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Advantages and disadvantages of EU funding programmes for SME internationalisation in Poland

Abstract: This article aims to analyse the public financial support programmes for SME internationalisation available to Polish companies, with a view to identifying and potentially eliminating existing barriers. The three programmes under consideration are “Polish Tech Bridges,” “SME Internationalisation,” and “Go to Brand.” These programmes were evaluated based on certain criteria and then analysed for present barriers. The study was conducted via desk research of relevant project documentation, including the regulations. Each programme was compared across several aspects, which allowed the differences between them to be demonstrated. These aspects concerned support projects both at the stage of obtaining and implementing assistance and after project completion. The study revealed that these programmes are characterised by different – but not completely unique – advantages and disadvantages. Consequently, their appeal to companies varies depending on factors such as the company’s experience, location, or resources. Based on the identified disadvantages that constitute a barrier for SMEs to access finance, institutions could modify these programmes to enhance the accessibility of public support for SME internationalisation.

Keywords: export support; international trade; internationalisation; public financial support

Received: 15 March 2023

Accepted: 11 May 2023

Suggested citation:

Miłoś, C. (2023). Advantages and disadvantages of EU funding programmes for SME internationalisation in Poland. *Przedsiębiorczość – Edukacja [Entrepreneurship – Education]*, 19(1), 76–85. <https://doi.org/10.24917/20833296.191.6>

Introduction

The internationalisation of companies plays a vital role in the development of both individual businesses and economies. This arises because it presents an opportunity for potential expansion to companies that have exhausted their domestic market share and must, therefore, contend with push factors or have greater opportunities in other countries (Głód, 2003). Although internationalisation poses many challenges, both small to medium-sized enterprises (SMEs) and larger corporations are opting to expand abroad. The obstacles

they have to overcome include financial, legal, logistical, and knowledge-related aspects (Majka, Puchalska, 2021). For SMEs, in particular, the financial aspect is the most significant barrier due to the substantial capital outlay required to operate in foreign markets (Drabik, Krawuczka, 2015).

One approach for SMEs to reduce costs, while also gaining expertise in internationalisation, is to take advantage of public financial support programmes for foreign expansion. These programmes provide various types of financing, including professional consultancy services, marketing activities, staff training, participation in international trade fairs, and the costs of foreign undertakings and meetings with potential contractors (Pietrasiański, 2011). Financial support instruments are diverse, offering either direct cash assistance in the form of grants or debt support in the form of credit or loans (Claeys, De Maese-neire, 2012). Their structure depends on the strategy adopted for SME support activities and the circumstances of the institution providing the funding. This implies that support programmes differ primarily in terms of the barriers to obtaining support.

However, obtaining support is an activity that requires time, knowledge, and often equity capital from companies. This can lead to small entities, in particular, encountering major constraints to growth in foreign markets. For this reason, it is important to analyse support programmes to verify existing barriers with a view to eliminating them and identifying good practices in order to replicate them. This article aims to achieve this by analysing three support programmes for the internationalisation of Polish SMEs implemented since 2014, outlining their benefits and drawbacks. The study is based on an analysis of data on support programmes, using qualitative data obtained by desk-research analysis to conduct the analysis. The data acquisition process entailed reviewing data sources, structuring the data to ensure comparability, developing a data visualisation, and data analysis. The extracted data were then analysed using the deductive method.

Literature review

The process of internationalisation is a subject frequently addressed by researchers. However, due to the dynamic changes in the global economy and trade procedures, it is important to recognise the ongoing need for topic updates and the exploration of new theories (Kundera, 2018). The issue of internationalisation hinges significantly on international trade and related theories. The classical theories of Adam Smith, David Ricardo, and Bertil Ohlin can be identified as foundational, alongside theories based on concepts of enterprise development, including monopolistic advantage theory, oligopolistic reaction theory, and product life cycle theory (Gorynia, Jankowska, 2007). More sophisticated theories include those based on classical theories but nuanced with additional factors for a better representation of reality (Jeyarajah, 2021).

Among contemporary trade theories, we should consider technological innovation theory, based on Posner's technology gap theory (Ramos, Zarzoso, 2010), as well as the New Trade Theory and 'New' New Trade Theory. An entity's internationalisation process in a foreign market can be influenced by pull factors, push factors, opportunity factors, or entrepreneurial factors (Daszkiewicz, 2014). In the case of foreign market development, it is common for multiple factors to apply simultaneously to an entity. Among these factors, we can distinguish common ones such as market potential, product innovation, or high pressure from conurbations (Kunday, Sengüler, 2015). However, more unique factors, such

as networking, are also increasingly gaining recognition (Głodowska, Maciejewski, Wach, 2022). If public financial support programmes for internationalisation are available in a specific market, they should be categorised as both opportunity and entrepreneurial factors.

Public support for internationalisation is motivated by the economic development of countries. It is divided into financial support, i.e. monetary and non-financial support in the form of consultancy or training services, for example (Bannò, Torres, Varum, 2011). This support plays a significant role, as indicated by 49% of surveyed SMEs who stated that internationalisation would not have been possible without public support, and 71% of surveyed SMEs claiming that public support allowed faster internationalisation (Brojakowska-Trzaska, 2015). There is limited research in the area of foreign expansion support programmes, and existing studies are rapidly becoming outdated due to socio-economic changes and the implementation of new community policies within the European Union. These policies have aimed to eliminate barriers and better align with the needs of entrepreneurs. This also applies to research in the area of internationalisation of Polish SMEs (Daszkiewicz, 2016), particularly regarding financial support for such activities (Pietrański, 2011). In addition, existing studies mostly relate to tangential topics that are not fully within the scope of this article. For instance, research on the use of public support programmes for enterprises in Poland focused on the utilisation of funds earmarked for investment in enterprises operating in rural areas. This results in a research gap covering the impact of support programmes and the internationalisation of enterprises.

Methodology and empirical results

Methods

The study uses a desk-research analysis method. Information for the study was sourced from project documentation, including current versions of the rules and regulations developed by the coordinators of business support. A comparative table was developed of the most important factors determining the advantages and disadvantages for entrepreneurs. These factors were selected to ensure straightforward comparability of information while ensuring the availability of information. These aspects relate to support projects both at the stage of obtaining and implementing assistance and after project completion. This breakdown is included in the table, serving as the primary tool for the analysis.

Support programmes

In the currently valid EU perspective 2014–2020, which allows projects to be implemented until the end of 2023, there are thirty-six internationalisation support programmes (Polska Agencja Rozwoju Przedsiębiorczości, 2022). These are administered regionally (like the Regional Operational Programme of the Kujawsko-Pomorskie Voivodeship, Sub-measure 1.5.2 Support for the Internationalisation process of Enterprises), supra-regionally (like the Operational Programme Eastern Poland 2014–2020), and nationally (like the Operational Programme Intelligent Development, Sub-measure 3.3.1 “Polish Tech Bridges”). Operators who are intermediary institutions for the transfer of funds oversee their implementation. The most important among these, operating the largest programmes in terms of nominal

value, include the Polish Agency for Enterprise Development (Polska Agencja Rozwoju Przedsiębiorczości – PARP) and the Polish Investment and Trade Agency (Polska Agencja Inwestycji i Handlu – PAIH), which belong to the Polish Development Fund (Polski Fundusz Rozwoju – PFR) group. The most important support programmes, based on desk research of competition documentation, are characterised below.

SME Internationalisation: this competition is organised by the Polish Agency for Enterprise Development. Entities qualifying for the SME category according to the guidelines set out by the European Commission in Annex 1 to the EC Regulation No. 651/2014 and operating in Eastern Poland, i.e. enterprises operating in the territory of the Warmińsko-Mazurskie, Podlaskie, Świętokrzyskie, Lubelskie, or Podkarpackie voivodeships are eligible to participate. The maximum value of the co-financing is set at PLN 900,000, with a minimum contribution from the company is 15% of the project value. The co-financing is provided entirely in the form of cash. The funds awarded under the project may be used for specialised advisory services and other services related to internationalisation. These advisory services include:

Services for the development of a Business Model for Internationalisation

Services related to the preparation of implementing the developed Business Model for Internationalisation, including searching for potential partners on foreign markets, and acquiring external financing. This can include actions such as conducting research on the target market, preparing distribution channels and mechanisms for servicing the formal and legal environment, obtaining the necessary permits to conduct business in a foreign market, preparing a marketing strategy, preparing sales documentation, and obtaining industrial property protection.

The funds can additionally be used for their services such as:

- The purchase of intangible assets required for expansion,
- Production of marketing materials,
- Staff training,
- Translation costs,
- Costs of participation in international trade fairs or trade missions.

As part of the project, a company can initiate measures leading to internationalisation in any markets it selects, with the number of selected markets depending on the company's discretion (Polska Agencja Rozwoju Przedsiębiorczości, 2020).

Polish Tech Bridges: this competition is organised by the Polish Investment and Trade Agency. Entities qualifying as SMEs, according to the guidelines set out by the European Commission in Annex 1 to EC Regulation No. 651/2014 and operating in Poland (not limited to specific voivodeships), are eligible to participate. The maximum value of the co-financing is PLN 200,000 per foreign market, with no limitations on the number of markets. In this case, the company's financial contribution is 0%, although not all costs in the project are considered eligible for funding.

Projects under the grant are divided into a domestic and a foreign stage. Funding for the domestic stage takes a non-cash form of up to PLN 70,000, while for the foreign stage, it takes a cash form of up to PLN 120,000 and a non-cash form of up to PLN 10,000. The funding for the domestic stage is earmarked for specialised advisory and training services related to internationalisation, including:

- Advice on building an internationalisation strategy,
- Training on expanding into foreign markets.

The funding for the foreign stage is directed towards specialised consultancy and training services related to internationalisation. These services include:

- Obtaining the necessary permits to operate in the foreign market,
- Preparation of sales documentation,
- Purchase of intangible assets necessary for expansion,
- Translation costs,
- Costs of participation in international trade fairs or trade missions,
- Production of marketing materials.

Within the framework of the project, a company may undertake activities leading to internationalisation in markets selected by PAIH as target markets. The number is limited, which further restricts the recruitment process as it is only launched for a maximum of three markets at a time (Polska Agencja Inwestycji i Handlu, 2020).

Go to Brand: this competition is organised by the Polish Agency for Enterprise Development. Entities qualifying as SMEs, according to the guidelines set out by the European Commission in Annex 1 to EC Regulation No. 651/2014 and operating in the territory of Poland (not limited to specific voivodeships), are eligible to participate. The maximum value of the grant is PLN 1,000,000, and the minimum contribution from the company is 15% of the project value. The funding is entirely in the form of cash. The funds under this project can be used for specialised advisory services and other services related to internationalisation, including:

- Consultancy services related to internationalisation, including conducting research on the target market, preparing distribution channels, setting up channels for servicing the formal and legal environment, creating marketing strategies, and obtaining industrial property protection;
- Costs of participation in international trade fairs or economic missions,
- Production of marketing materials.

As part of this project, a company can undertake measures leading to internationalisation in markets identified as prospective. The number of such markets depends on the company (Polska Agencja Rozwoju Przedsiębiorczości, 2020).

Evaluation of programmes

A comparative analysis of the selected support programmes was carried out based on the presented characteristics of support programmes. The comparison was conducted using the information summarised in Table 1, which outlines the fundamental principles of support provision and conditions for the implementation of projects as well as the existing barriers in the individual stages of the procedure related to obtaining and using co-financing. These barriers, which were identified through a review of existing literature, were subsequently characterised according to the stages of project implementation.

This summary of the features of the support programmes allows for a comparative evaluation in terms of the specified criteria and facilitates the identification of their main advantages and disadvantages.

Table 1. Comparative analysis of support programmes for SME internationalisation in Poland

Benchmark		Support programme		
		SME Internationalisation	Polish Tech Bridges	Go to Brand
Intensity		up to 85%	up to 100%	up to 85%
Maximum amount of co-financing		PLN 900,000	PLN 200,000	PLN 600,000
Selection of foreign markets in terms of territory		Unlimited	Limited	Unlimited
Selection of foreign markets in terms of export experience		New markets only	New and existing markets	New and existing markets
Number of markets per project		Unlimited	One market	Unlimited
Territorial limitation of applicant companies		Yes, companies from Eastern Poland	No	No
Need for export experience		No	No, but experience influences the assessment of the application	No, but experience influences the assessment of the application
Form of finance		Cash	Cash and non-cash	Cash
Form of finance payment		Refund after costs have been incurred	Reimbursement after costs have been incurred	Reimbursement after costs have been incurred / advance payment
Comprehensiveness of eligible measures in relation to the company's internationalisation process		Yes	Yes	Yes
Barriers – before implementation	Cost of preparing an annexe to the application	Yes	No	No
	Formalities relating to the preparation of the application	Yes, requiring a high level of expertise	Yes, requiring a high level of expertise	Yes, requiring basic specific knowledge
Barriers – during implementation	Project clearance formalities	Yes, requiring a high level of expertise	Yes, requiring basic specific knowledge	Yes, requiring basic specific knowledge
	Risk of having to reimburse a grant	Yes	Yes	Yes
	Supplier selection procedure based on the principle of competitiveness or the Public Procurement Law	Yes	Yes	Yes, partly
	Possibilities of taking into account quality criteria when selecting suppliers	Yes, but limited	Yes, but limited	Yes

Barriers – post-implementation	Requirement to ensure the sustainability of project outcomes for a specified number of years after project completion	Yes	Yes	Yes
	Requirement to maintain project documentation for a certain number of years after project completion	Yes	Yes	Yes

Source: own elaboration based on (PARP, <https://www.parp.gov.pl/>, accessed on 8.09.2022; PAIH, https://www.paih.gov.pl/pmt/dokumentacja_konkursowa/nabor_iii_2021_chiny_senegal_singapur, accessed on 8.09.2022)

Based on a comparative analysis of selected public financial support projects for internationalisation, it is possible to demonstrate the advantages and disadvantages of each programme. The disadvantages of the programmes presented include:

- The requirement to make an own contribution,
- Limitations on the freedom to choose markets,
- Restrictions on the number of markets that can be chosen,
- Restrictions on programme participation to companies from a specific area,
- Restrictions on the chance to obtain funding towards companies without experience,
- Non-cash form of the support, which can limit a company's possibility to match expenses to their needs,
- The provision of funding in the form of reimbursement of expenses already incurred, which creates the need to have own capital for the implementation of tasks,
- The labour- and capital-intensive process of applying for funding,
- The labour- and capital-intensive process of project implementation and financial settlement,
- The need to sustain the project for a certain period after its completion.

The advantages of the presented programmes include:

- A high level of funding, particularly for small businesses,
- Opportunities for companies with no experience to obtain funding,
- A predominantly cash-based form of provision,
- Eligibility of expenditures, allowing comprehensive implementation of internationalisation measures.

The above summary, together with a comparative analysis, makes it possible to identify the most important advantages and disadvantages of each of the support programmes separately.

Certain aspects negatively influence the attractiveness of co-financing options. The restriction of companies that can apply for support to the Eastern Poland region in the case of the SME Internationalisation programme is one such aspect. The form of subsidy payment, which is based on the principle of reimbursement of expenses already incurred, can also be considered unattractive. This requirement is associated with the need to have

capital for the implementation of tasks, and the lack of capital is one of the most frequently indicated barriers to internationalisation by companies. This disadvantage applies to all indicated projects. The low attractiveness of the Polish Tech Bridges programme is influenced by the substantial limitation of export destinations, i.e. markets eligible for co-financing. These are determined by the financing institution, limiting the freedom of choice. In addition to the complicated procedure of applying for co-financing common to all programmes, the SME Internationalization programme further requires an expense related to the development of the Internationalisation Business Model, which is not refunded in the case of the grant being not awarded.

Due to the use of public funds, all programmes impose an obligation on companies to provide information about the project being carried out, which often involves disclosing information that constitutes company secrets. The public nature of the information also applies to the selection of service contractors or suppliers of goods, which involves a time-consuming procedure and prevents cooperation with the company's preferred entities. Despite these drawbacks, the programmes are also characterised by systematic improvements to reduce barriers to accessing funding. These improvements represent the fundamental advantages of the programmes.

Beneficial features include a high intensity of co-financing, which can reach up to 100% of the project value in the case of the Polish Tech Bridges programme. An important role is also played by the freedom to choose target markets, allowing for the selection of export directions tailored to the company's strategy, its capabilities, and the potential of a given country. In all programmes, experience is not a prerequisite, which opens up the possibility of obtaining funding for a wide range of entities. In the most recent calls for the Go to Brand project, a simplified form of financing was also applied, consisting of the settlement of lump sums included in the application, with funds partially paid out in the form of an advance payment. This simplified form of settlement also eliminates complex procedures of awarding contracts.

Conclusions

The analysis of the support programmes presented here reveals that there are various advantages and disadvantages inherent in each. Despite facilitation measures implemented by the responsible institutions, obstacles exist that make it difficult to obtain funding to support internationalisation. These institutions should, therefore, undertake programme evaluations and devise new solutions because none of the programmes is characterised by the absence of disadvantages, and the nature of these issues allows for their potential elimination. They depend on their underlying assumptions, allowing companies to choose the one that best aligns with their needs. This suggests that before applying, companies should analyse the forms of support and select the most appropriate one based on their circumstances.

Based on this analysis, it can be suggested that for companies lacking experience, the most preferred programme are SME Internationalization, specifically for companies from Eastern Poland, and Polish Tech Bridges. This is attributable to the lack of an export experience criterion evaluation in the case of the former programme and the provision of advisory support for inexperienced companies in the case of the latter. For companies with limited or no resources, the Polish Tech Bridges programme is the most beneficial due to its high co-financing intensity. Considering the complex nature of project realisation

and settlement, the Go to Brand programme is recommended for companies without limited knowledge of implementing support programmes, as it features a simplified expense settlement process.

This article provides a comparative account of internationalisation support programmes funded publicly. However, it should be noted that only the three most important programmes were included in the analysis, which was conducted based on desk research rather than information obtained directly from businesses. A potential area for future research could involve an analysis to determine the extent to which individual advantages and disadvantages of these programmes influence corporate decision-making regarding the use of public financial support. It is recommended that such research is based on a wide sample representing companies in the study area.

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The author would like to thank two anonymous reviewers.

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