THE ITALIAN SMES IN THE GLOBAL CONTEXT: THE ACCOUNTABILITY SYSTEM ROLE

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Summary: 1. Italian SMEs in the Mediterranean area - 2. Globalisation and internationalisation: literature review - 3. The economic-financial reporting in SMEs: the accountability system role - 4. To be global for Italian SMEs in the Mediterranean area: general implications.

ABSTRACT
The main purpose of this paper is to analyze critical and economic-financial tools of communication and social reporting such as driver of society development process in order to allow Small and Medium Size Italian Enterprises (SMEs) to become large and considerable in the national and international business system. The research work explores accountability system role making Italian SMEs considerable on national and international scale. To define a SME as global, the paper will compare internationalization indicators with the levels of accountability that a company can reach reporting and highlighting any correlations. The main purpose is to suggest a definition of small, medium and large company closely connected to their competitiveness capability, not necessary through quantitative parameters. From this point of view, large companies - not necessary great - are those which play a decisive role on a national and international scale.

KEY WORDS Complexity | external environment | communication, responsibility | accountability | corporate governance | global context | stakeholder | network | social reporting | company size.

1. Italian SMEs in the Mediterranean area
In the Italian economic system the small and medium size enterprises (SMEs) and “micro-firm” represent 90% of the total Italian economic entities with a medium number of 50 employs for each one\(^1\). Even so,
the national wealth of “made in Italy” is increased by this small entities and by their manufactured products. Over the last decades the issue about SMEs, and in particular, SMEs in going global, has gained the attention of scholars and business experts as a key factor to improve competitiveness and lead the “made in Italy” all over the world. In the Mediterranean area “the vast majority (of European companies) ... are small or medium sized entities”2, so the goal of European Authorities is to create a network in a free and global market (Med Forum, 2009).

While big enterprises may enjoy of the advantages of their large dimension, SMEs don’t have so easy access to global market. In the traditional business literature, SMEs are identified through some specific quantitative factors (see Table 1)3: turnover, number of employees and total assets.

<table>
<thead>
<tr>
<th>PARAMETERS</th>
<th>MICRO-FIRM</th>
<th>SMALL BUSINESS</th>
<th>MEDIUM FIRMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workforce</td>
<td>≤10 unit</td>
<td>≤50 unit</td>
<td>≤250 unit</td>
</tr>
<tr>
<td>Maximum annual turnover</td>
<td>2 million</td>
<td>10 million</td>
<td>50 million</td>
</tr>
<tr>
<td>Total assets</td>
<td>≤2 million</td>
<td>≤10 million</td>
<td>≤43 million</td>
</tr>
</tbody>
</table>

On the other hand, according to some Italian scholars (Bertini, 1969, Aureli, Cesaroni, Demartini, 2004), definition of small, medium and large company results from the role the companies play in a society development process and not only from quantitative parameters. From this point of view, large companies are those which are able to lead global competitiveness while, on the other hand, small ones are those which are not able to affect economic and living conditions on a large scale. In other words there are some SMEs which may be “large” in the market thanks to their capabilities, competences and some financial and economic reporting tools that make them able to play a leading role in the development process in national and international scenario. In this way, and through specific tools of communication that increase confidence and transparency in small firms in coming large, they may gain the same or more advantages of big companies.

Up against the change a first trend is what Di Bernardo and Rullani have called widening of “reference horizons”. About this we can talk of “interdependent globalization” that is a radically brand new situation where economical, productive, social, cultural specificities interact, mutually communicate and become – thanks to computer technologies and informatics know-how – interconnected parts of wider systems. Interdependence doesn’t avoid power, capacity and resources deep inequalities. In the meantime
the rate is different from time to time according to different globalization processes: faster at a financial level, slower at a cultural and civil level. From this asymmetrical integration patterns follow implicating imbalances relating to relative positions of all the subjects involved. Globalization is a good opportunity for some of them, while for some others it’s a threat to which they answer activating defence and protection mechanisms.

But what is good in this macroeconomic scenario is also good for SMEs? Small and Medium Enterprises have an economic and social value: this kind of enterprises may, in fact, also be conceived as a model for social stability thanks to its ability to develop employment opportunities and social mobility in the Mediterranean area. Therefore, to develop and implement an economic strategy, it’s necessary to be aware of this social impact and search for the right way to communicate it to stakeholders. Indeed, to become global it is necessary to create:

- a wide entrepreneurial culture, enlarged and open to the external environment;
- a common language to disseminate and share goals and values throughout the Mediterranean area in order to converge different individual actions towards a great strategic development goal;
- a network of relationship and partnership to increase confidence and believableness to each other.

Measures of corporate internationalisation have gained crucial importance in the recent debate on globalisation, since many scholars link globalisation to a quantitative increase in the international activities of firms. Opinions on the extent of this increase differ widely, however, depending on what measurement concept is used. As there is no universally applicable measurement concept, researchers face the difficult task of bringing research questions, measurement concepts and data availability into line.

Various obstacles have prevented the growth and modernisation of the SME sector in transition countries, although they did not inhibit the foundation of great numbers of traditional, mostly micro-enterprises fighting for survival. These obstacles require that proper policies are addressed to the SME sector, both involving the general context or SME specific issues. The situation varies greatly through countries due to pre-transition features and different transition strategies.

Is necessary to understand what are the obstacles to this role of SMEs as a first step to remove them. As it turns out, obstacles to SMEs establishment, growth and modernisation vary largely through countries, as the nature and present role of SMEs do. Countries in transition are remarkably different also under this aspect. In general, the problem is not necessarily
that SMEs did not grow in numbers. True, in some cases, such as that of Russia, there are too few SMEs compared to the size of the country and to the numbers existing in comparable market economies. However, in some other cases the problem has been labelled as “too many, too small”. This label stresses that SMEs size is too small to make them viable in modern and competitive market economies. A corollary of the latter is that most small businesses are concentrated in the traditional consumers trade (including shuttle trade) and some traditional handicraft. Scarce examples of vertical integration with large firms exist, and barely any horizontal networks. In the case of SMEs all this has meant that institutions and infrastructure, including those necessary to SMEs, were missing or undeveloped. SMEs themselves – their owners and entrepreneurs in particular – missed the necessary experience and expertise to successfully operate in a competitive market economy. To these one should add that transition as it was implemented also meant liberalisation of foreign competition, often excessively abrupt for new SMEs to survive.

Obstacles SMEs in transition apparently change during their life cycle. Credit is an important issue in point. While observers and scholars often quote the lack of credit as a major obstacle to SMEs foundation. The lack of credit (including bank credit, trade credit, and leasing) becomes a major obstacle that prevents or slows down the growth and modernisation particularly of domestic firms.

SMEs that want become global and competitive in the Mediterranean area are looking forwards to implement a specific system of accounting and reporting and change their entrepreneurial culture. Competitiveness means to enable customers to choose, under the same conditions, the company which offers greater economic benefits without incurring any sacrifice or with minimal effort.

Providing themselves with adequate accounting and non-accounting information system for transmitting outside their results and achievements, SMEs may become visible at the same level of a large company.

2. Globalisation and internationalisation: literature review

The process of globalisation is of course very complex and multifaceted. In this study we are bound to restrict the focus only to some limited aspects that have strict implications for SMEs competitiveness. However, to this end, we need some background on a few issues and problems raised by the global evolution of markets.

The modern process of globalisation of the world economy had been, and
is, in its essence a process of globalisation of markets. Certainly the pace is rapid and has quickened in recent years but the process of greater international economic integration has been underway for decades. In the last 20 years more open economic policies and trade liberalisation worldwide and technical advances, notably in transport and communication have combined to lower costs and accelerated globalisation. Global trade in products and services has been growing at an average 6% since 1990. The most notable elements of the current wave of globalisation are:

a) An unprecedented lowering of trade barriers worldwide.

b) Vastly improved logistics and communications systems available to all companies.

c) The information technology revolution which has opened the way for greater technology and knowledge exchanges and the advent of new types of economic transactions such as e-commerce.

This means that trade can be conducted cheaper, faster, easier and over larger distances and the advent of previously no-available services. But globalisation is not only trade. It also involves foreign direct investments including off shoring and relocation and an increase of all forms of technology transfer and a larger access to markets and suppliers.

Globalisation has effectively “shrunk” the world. Through globalisation national borders are constantly losing their significance as limitations for human interaction in general and for economic collaboration in particular. This means that the natural spheres of activity of all the economic actors expand from national into multinational or even global.

However, how European SMEs may transform this factors in advantages? For SMEs globalisation means that the natural or “local” environment grows constantly and brings greater opportunities in the form of larger markets and new suppliers but also threats in the form of wider competition, complexity and shorter product life cycles. Greater integration and reduced barriers mean that international competition starts at home. Even businesses that focus primarily, or even exclusively, on the domestic market have to be competitive internationally in order to secure long-term survival and growth.

Internationalisation is a phenomenon researched intensively over the last few decades from a different viewpoints, including: organization theory, marketing, strategic management, international management, and small business management. Issues such as international decision-making and management, development of international activities, and factors favoring or disfavoring internationalisation have been studied for large as well as small businesses.
Given the nature of today’s marketplace, SMEs are increasingly facing similar international problems as those of larger firms. For many SMEs, especially those operating in high-technology and manufacturing sectors, it is no longer possible to act in the marketplace not taking into account the risks and opportunities presented by foreign and/or global competition. As a result, discussion about internationalisation in this study needs to cover to some extent, aspects of general internationalisation of both large and small firms, while focusing on the internationalisation of SMEs.

This new, ever changing scenario that is globalisation will require and reward inventiveness, agility and flexibility: the very qualities commonly used to define SMEs. Embracing these qualities means that competitive SMEs will not only be in a position to tackle globalisation but will be able also to gain the benefits from it.

Therefore, a pro-active attitude to global competition and markets is increasingly becoming not a choice but a matter of necessity. Each company must adopt internationalisation as part of the strategic search for the company’s competitiveness and not just as a reaction to times of reduced national demand. This implies that continuous technological, managerial and operational innovation inside SMEs will be one of the key tools for their sustainability and growth.

It is reasonable to suppose that benefits of internationalisation do not refer exclusively to exports. Exporting, as the traditional way to internationalise, is still very important, and so importing is not just a source of improved performances through the acquisition of new technology and abilities, because importers tend to be keener/faster exporters. Other forms of internationalisation such as foreign direct investment (relocation or outsourcing), technology transfers, participation in international value chains, and other forms of inter SME co-operation are gaining ground. In all cases the quest for greater competitive advantage is even more direct: access to other markets is only one motivation usually shared or outweighed by access to technology.

Currently there is no agreed definition of internationalization (Bell and Young, 1998) or international entrepreneurship (Young et al., 2003). Internationalisation has been viewed as the process of increasing involvement in international markets (Welch and Luostarinen, 1988). A distinction can be made between inward and outward activities. Inward processes relating to internationalisation (that is, importers, licensees and franchisees) have received relatively limited attention, despite the belief that many firms begin their first international activity on the inward side (Karhonen et al., 1996; Welch, 2004).
As matter of fact, according to some authorities (Dunning, 1992) a multi-national or transnational enterprise is an enterprise that engages in foreign direct investment and owns and controls value adding activities in more than one country.

There are strong differences of opinion about what indicators are suitable for measuring corporate internationalisation (Caroli, Fratocchi, 2000). Some authors have sought to develop composite indices of internationalisation that combine several hitherto separate indicators. Ietto Gilles (1998), for example, proposed a composite index that combined the ratio of foreign to total assets, sales and employments with a measure of how many countries the company could be present in if it so wished. UNCTAD (United Nation Conference on Trade and Development, 2007) uses these measures, but in two separate indices of internationalisation: a trans-nationality index (TNI) and an internationalisation index. The former is the average of the ratio of foreign to total assets, sales and employment while the latter is calculated by dividing the number of foreign affiliates by the number of all affiliates. The literature does provide a wide array of possible ways through which internationalization could be measured, some are easier to implement that others. A key factor that determines which measures can and which ones cannot be used is the availability of data.

Following a well established framework in international business literature (Perlmutter, Heenan, 1979: 16; Sullivan, 1994: 331; Bäurle, 1996: 9), we can distinguish structural indicators, performance indicators and attitudinal indicators.

Structural indicators try to give a picture of the international involvement of a company at a certain time. Here we find several indicators that are related to the foreign activities of SMEs such as:
- the number of countries where a company is active
- the number/proportion of foreign affiliates
- the number/proportion of non-capital involvements abroad (e.g. strategic alliances, franchised operations etc.)
- the amount/proportion of foreign assets
- the amount/proportion of value added abroad
- the amount/proportion of sourcing abroad
- the number/proportion of foreign employees

A second group of indicators describes the internationalisation of the governance structures of a corporation. Relevant indicators here are:
- the number of stock markets on which a company is listed
- the amount/proportion of shares owned by foreigners
- the number/proportion of non-nationals on the board of directors
On the other hand, performance indicators measure the degree of success or failure of corporate activity abroad during a certain period of time (usually one year). The two main indicators are turnover and operating income. Two issues have to be addressed when considering turnover:

- The first issue is demand. The main question here is, to what extent turnover is generated in foreign countries. The relevant indicator - amount of foreign sales by customer location – is calculated as exports from the home country plus revenues of the foreign affiliates (except those revenues that come from exports to the home country of the parent company).

- The second issue is supply. The main question here is, to what extent business activity is transacted by subsidiaries located in foreign countries. The relevant indicator - amount of sales of foreign subsidiaries - is calculated as the sum of turnover of foreign subsidiaries as a proportion of the sum of turnover of the parent company and its national subsidiaries.

A second important performance indicator is the amount of operating income earned abroad. This indicator is usually calculated as the sum of operating income generated by all foreign affiliates.

<table>
<thead>
<tr>
<th>Structural indicators</th>
<th>Performance indicators</th>
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<tbody>
<tr>
<td><strong>1. Relating to foreign activities</strong></td>
<td><strong>1. Foreign sales</strong></td>
</tr>
<tr>
<td>- number of countries a company is active in</td>
<td>✔️ <strong>Demand:</strong> amount of foreign sales by customer location</td>
</tr>
<tr>
<td>- number or proportion of foreign affiliates</td>
<td>‐ Exports from the home country</td>
</tr>
<tr>
<td>- number or proportion of non-capital involvements abroad (i.e. strategic alliance, franchised operation, joint venture)</td>
<td>‐ their revenues from exports to the home country</td>
</tr>
<tr>
<td>- amount or proportion of foreign assets</td>
<td>✔️ <strong>Supply:</strong> Amount of sales of foreign affiliation</td>
</tr>
<tr>
<td>- amount or proportion of value added abroad</td>
<td>‐ Sum of revenues of foreign affiliations</td>
</tr>
<tr>
<td>- amount or proportion of sourcing abroad</td>
<td><strong>2. Operating income abroad</strong></td>
</tr>
<tr>
<td>- number or proportion of foreign employees</td>
<td>‐ Sum of operating income of foreign affiliations</td>
</tr>
</tbody>
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<table>
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<tr>
<th>2. Relation to governance structure</th>
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<tbody>
<tr>
<td>Number of stock markets on which a company is listed</td>
<td></td>
</tr>
<tr>
<td>- amount or proportion of shares owned by foreigners</td>
<td></td>
</tr>
<tr>
<td>- number or proportion of non-nationals in the board of directors</td>
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`Source: Our illustration based on Dörrenbächer 2000`

Traditionally, small enterprises are characterized by lack of transparency in relation to their audience and, moreover, they seem unwilling to account any economic-financial information outward. The accounts are prepared primarily for tax purposes or for purposes of internal control but never to
provide information outside, except for what established by the existing regulatory obligations.

Globalisation and its increasing competitiveness, together with socio-cultural changes occurring in the environment, requiring the company a growing ability to communicate with their business partners, as the fulfilment of their information needs; moreover their decision depends on the ability of the company to secure a lasting success.

The importance of corporate communication for managing the external environment is crucial especially for companies that want to grow internationally, where there is a greater competitive challenge and a lack of information on market participants.

Regarding the reasons why SMEs decide to initiate internationalisation processes, many authors (Campedelli, 2003; Bonaccorsi, 1994) agreed to support the prevalence of reactive motivations, as the fruit of the awareness of being able to use resources and expertise for international expansion implementation.

Concerning the way through which SMEs realize their presence in the international context, several studies highlight that internationalisation with low levels of involvement forms is prevalent, especially indirect exports made through a commercial intermediary managing exports flow, placement in foreign markets and customers relationships. In this case SMEs involvement abroad is highly limited, experiencing a situation of passive internationalisation because it lacks direct contact with foreign market.

On the other hand, more complex internationalisation forms such as strategic alliance, franchised operations and joint venture are less common among SMEs.

This analysis is a necessary step to establish the relationship between accountability degree and degree of internationalisation (DOI). Indeed, as firms increase the share of their operations abroad, they experience higher levels of performance increasing their DOI.

In order to analyse the tendency to give economical-financial information to foreign interlocutors there are two objectives to pursue:

- a more general objective, concerning the examination of the ways through which SMEs are present in the markets abroad and the reasons bringing those enterprises to widen their range geographically;
- a more specific objective, concerning the possibility to identify relations between level of involvement abroad and economical-financial communication processes towards foreign interlocutors.
It is important to recognize that research relating the SMEs internationalisation is associated with several methodological problems. Some studies are not keyed into debated relating to the internationalisation of private smaller firms as opposed to larger multinational firms. There are also a number of concerns surrounding the size and representativeness of sample, the techniques used, and the validity and reliability of measures operationalized in SMEs studies. Particular problems relate to establishing whether there is a causal link between internationalization and firm performance.

However, it reasonable to suppose that SMEs that having an high propensity to export and establish a widespread presence in the international context should be considerate such as international. This shows a good ability to overcome barriers of access to different international markets and manage the complexity associated with the plurality of relations with countries culturally very different.

3. The economic-financial reporting in SMEs: the accountability system role

Financial and economic reporting is a key component of the relationship between the firm and the environment in which it operates (Branciari, 1988, Adamo, 2006). Therefore, this process become an indispensable resource for any company (regardless of size, legal form or business) which wants to operate in a global context.
Until some times ago, financial reporting for small Italian firms was restricted to strike a balance sheet according to civil and tax laws requirements (Capaldo, 1981, Capodaglio, Ricci, 2008). In the study about balance, it was considered just a means to measure income and it had a prevailing internal function without considering its public role for external and internal stakeholders.

The low level of financial reporting and economic information are often considered one of the main causes of the financial problems for smaller firms, especially to obtain long-medium-term loan by bank and private or public financiers. For this and other types of reasons, SMEs which would become large and relevant in the local and international market have to create and implement an adequate accountability system composed of all kinds of economic-financial tools of reporting and communication. In fact, an approach to a reporting model that is not restricted to only economic and financial indicators, allows SMEs to demonstrate the wealth and value created for the entire network of internal and internal stakeholders. A suitable accountability system may improve managers social responsibility and responsiveness toward their stakeholders allow them able to evaluate the actions taken and results achieved.

According to some authoritative doctrine (Ricci, 2005, Buccellato, 2004, Pulejo, 2001) the term accountability, widely used in recent years, draws the firm ability to permit stakeholders to assess firms performances, in order to adequately empower business decision makers. Accountability evokes a set of ideas closely related to each other (Molteni, 2000):

– Autonomy and freedom of government and company management operating in a market economy;
– Firm responsibility towards its stakeholders;
– Firm responsibility and accountability towards achieved results.

The conditions in which assessments are produced depend on the quality of the firm accountability system. Factors which contribute to determine the accountability of a company are:

1. a clear and thorough programming process;
2. a clear definition of internal and external duties;
3. a suitable accounting system;
4. an effective internal system for control and evaluation;
5. a periodic informative activity about company management;
6. the use of benchmarking procedures;
7. the use of up-to-date technology in the communication process.

Thinking of an extended accountability system it includes all tools and documents that provide information and comments about company per-
formance in different ways and with a different degree of insight and detail (Terzani, 2002), such as balance sheet, period analysis, periodic reports, budgets over one or more years, financial and economic programmes, strategic and executive plans, social balance. Only an intense stimulus towards a suitable accountability system may actually improve the company’s network of relations and to boost its reputation and credibility.

Given this brief introduction, and considered needs and market characteristics of the Mediterranean area, SMEs must focus on the relationship between the degree of accountability and their capability to influence the development processes on national and international scale, and look forward to becoming large through appropriate skills and competencies. To evaluate the degree of accountability, it’s possible to use a scale of values for the factors described above.

1. A clear and thorough programming process
Using a scale from 1 to 5, we can assign 1 to enterprises with the lowest planning ability and the smaller communication tools and 5 to enterprises with the highest planning ability and the larger communication tools (Book keeping, Financial Program):

2. A clear definition of internal and external duties
Using the same scale from 1 to 5, we can assign 1 to enterprises with short system of duties definition and lack credibility in their own actions, while we can assign 5 to enterprises which develop and enforce their specific duties at all levels of the hierarchical organizational structure.

3. A suitable accounting system
Using the same scale from 1 to 5, we can assign 1 to enterprises with a poor accounting system and few financial reporting document addressed primarily towards internal communication, while we can assign 5 to enterprises which have an advanced reporting system with innovative tools of social and economic communication (Social Report, Budget, Environmental Balance, Cost Accounting)

4. An effective internal system for control and evaluation
Using the same scale from 1 to 5, we can assign 1 to enterprises without any degree of control and internal evaluation system, while we can assign 5 to enterprises with dedicated internal audit function through tools and specialized staff (controller role).

5. A periodic informative activity about company management
In a scale from 1 to 5 we can assign 1 to enterprises where any form of communication and comparison between operational and management is provided, while we can assign 5 to enterprises which have an extraordinary commitment to management information and check the actions implemented.
6. The use of benchmarking procedures
In a scale from 1 to 5 we can assign 1 to enterprises which haven’t any responsibility about their performance and don’t measure their results, while we can assign 5 to enterprise which consider performance measurement a necessary priority and compare their own performance with the best practices of other leading companies in the relevant market.

7. The use of up-to-date technology in the communication process
Using the usual scale from 1 to 5 we can assign 1 to enterprises which have only few instruments of communication and we can assign 5 to enterprises which have sophisticated and appropriate tools and technological systems to communicate information to internal and external stakeholder. Enterprises with higher rating on these factors should match the best processes of assessment and accountability, increasing internal levels of trust and cooperation and implementing a network of relationship with their own stakeholder. An accountable enterprise is therefore an enterprise responsible and transparent towards its stakeholder about undertaken actions and achieved goals.

Accountability is a strategic action to promote market development and growth of the environment in which the company operates. To measure the degree of accountability is possible to identify several socio-economic reporting tools (see Table 3).

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**Table 3 - Tools measuring accountability degree**

<table>
<thead>
<tr>
<th>Factor</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>A clear and thorough programming process</td>
<td>BALANCE SHEET</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>FINANCIAL PROGRAM</td>
</tr>
<tr>
<td></td>
<td></td>
<td>BUDGET</td>
<td></td>
<td></td>
<td>STAKEHOLDER MAP</td>
</tr>
<tr>
<td>A clear definition of internal and external duties</td>
<td>ORGANIZATIONAL STRUCTURE</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>JOB DESCRIPTION</td>
</tr>
<tr>
<td></td>
<td></td>
<td>LABOUR SHARING</td>
<td></td>
<td></td>
<td>ORGANIZATIONAL STRUCTURE</td>
</tr>
<tr>
<td>A suitable accounting system</td>
<td>BOOKKEEPING SYSTEM</td>
<td>BALANCE SHEET</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>BUDGET</td>
<td></td>
<td></td>
<td>ENVIRONMENTAL BALANCE</td>
</tr>
<tr>
<td>An effective internal system for control and evaluation</td>
<td>BALANCE SHEET</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>RULES SYSTEM</td>
</tr>
<tr>
<td></td>
<td></td>
<td>STOCK OPTION</td>
<td>CONTROLLER</td>
<td></td>
<td>ETHICAL CODE</td>
</tr>
<tr>
<td>A periodic informative activity about company management</td>
<td>REPORTING</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>SOCIAL REPORT</td>
</tr>
<tr>
<td></td>
<td></td>
<td>PERIODIC REPORTS</td>
<td>ENVIRONMENTAL BALANCE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The use of benchmarking procedures</td>
<td>FINANCIAL REPORT</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>SOCIAL REPORT</td>
</tr>
<tr>
<td></td>
<td></td>
<td>PERFORMANCE INDICATORS</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>The use of up-to-date technology in the communication process</td>
<td>COMPUTER PROCESSOR</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>ICT</td>
</tr>
<tr>
<td></td>
<td></td>
<td>INNOVATIVE COMPUTER PROCESSOR</td>
<td></td>
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</table>

Reference: Our illustration
It should be stressed that, given the complexity of the topic, the analysis will be carried out not on the measurement of quality of these instruments, but on their presence and on the activation of some processes of accountability due to the seven factors described above.

4. To be global for Italian SMEs in the Mediterranean area: general implications

An enterprise that is really internationalised according to the indicators set out before (paragraph 2) cannot be defined global without implementing any accountability process. SMEs with their small size may become large only if they will be able to impact on national or international context in which they operate. To be global it’s not enough fostering high profit increasing output on the international market, but is necessary to create positive outcomes on the environment where they decide to live through, for example, strategic alliance and joint venture with foreign partners.

According with our hypothesis, international SMEs are those which have an high propensity to export and establish a widespread presence in the international context, a good ability to overcome barriers of access to different international markets and manage the complexity. The internationalisation process is therefore, at the same time, effect and cause of SMEs development.

The ability to create collaborative relationships with foreign partners, in the case of small companies is even more important because they require
an external network that can make up for limited financial resources and structural deficiencies in staffing. The communicative behaviour of small businesses, necessary to obtain the consent of the principal foreign partners (primarily lenders and potential customers), urges SMEs to conform to communicative standard far higher than those provided by the law. Furthermore, Italian SMEs able to obtain accreditation in the foreign market and earn the trust and cooperation from foreign partners may enjoy several economic and financial benefits, such as:
- easier access to credit and smaller price of money;
- lower operational costs;
- better business reputation and credibility;
- full stakeholders confidence;
- established relations with local authorities (partnerships).
Concluding, we can see that the legitimacy of the company in the foreign market facilitates the creation and distribution of value created but, at the same time, it must be the company able to create his new identity becoming activated part of the reference context, adapting its culture and its values, establishing and strengthening positive relationships with old and new stakeholders.

NOTES

1 ISTAT Annual Report, 2008
6 Following Schmidt (1991: 57) and Dunning (1992: 7) the value added abroad is the best measure to indicate the economic significance of the foreign activities of an MNC. The amount of value added abroad is calculated as the revenues made by foreign affiliates minus all inputs.
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