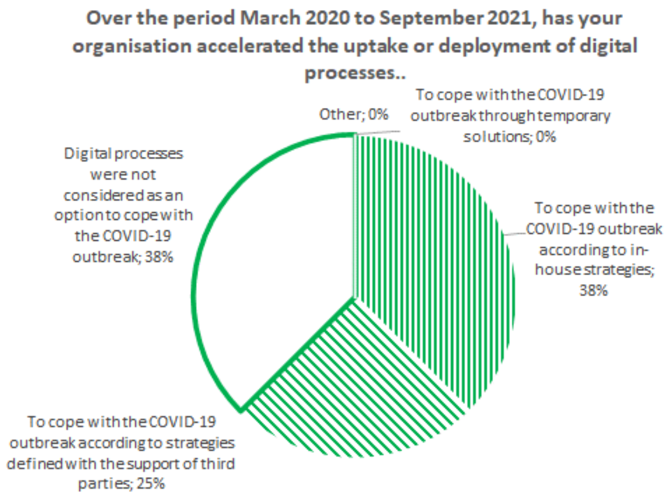
Koprivnica (Koprivničko-križevačka županija) is part of the region Sjeverna Hrvatska in Croatia. In 2019 almost 3,200 enterprises (i.e., 1.5% of all Croatian enterprises) were based in Koprivnica, according to Eurostat statistics on active enterprises (Eurostat, Business demography by size class and NUTS 3 regions). In 2019, 92% of these enterprises had fewer than 10 employees (35% had zero employees).

Eight enterprises and three BSOs from Koprivnica answered the EIS survey. In Koprivnica, 96% of the BSOs experienced the acceleration of the digital uptake as a means of coping with the pandemic from March 2020 to September 2021. (Chart 46). For two-thirds of the BSOs, the acceleration of the digital uptake was a temporary solution for coping with the pandemic. For the other Croatian BSOs, strategies for coping with COVID-19 were defined with support of third parties. The main differences within the opinions of the Croatian SMEs are that a large part of them (38%) did not consider digital processes as an option for coping with the COVID-19 outbreak from March 2020 to September 2021 or that they accelerated their digital uptake or deployment through an in-house strategy (Chart 47).

BSOs' perspective (Chart 46)



SMEs' perspective (Chart 47)

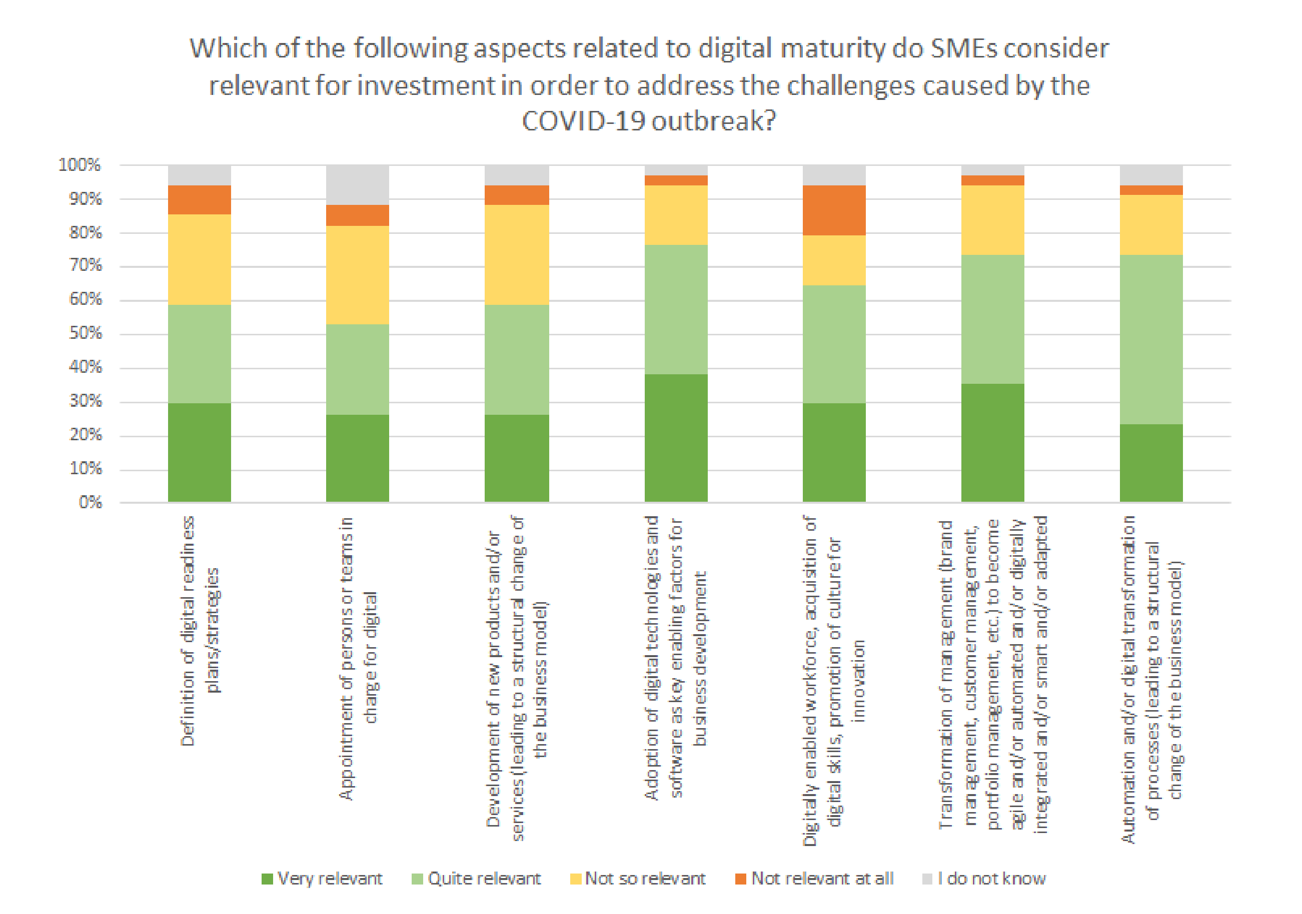


5.7 Pomerania (PL)

Pomerania (Pomorskie) is a Polish region which in 2019 had around 170,000 active enterprises (i.e.,7% of all Polish enterprises) (Eurostat, [Business demography by size class and NUTS 3 regions]). Enterprise statistics by size indicate that 96% of businesses in the region had fewer than 10 employees. 70% of them h zero employees. The EIS survey was translated into Polish which helped with the response rate.

34 SMEs from Pomerania answered the EIS survey. In contrast to the overall sample of SMEs answering the EIS survey (Chart 22), investments that were considered *'very relevant'* by most of the SMEs in Pomerania were those related to the *'adoption of digital technologies and software as key enabling factors for business development'* (38% of Polish SMEs against 31% of the total of SMEs) followed by investments related to the *'transformation of management to become agile and/or automated and/or digitally integrated and/or smart and/or adapted'* (35% of Polish SMEs against 25% of the total of SMEs) (Chart 48). Digitally enabled workforce or acquisition of digital skills that were selected by most of the SMEs (34%) as the top *'very relevant'* investment were considered by the Polish SMEs at the same level of investments for the '*definition of digital readiness plans/strategies*' (29%). The *'adoption of digital technologies and software as key enabling factors for business development'* remains the investment that most of the Polish SMEs (76%) considered at least quite relevant (i.e., *'quite relevant'* or *'very relevant')* followed by investments in the transformation of management (74%) and in the automation and/or digital transformation of processes leading to a structural change of the business model (74%).

SMEs' perspective (Chart 48)



6 Recommendations for practitioners and policy makers

We propose the following recommendations for practitioners and policy-makers as a result of the evidence gathered through the analysis of the EIS survey across the three themes and the inputs from the participating EIS regions.

6.1 Theme 1: disruption to international supply chains and effects on SMEs

For practitioners (including BSOs). COVID-19 undoubtedly affected the international operations of SMEs. The extent of this impact depends on the specific business of each enterprise. Those suffering the most were the smallest enterprises (i.e., with fewer than 10 employees). However, a certain degree of structural resilience (not easily perceived) on the part of SMEs with respect to the pandemic prevented the cessation of international trade and limited interruptions of operations at the international level. Those SMEs exemplifying a degree of digital maturity favoured the 'business continuity' of international operations. However, information support provided remotely by BSOs and tailored to the SMEs' needs was, and still is, crucial. The pandemic gave a clear remit for BSOs to reach out widely to internationalising SMEs operating in their territories.

For policy makers (including local and regional authorities). On average, COVID-19 had more consequences in terms of international operations for enterprises with fewer than 10 employees. As the smallest enterprises are those that usually suffer the greatest financial constraints, tailored financial support (e.g., vouchers for digitalization, reimbursements of expenses to attend international fairs) is essential to support business adaption to the post-pandemic new normality.

6.2 Theme 2: digitalisation as a means of coping with the pandemic

For practitioners (including BSOs). It is not possible to affirm that digitalisation was a structural solution undertaken by all SMEs in order to cope with the international trade challenges caused by COVID-19. A number of SMEs did not consider digital uptake as an option for addressing the pandemic's impact. The role of BSOs is then three-fold: (i) to understand if digitalisation was not considered because of SMEs' lack of awareness about the 'potential of digital'; (ii) to promote (structural) changes in business models to make businesses more competitive in international markets (also in the post-COVID era); (iii) to support internationalising SMEs not only by means of technologies (e.g., advice in applying new rules for trading between EU Member States and the UK).

For policy makers (including local and regional authorities). Actions aimed at favouring the creation or retention of digital skills and interventions for guaranteeing strong broadband connections in the territory should be at the top of local and regional decision makers' policy agenda for the coming years. Availability of digital skills and broadband connections are therefore necessary conditions requested by most of the SMEs for coping with the pandemic and its medium-term effects. In addition, the improvement of the eGovernment services for business may have a multiplier effect on the SMEs' demand for digitalisation in the mid-term. BSOs consider the adoption of digital technologies as key enabling factors for business development and a digitally-enabled workforce to be among the very urgent investments for favouring digital readiness to support SMEs in facing the pandemic's impact. Accordingly, in the near future, Digital Innovation Hubs (DIHs) may also take a strategic role in supporting SMEs' 'digital' internationalization and their potential needs to be properly understood by SMEs.

6.3 Theme 3: resilience of the SMEs and of the international business support ecosystem in the face of the pandemic

For practitioners (including BSOs). SMEs seem to have been more resilient to the pandemic effects than what was expected by BSOs. Still, the role of BSOs remains crucial and, when received, their support is appreciated by SMEs (especially by the smallest). Differentiation of BSOs' support may be needed in the near future: an offer of 'informed capital' combining financial support with information-based assistance for the smallest businesses or for businesses taking the first steps along the internationalization path (e.g., with a key role for chambers of commerce); and a provision of high added-value services such as those facilitating businesses' digital transformation (e.g., with a key role for DIHs).

For policy makers (including local and regional authorities). Internationalising SMEs reacted to the new challenges of COVID-19 by moving towards the twin transitions (digital and green). SMEs should be facilitated in these transformations. Regional policies (ESIF) and local actions aimed at supporting SMEs in international operations should also define incentives linked to the achievement of digital or green targets. The local and regional authorities should foster a systemic approach focusing on a multifaced resilience of SMEs. One of the future key challenges for regional decision makers is to create an ecosystem for business internationalization that simultaneously promotes digital transition, green transition and innovation.

Annex I - References

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