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Entering Central and Eastern European markets through Gateway Strategies: the case of the French company SLAT

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Abstract: This paper focuses on the international development of SLAT, an independent SME which develops, produces and markets solutions of secured alimentations. Located in the Rhône-Alpes region, the company has 67 employees. The SME has mainly developed in international markets through export activities: it realizes 15% of its total sales abroad and its products are marketed in 37 countries. The company has recently decided to implement a sales subsidiary in Germany to strengthen its presence in international markets. In this process, the company was accompanied by ERAI (Entreprise Rhône-Alpes International), a French agency which helps companies from the Rhône-Alpes region to expand into foreign markets. The authors of this paper explain the role played by ERAI in the establishment of the foreign subsidiary and the influence of a successful accompaniment experience on the internationalization process.

SMEs are often limited in their internationalization by their lack of experience, tangible and intangible resources, internal competencies, barriers (perceived or real), among others (Francis and Collins-Dodd, 2004). Therefore, they often choose to collaborate with specialized agencies when expanding into new geographic markets (Bouveret-Rivat and Mercier-Suissa, 2010; Zucchella and Scabini, 2007). Developed by national, regional or professional institutions, export promotion agencies aim to help companies to overcome existing barriers by providing them advice as well as financial, logistic and material support at different stages of their expansion (Goxe, 2011). SMEs collaborate with export promotion agencies for two major reasons: their market knowledge scarcity and the necessity to penetrate foreign networks (Catanzaro et al., 2013). Promotion agencies facilitate the creation of relationships with different types of local actors - suppliers, distributors, customers, institutions etc. – and potential partner companies, thus enhancing SMEs' competencies and international competitiveness (Francis and Collins-Dodd, 2004; Catanzaro et al., 2013).

This paper focuses on the international development of the French company SLAT, an independent SME which develops, produces and markets solutions of secured alimentations. This industrial SME has mainly developed in international markets through export activities: it realizes 15% of its total sales abroad and its products are marketed in 37 countries. The company has recently decided to implement a sales subsidiary in Germany to strengthen its presence in international markets. In this process, the company was accompanied by ERAI (Entreprise Rhône-Alpes International), a regional agency which helps local companies to expand into foreign markets. The authors examine the role played by ERAI in the establishment of the foreign subsidiary and the influence of a successful accompaniment experience on the internationalization process. They first analyse the international development of SLAT (part 1) before discussing the role played by ERAI in the internationalization process followed by the company (part 2).

1. SLAT, an SME expanding into international markets

SLAT is a French SME that has followed an original development path. After the presentation of the company and its activities, we will focus on the internationalization process of this industrial enterprise.

1.1. Presentation of the SLAT company

SLAT is a French SME that operates in the industry of secure power supply solutions. Located in Champagne au Mont d'Or near the city of Lyon, the company has 67 employees. In 2011, SLAT achieved total sales of 12.89 million euros (+6.89% on 2010) and made a net profit of 1.17 million euros (+14.81% on 2010). The company dedicates 10% of its total sales to research and development (R&D). The development path of SLAT can be divided into three different phases: (1) the creation and development as an independent family-owned SME, (2) the integration into foreign multinational companies (Quante AG and 3M), (3) the growth as an independent SME. Table 1 summarizes the most significant events concerning the evolution of the company since its creation.

Table 1: History of the SLAT company

Development phases	Main events
Independence (1953-1985)	1953: Creation of the Société Lyonnaise d'Appareillage Téléphonique (SLAT) 1969: Premises of international expansion (sporadic exportations)
Integration in multinational companies (1985-2009)	1985: Acquisition by a US pension fund 1988: Acquisition by Quante AG (Deutsche Telekom) 2000: Acquisition of Quante AG by 3M 2004: Nomination of André Guinet at the head of SLAT and first strategic reorientation : - from "endured" to "controlled" exportations - exit from the telecommunication sector - development of a niche strategy 2006: Creation of a sales office in Germany
Independence (since 2009)	2009: Acquisition of the company by its managers (LBO) 2011: Creation of a sales subsidiary in Germany 2012: Delineation of new vectors of growth : - expansion into German-speaking countries - development of new activities 2013: Exploration of the Polish market in collaboration with ERAI

Source: SLAT (2012), *Internal documents*.

Created in 1953 by Mr. Maitrepierre, SLAT (Société Lyonnaise d'Appareillage Téléphonique) initially developed and produced telephone sockets. In the post-war period,

this sector expanded rapidly and SLAT became a major supplier of 'T-shaped sockets' for various industries. In the 1960s, encouraged by a growing demand for PABX telephone exchanges (Private Automatic Branch Exchange - an electronic system that connects internal telephone lines to the external telephone network and thereby allows to manage incoming and outgoing calls) and faced with the need for connections to be maintained in case of a power failure, the company moved towards manufacturing secure power supplies (battery chargers), which subsequently became its core business. For over 35 years, this small family-owned SME mainly developed its activities on the French market.

At the end of the 1980s, SLAT lost its independence and was taken over by a US pension fund which later sold it to Quante AG (*Aktiengesellschaft* - joint stock company), a German company with 1.600 employees, belonging to Deutsche Telekom. In 2000, when Quante AG was acquired by 3M (Minnesota Mining and Manufacturing Company), an American multinational company with 70.000 employees. SLAT thus became successively a subsidiary of Quante AG and the 3M Group. In 2004, the 3M Group decided to nominate one of its marketing and sales managers, André Guinet, as a Managing Director of the SLAT subsidiary.

In 2009, SLAT regained its independence: the company was sold by the 3M Group to two of its senior managers. The realization of this purchase was preceded by long negotiations which started in 2007, since selling a subsidiary to managers is not part of the corporate culture of the 3M Group. André Guinet, Chief Executive Officer, and Isabelle Chevaux, Administration and Finance Director, finally bought the company through an LBO (Leveraged Buy Out): they acquired 30% of its capital, and the Initiative & Finance fund purchased 65%, 5% being held by employees.

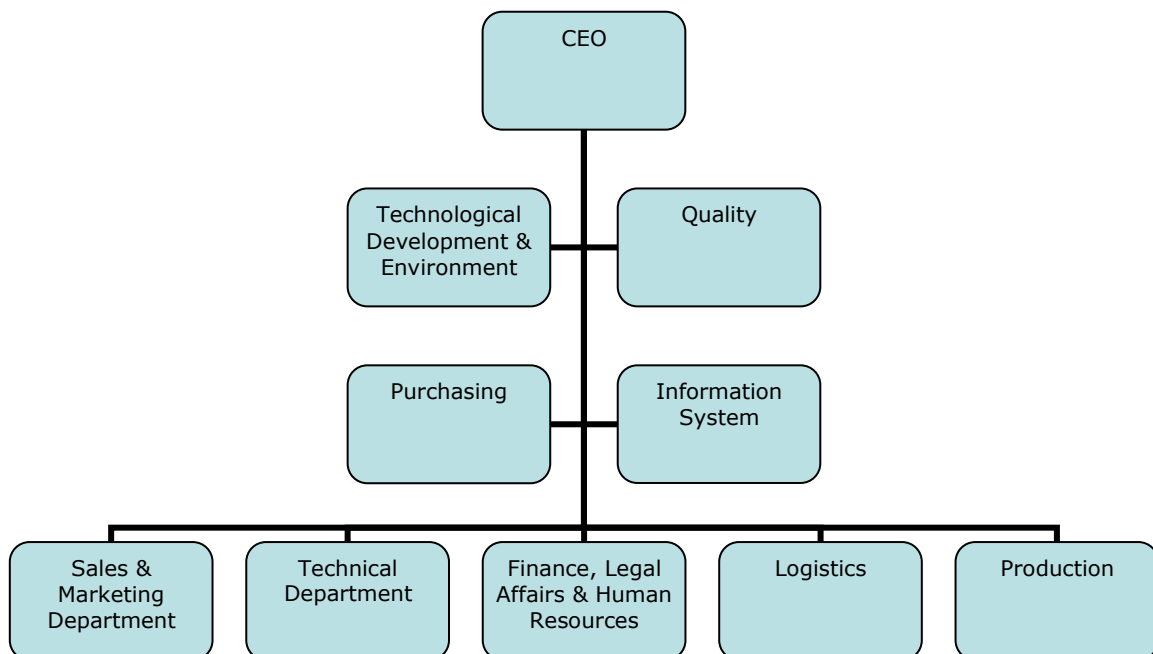
André Guinet, an electro-mechanical engineer, had gained an important international experience, namely in Germany and the Middle East, and spent a large part of his career with the 3M Group. He admits having experienced some difficulties at the beginning due to the specificities of SMEs. *“When I came here, I was Managing Director of 3M France, a kind of super sales & marketing manager. I did not know what an SME was!”* With regards to his acquisition of SLAT, he explains: *“I arrived at SLAT in 2004, assigned by 3M for a period of two years. [...] My role was to create a business plan to sell the business. It is true that I quickly became attached to the company. [...] The life of an SME is different and that is something that I enjoyed: the human qualities, the ability to make decisions without having to consult anyone. [...] 3M wanted to sell the company but was not able to. In March 2007, I said to them: 'It is time to sell'. We had grown substantially and the business plan was sound. [...] We needed until October 2008 to put the company on the market. I had made a number of offers but the group turned them down. I tried to buy the company but it was made clear that it was not at all in the spirit of 3M and never before at 3M had an employee acquired a group subsidiary: it had never been done and would never be done. [...] However, due to the economic downturn, the prevailing situation allowed me to buy the company in 2009. We returned to being an independent SME in July 2009. It is never too late to go on an adventure and become an entrepreneur!”*

Since 2009, the management style of the company has been strongly influenced by the personality of the CEO, like this is often the case for SMEs (Torrès, 1997). André Guinet believes that close collaboration with employees plays an important role in making the company more flexible and responsive. He attaches particular importance to listening to

employees, regardless of their hierarchical level and place in the organization. He explains: “I have a theory: if I do not have enough time it is because I am badly organised. My door is always open. Anyone can come and see me at any time. It sometimes has its drawbacks but it is a way of working. [...] I arrive at 6.00 a.m. and between 6.00 and 8.00 I do not see a lot of people. [...] It is the same for the evening, after 7.00 p.m. [...] I use this time to write business plans, etc. As an SME, you need this time to think and get things straight. It is impossible to do so during normal working hours. Some of my predecessors had a far simpler technique: they arrived in the morning and went into their office and closed the door without greeting anyone. When they needed someone they had an assistant next door who also made coffee, etc. The first thing that I did when I arrived here was to get rid of this position. Nobody understood why. They asked me how I was going to cope. I come from a US group. I have never had an assistant.”

As shown by figure 1, the organizational structure of the company is of functional type. This form of hierarchical organization is often adopted by SMEs, especially when they follow a specialization or niche strategy (Mayrhofer and Urban, 2011). It seems interesting to note that the company has not created a department dedicated to export activities, which are thus managed by the different business functions. Indeed, the company’s engineers collaborate closely with sales representatives, often accompanying them for customer visits, in France and abroad, to better understand and satisfy the customers’ technical needs. The Executive Committee comprises the CEO and the heads of the following departments: 'Sales & Marketing Department', 'Finance, Legal Affairs & Human Resources', 'Technological Development & Environment' and 'Quality'.

Figure 1: Organisational structure of SLAT

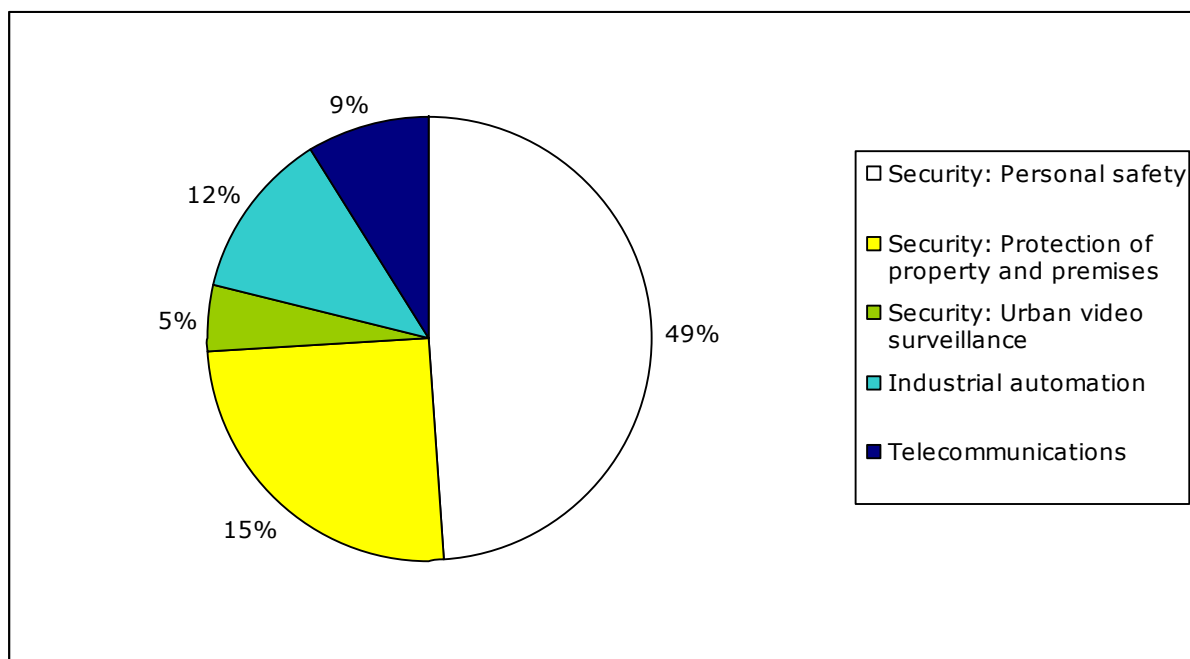


Source: SLAT (2012), *Internal documents*.

After having regained its independence, SLAT has enjoyed a period of strong growth and profitability. As André Guinet points out, a successful development plan wholly depends on a constant search for growth. *“I need profitable growth. Why? The reason is quite simple. I always give this example. [...] As a human being, try to remain standing for an hour without moving: it will be difficult. Try to walk backwards: you will not walk for long. Try going forward: you will be able to walk for miles. That is the image of growth that I always give. Given today's economic system, you do not really have any other choice but to go forward! Going forward in business means finding growth. [...] Over the past five years, we have increased our staff by about 10%, our total sales have developed from 8 million euros in 2004 to 12 million euros in 2010. The problem of an SME is that I have an important amount of variable costs which become fixed costs. We need a basic infrastructure, and today, the strategy is relatively clear: we develop a profitable growth strategy. I need a certain form of comfort, I need a cash-flow to work and results that are not ‘border-line’: if you take out 2-3% of results in a company like this one, one coughing client who forgets to pay you puts you into losses. I rather follow objectives between 10 et 15%, not to take the money to the bank, but to invest it internally, to improve our competitiveness and to finance our export strategy.”*

Since its creation, SLAT has operated in niche markets, thus working in areas where competition in France, and even in Europe, appears to be weak. Today, the company designs, produces and sells secure power supplies. As shown by figure 2, the offer is aimed at five different markets: (1) personal safety (49% of total sales), (2) security of property and premises (15%), (3) security for urban video surveillance (5%), (4) industrial automation (12%) and (5) telecommunications (9%). Personal safety (fire prevention and health) and the protection of property and premises represent the company’s main fields of activity. Standards in both areas are strict and constantly evolving. Security for urban video surveillance is a new line of business which was introduced in 2010. The company’s industrial automation devices mainly serve the aerospace industry, airports and car manufacturers. The telecommunications sector, which constitutes the company’s historic line of business, is a declining market.

Figure 2: Breakdown of the company's activities (% of total sales in 2011)



Source: SLAT (2012), *Internal documents*.

Concerning the reorientation of business activities accomplished since his arrival as head of the company, André Guinet states: *“We have lost the telecoms business. In the past, it represented over 50% of the company's business, but today I would say that it is less than 10%. [...] Since 2004, I have completely redirected the company as I soon realised after I arrived that the telecoms sector was a little 'dead'. Today, it is essentially a mass market served by South-East Asian suppliers. I decided to turn our attention to niche markets in which we can always offer something different and, above all, be a profitable company. [...] The company's areas of growth are very simple: they are linked to buoyant markets. I draw on know-how that already exists: where can I make the best use of my know-how and get the most value out of it? Why the security sector? Because it is a buoyant sector. I produce five-year business plans. For me, it is a buoyant and growing sector. Whether for the safety of people (i.e. fire safety) or controlling access and stopping intruders, we need to protect buildings through video surveillance. Linked to this area, I work on everything associated with the ageing of the population: for instance, with home hospital care, if there is breathing apparatus and a power failure occurs, the consequences can be serious. [...] There is another area of growth which is the environment but that is a personal choice.”*

SLAT has a diverse customer base: the company's twenty biggest customers account for 34% of SLAT's total sales (in 2011), 56% of the company's sales come from customers who have been working with the company for more than ten years, and 23% of sales is from customers working for the company for less than four years. Some major clients of SLAT are Bosch, Cegelec, EADS (European Aeronautic and Defence Company), Honeywell, Renault-Nissan, Siemens and Spie.

Standards and technical certification play an important role in SLAT's activities. The company is certified under various standards: NF standards (*Normes Françaises* - French standards), European Community (EC) standards, ISO 9001 and 14001 (*International Organization for Standardization*, international standards), TÜV (*Technischer Überwachungsverein*, a German standard) and VDS (*Verband der Schadenversicherer*, a German standard), which support the differentiation strategy followed by the company. André Guinet explains: *“what makes us different is that we operate in niche markets with very strict standards. Getting the products certified costs a small fortune but it allows us to stand out from the competition and enjoy a very respectable level of profit. That is our strategy. We do not operate in mass markets but in highly technical markets in which standards apply. What some might describe as a constraint, I see as an advantage and something that protects us.”*

Pursuing a growth strategy, the company aims to reach total sales of 20 million euros by 2017. Table 1 contains the growth objectives for the company's five main markets for the period 2013-2017. To achieve these objectives, SLAT is looking to increase its market share in France, but also to accelerate its sales on international markets. *“The French market is what it is but I cannot hope to reach 20 million euros in five years by only focusing on the French market”*, comments André Guinet.

Table 1: Breakdown of the company's activities (% of total sales in 2011)

Activities	CAGR (Compounded Annual Growth Rate), objectives for 2013-2017
Security: Personal safety	5.1%
Security: Protection of property and premises	10.1%
Security: Urban video surveillance	22.9%
Telecommunications	-0,14
Industrial automation	2.8%

Source: SLAT (2012), *Internal documents*.

1.2. The internationalization process of SLAT

The internationalization process followed by SLAT can be divided into three major phases: (1) indirect exporting, (2) direct exporting and (3) creation of a sales subsidiary.

Since its foundation in 1953 until the end of the 1980s, SLAT had mainly developed its sales on the French market. Following its integration into the German Quante AG (Deutsche Telekom) and the US 3M Group, the company developed its export activities, predominantly through indirect exportation. The adopted approach consisted in accompanying clients on international markets, for example, Alcatel in the telecommunications sector and Renault for plant construction projects. André Guinet comments: *“the company has always exported in quite a particular way that I would describe as 'endured' exports. Our products were qualified by Alcatel: the main market was France but whenever they installed a PABX in Colombia, Africa, Vietnam or anywhere else, we had to deliver one or two chargers. We did not try to export. [...] Renault approached us shortly before I arrived to ask us to make industrial battery chargers for their assembly lines. We replied in 2003 and were qualified as an exclusive supplier. Where do 'endured' exports come in? When Renault builds a plant, we are directly involved: in all Renault plants, there are SLAT battery chargers. In 2011, we exported to Morocco, Brazil, Mexico, India, Russia, Korea... That is how we export to the entire world, to countries which appear quite exotic.”*

Today, the company takes a proactive approach and develops direct exports by signing contracts with clients abroad. Direct exports take the form of OEM (Original Equipment Manufacturer) agreements or contracts with security system manufacturers, SLAT being a 'sub-component of the system'. In 2011, export activities account for 15% of total sales. Products are exported to 37 countries, but the main markets are European (Germany, Austria, Switzerland, Benelux and Nordic countries): almost 50% of the company's export sales concern Germany and 30% the Benelux. The relative importance of European countries can be explained by the regulatory nature of the company's products and the recognition of European standards abroad. The company also targets North Africa, Saudi Arabia, Qatar and the United Arab Emirates, particularly Dubai, where it has installed the metro's security system.

In 2011, SLAT created a sales subsidiary in Stuttgart, Germany. The decision to open a foreign subsidiary is linked to the CEO's objective to reach a “sustainable” growth and to

ensure the development of foreign activities. Among the four countries studied (Germany, Spain, Italy, United Kingdom), Germany was rapidly identified as the country to host the subsidiary. The value given to standards, the high level of local technical know-how and the requirements of SLAT's historic clients regarding certification and quality influenced the choice of the subsidiary's location. As emphasized by André Guinet, *"Germany was chosen solely on the basis of market principles: it is the country that is prepared to pay for the added value of standard-based certification and to pay a fair price to have access to this certification"*. SLAT gained a sustainable competitive advantage on the German market due to its ability to adapt to local customers' needs and quality standards. Furthermore, the SME remains the unique French company in its sector able to implement measures to conform to German norms. This led the company to get certified "first rank supplier" by German multinationals such as Bosch and Siemens. *"We were the first able to bring out the norm... That is why we are working with Bosch, we were the only one... and we are still the only one! We are the only one to get products conform to their norms"*. One can also mention that André Guinet was familiar with the German market and its characteristics, having acquired an important experience with the 3M Group in Germany, namely through a three-year assignment in Düsseldorf.

The decision to take a proactive approach on foreign markets has been beneficial for the company on several levels. First, going international is a way to learn about foreign markets: targeting a market having high technical requirements led the company to improve the quality of its entire product range. It also allowed SLAT to reinforce relationships with major local clients, increasing its credibility and legitimacy abroad, but also in France. The CEO confirms that after a long period needed to conform to German standards, SLAT manages to *"develop relationships with them where they do not see us as suppliers but as real partners, based on progress - far beyond technical - and on sharing markets"*.

It is important to note that the internationalization is constrained by local norms and standards, since adapting the company's products requires time and resources. Even if he is not fully satisfied with the internationalization achieved by the company, André Guinet recognises that, *"at least, it is adapted to our current capabilities. Today, with the capabilities I have, the resources I have and the means to implement without disturbing what already exists... You have to be careful because you are adding something which is not easy to handle with for people"*. Managing the existing differences in terms of local laws and regulation is a real challenge for SLAT. André Guinet recognises that *"in terms of investment, I am really cautious: when I am in another country, I say to myself that the local law... I don't understand it, so I need to get helped on this"*. The CEO thus decided to work with several accompaniment offices to help him overcome these perceived entry barriers.

2. The role of accompaniment for the internationalization process of SLAT

The entrepreneurial accompaniment can take various forms and take place at different stages. As pointed out by Czinkota (2002), accompaniment programs allow to improve the company's capabilities by transferring informational and experiential knowledge, to help financing exportations and to reduce the weight of administrative and legal formalities for the company. Provided by public or private institutions, these programs influence the development of export activities in three different ways: (1) raising the awareness about foreign market opportunities, benefits and motivation to initiate exportations, (2) understanding and responding to customers' needs by providing useful information and

assisting the preparation of export activities, (3) facilitating the implementation of the company's products and services in the local market (Catanzaro et al., 2013). Export promotion agencies are of particular importance for SMEs, notably during the first steps of their internationalization, since they help them to overcome the difficulties linked to the lack of resources and capabilities, foreign market knowledge, access to local networks or distribution channels etc. (Francis and Collins-Dodd, 2004).

In France, several specialized agencies assist companies, especially SMEs, in their international expansion. In 2008, a new structure called "French Export Team" (*Equipe de France de l'Export*) was created in order to avoid the multiplication of programs and coordinate the actions of major promotion agencies. Several institutions cooperate within this new structure (Mayrhofer, 2012):

- the Assembly of French Chambers of Commerce and Industry (*Assemblée des Chambres Françaises de Commerce et d'Industrie*): they provide information and advice, offer training sessions and promote French products abroad;
- the Union of French Foreign Chambers of Commerce and Industry (*Union des Chambres de Commerce d'Industrie Françaises à l'Étranger*): they represent French companies, offer assistance and office facilities, and organize promotion actions abroad;
- the French Insurance Company for International Trade (*Compagnie Française d'Assurance pour le Commerce Extérieur* - COFACE): it offers credit insurance solutions that aim to protect companies against financial risks;
- the French Foreign Trade Advisors (*Conseillers du Commerce Extérieur de la France* - CCEF): they represent a network of French corporate executives willing to share their international experience with other managers;
- the General Directorate of the Treasury (*Direction générale du Trésor*): part of the French Ministry of Finance, it develops the policy of international trade for the French government;
- OSEO: this agency provides assistance and financial support, mainly in the field of innovation;
- UBIFRANCE: this agency, which operates more than 80 local offices in 60 countries, provides information and assistance in local markets and helps companies to export and implement activities abroad.

Institutions affiliated with the "French Export Team" operate at the national, but also at the regional level. The network has also signed partnerships with several regional promotion agencies, such as ERAI (*Entreprise Rhône-Alpes International*) in the Rhône-Alpes region. One can also mention the existence of an important number of private consulting companies that offer their services to companies (Goxe, 2011).

French SMEs thus have the choice to work with a variety of specialized agencies and consulting companies when they wish to expand abroad. In order to accelerate its internationalization process, SLAT chose to collaborate with ERAI and COFACE. The company worked with ERAI for the development of direct exports and the creation of a sales subsidiary in Germany and with COFACE for credit insurance in order to cover financial risks.

2.1. The accompaniment by ERAI

ERAI is a specialized agency helping companies from the Rhône-Alpes region to expand abroad. It was created in 1987 by the regional council to contribute to the economic development of the Rhône-Alpes region and to support the international development of local SMEs. This regional accompaniment structure has five fields of expertise: Clusters, Invest, Export, International Financing, and Cooperation & International Relations. It provides support services for initial internationalisation stages (export activities, search for local partners, etc.) and organizes targeted collective and individual assignments. The agency acts on behalf of VSBs (very small businesses) and SMEs from the Rhône-Alpes region to integrate them into local clusters. Furthermore, it helps these companies capitalise on their know-how and their competencies on international markets and develop partnerships with various foreign actors. In order to develop its activities, ERAI has established 27 offices located in various countries: Germany, Canada, China, United States, United Arab Emirates, Italy, Japan, Morocco, Tunisia, Vietnam, etc.

SLAT first worked with ERAI to develop direct exporting and then collaborated with the agency for the creation of a sales subsidiary. Before collaborating with ERAI, André Guinet attempted several times to get the assistance of well-known business consultancy companies, but they could not provide solutions adapted for the specific context of SME's. *"We worked with X, for one year... I tried to work with them but it did not work. I told them that I was not interested in their solutions concerning the return on investment but rather on accessing to customer databases. What they were offering was not what I was looking for: I knew that they were the kind of people who never take any risks. When you have a risk, with a particular customer, it is all yours. What happens is that they tell you after that you will not be warranted for this customer as you took a commercial risk. But... wait for a commercial risk: I cannot stop like this! As long as my clients pay me, I will be really careful, but you tell me to reduce all my risks by the end of the next three months... In three months? I cannot live... So I decided to stop working with X. Then, I decided to work with Y, an informational consultancy company. They have a department dedicated to the analysis of basic financial structures, but once again, it did not work"*.

In 2006, the company started to prospect the German market with the help of the ERAI (*Entreprise Rhône-Alpes International*) office in Stuttgart. The agency supported them for the creation of a sales office and the recruitment and training of a German sales manager. The first sales contracts were signed three years later. In 2011, SLAT created a sales subsidiary for the German market which now represents 10% of its total sales. André Guinet explains: *'we started off with support from ERAI. We wanted to recruit a local person from Germany, in other words, a German from Germany. In 2006, ERAI helped us with the recruitment process, provided accommodation and even helped with functional aspects and the sales training of this manager. Our business plan was quite clear: the aim was to give ourselves three to four years to open a subsidiary. The next stage was therefore to move from the sales office to the subsidiary. Our subsidiary has been operational and officially registered since 1 July 2011.'*

In 2012, the German subsidiary, SLAT GmbH (*Gesellschaft mit beschränkter Haftung* - limited liability company), whose legal structure is German, became operationally independent and achieved the break even. Two full-time employees work for the subsidiary.

SLAT GmbH is a platform that allows the parent company to access neighbouring German-speaking countries as well as Central and Eastern European markets. This new direction is justified by its geographic proximity, a strong local development potential, the value given to standards, high quality and technical requirements and the presence of certain customers in these high-growth markets. André Guinet declares: *“My aim now is to use the German platform to serve German-speaking countries, namely, Austria and German-speaking Switzerland for strategic reasons and motives connected to our customers as they are very likely to be present in Austria and Switzerland. Siemens has a technical R&D centre (fire safety) in Zug, Switzerland, for example. From the German platform, I am also starting to think about my next country with ERAI: an Eastern European country. Why? The geographic size, the development profile of these countries, which is quite attractive, and a certain awareness of standards. It should be noted that some of these countries are quite demanding with regards to standards: they have certification bodies. In 2013, I will definitely seek support as we did for Germany and hire somebody if the game is worth it. The reputation of our neighbour, Germany, can help us build a credible platform. The other particularity of Eastern Europe is that I have a direct competitor over there: that's another reason! It would be interesting to see how he 'really' behaves. I may as well attack the enemy on his land and slow him down before he gets here.”* The company intends to enter the Polish market and also considers other Eastern European countries like the Czech Republic.

The location strategy adopted by SLAT can be considered as a “gateway strategy”. This approach allows a company to access foreign markets indirectly by using an entity located in a peripheral country. It is a proactive - offensive or defensive - internationalization strategy where the degree of commitment is driven by the intention to get a foothold on a market to indirectly penetrate other close markets. The initial experience acquired in one market can prove to be a springboard to other neighbouring countries. The presence of free trade and regional integration agreements (such as the European Union) encourages companies to use this type of strategy. Moreover, companies prefer to operate in transparent and stable markets whose reaction is predictable as well as to reduce their exposure to local risks such as political instability and foreign exchange risk. Using a gateway country therefore allows a company to enter new markets (geographically or culturally more remote) from a familiar environment where the company is already established (Dominguez 2013), like this is the case for SLAT in Germany.

2.2. The impact of the accompaniment on the internationalization process

The accompaniment by ERAI influenced the company’s internationalization process in different ways: (1) the increase of international sales, (2) the access to local information and networks, (3) the choice of location of the German subsidiary and (4) the selection of future locations.

The support of ERAI has helped the company to develop its international sales. Their significant increase has led the company to recruit experienced personnel dedicated to developing business abroad. The company’s workforce increased by over 10% between 2008 and 2012, and new areas of growth were defined to serve buoyant markets. The purpose of this strategic shift is to guarantee the long-term survival of the company by diversifying both its markets and customer base and thereby reducing its exposure to the prevailing environment. *“I remain convinced that if you want to become a successful exporter, gaining a permanent foothold in a country is only possible if you use local sales representatives. In the*

area of exports, what makes us different is that we do not go abroad with just one customer: I do not want one customer to represent more than 10% of my total sales. Today, I have about 90 customers in Germany. I always mention prestigious companies (Bosch, Siemens etc.) but in terms of total sales, today, none of them represents more than 30%. I am still getting off the ground in Germany but the rules remain the same: expand my customer base to reduce risk. By the end of the year, my first customer in Germany will represent less than 20% of my total sales, so I am on the right track”, comments André Guinet.

Like many SMEs, SLAT's international development was constrained by the lack of resources, market knowledge and access to local networks. As mentioned previously, export promotion agencies usually own offices abroad acting, among others, to develop and maintain relationships with local key actors. These relationships help promotion agencies to develop a strong market expertise and to identify local business opportunities. Conscious of SLAT's weaknesses, André Guinet decided to collaborate with ERAI and the COFACE in order to get access to their networks and expertise and thus benefit from their legitimacy with local partners. André Guinet claimed that going abroad accompanied is a good way to save time, efforts and resources, since the SME attempts to avoid facing the white page issue. *“The white page, it is when you knock on the door but nobody knows you, you haven't got any references, no support locally to justify your arrival. [...] We met people, we needed support. What we were expecting from ERAI was to find people who are trained to help companies to develop exports. A structure providing something going further than the traditional accompaniment by doing some functional management locally”*. The CEO also recognises that *“there were things that I was not able to apprehend at the right time, that caused some delays... Elements that my initial market studies did not tell me. I think that there is a real benefice coming from networks and relationships: we can considerably increase SMEs' efficiency abroad, in this way.”* Export promotion structures can also provide financial solutions and information about local customers and market conditions. Considering the opportunity to invest abroad, André Guinet decided to work with the COFACE to access the funds needed to start operations on the German market. He comments, *“the COFACE is a very good financial instrument, an advance of money... I used their services for the German subsidiary, to finance the launching phase, for 300.000 euros. It is not that hard to get their support: if you come with a good file... Those people are still worried about making good use of money, but it is exactly the same when you borrow money from your bank... They are here to support you. They can also give you some advice on a country's specific level of risk and help you evaluate properly those risks”*.

Influenced by the presence of ERAI in Germany, Stuttgart became the subsidiary's host city despite André Guinet's extensive experience as a 3M Managing Director in Düsseldorf. André Guinet explains: *“I had two choices imposed on me by those providing support. Either Düsseldorf with the Franco-German Chamber of Commerce and Industry (which is based in Düsseldorf) or Stuttgart because ERAI is based in Stuttgart. Out of the two, my heart leant towards Düsseldorf. Why? I hardly knew Stuttgart but I know Düsseldorf quite well as 3M was based there. I visited Düsseldorf regularly over a period of ten years as I had employees based in the city. In any case, we could be in any city as the market is spread quite evenly (in light of market research) between the main platforms in Germany: Düsseldorf, the Ruhr, Frankfurt, Stuttgart... Every region could be of interest.”*

Because of the successful assistance provided by ERAI on the German market, the CEO decided to continue the cooperation developed with this promotion agency for other markets.

Besides other market selection criteria such as the local potential to value the norms, André Guinet favoured locations where ERAI was already established in order to benefit from the agency's infrastructure and support. The location choice thus appears to be influenced by the local presence of the accompaniment structure. When explaining his decision to prefer a gateway approach to enter Eastern European markets, André Guinet recognises that *“from the German platform, I am starting to develop my next country (Poland) with ERAI. It is just the premises in Poland. I know what I will do there: I will certainly start again with a similar accompaniment we had in Germany and recruit someone local if it is justified”*.

Conclusion

The analysis proposed in this paper highlights the role that export promotion agencies can play in the international expansion of SMEs. The case-study developed by the authors shows that the accompaniment by ERAI has helped the SLAT company to implement a sales subsidiary in Germany, a market characterized by high technical standards in the industrial sector which remains difficult to enter for foreign SMEs. The assistance of ERAI has also influenced the location of the subsidiary and the choice of future markets. It has allowed the company to accelerate its development in foreign markets and thus to achieve its ambitious objectives in terms of growth and profitability. The study thus validates the positive effects of promotion agencies on export activities and performance, as also emphasized by Gencturk and Kotabe (2001).

The collaboration with ERAI has had positive effects on the internationalization of SLAT, but the CEO of the company also mentions some difficulties he faced when trying to get assistance for his international development plans: *“It is a real jungle! We are not able to have a clear picture, they are too numerous and it is turning to competition between institutions. I have other things to do than looking for their funds... Once I tried to apply to one of those funds to hire young engineers. After two months, someone told me that I could not get the funds because, yes my file was excellent, but they were lacking money and had to add an extra criterion to the condition of attribution, based on the firm's profitability. They told me ‘your file is perfect but our choice is based on companies' profitability: you are highly profitable but we opted for companies that are not’. I sorted out those programs. [...] We have so many accompaniment structures now, it doesn't make any sense: SMEs are lost. You spend your time looking for funds and building the files needed is a mess (even if I am quite well organized for that). It is time consuming. We are assisted by external organisms to build the files: I don't know if there are SMEs building themselves those files but personally, I am not able to do so. There are plenty of extremely precise criteria for which I got help from external consulting agencies: we select, together, the projects to start and they help us to write the files.”*

Despite the extensive services provided by export promotion agencies, it seems that the existing offer presents several limitations. In fact, there still exists a variety of public and private actors whose role is to accompany SMEs in their international expansion (Fayolle, 2004). Initiatives such as the creation of the ‘French Export Team’ may contribute to clarify the role of existing structures. Moreover, the services offered do not seem to match certain expectations of entrepreneurs. As recently mentioned by Catanzaro et al. (2013), it is necessary to continuously adapt the offer to the requirements of SMEs, since their approach to develop international activities is likely to change over time.

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