

INSTRUMENTS SUPPORTING THE INTERNATIONALIZATION PROCESS OF POLISH ENTERPRISES

Piotr Kuraś, Malgorzata Kuraś
Czestochowa University of Technology
Faculty of Management
Poland

Abstract

The strategy of internationalization is one of the ways of enterprise development. The modern economy is slowly running out of the opportunities for effective competition based on the classical strategies.

The selection of the internationalization strategy means, for the enterprise, the opportunity to expand the market and access to the resources of the host country. The Polish government administration, apart from the enterprises themselves, are interested in the internationalization of Polish enterprises. The development of enterprises amounts to an increase in budgetary revenues of the State, which allows the administration to implement the tasks and brings about an increase in the wealth of the society.

In the paper, there are characterized the instruments which have been prepared by the government administration to support the internationalization process of Polish enterprises. They are divided into three basic groups. The first group includes direct instruments, i.e. the support offered directly to enterprises. The second group refers to direct instruments understood as the institutions supporting the processes of internationalization of Polish enterprises. The third group includes the instruments to support the business environment. The paper is summarized with the conclusions.

Keywords: internationalization, support instruments, process, strategy enterprise, SME

Introduction

Modern enterprises operate in an increasingly powerful competitive environment. In these conditions, classic paths and strategies of development are no longer sufficient. This is due to the fact that more and more companies gradually acquire the skills and competences which, so far, have provided competitive advantage to the present leaders. Therefore, increasingly stronger competition forces to search for new, more effective ways of gaining competitive advantage. The above conditions, in many cases, result in the adoption of the internationalization strategy by enterprises.

In the simplest terms, internationalization amounts to the partial transfer of some or all of the activity: trade, production, research and development outside the homeland to provide better opportunities for development. The internationalization of the enterprise activity is connected with the necessity of the orientation towards foreign markets, international competition and the ability to use globally distributed production factors. Internationalization provides enterprises with the opportunity for development due to access to new markets of production factors and new selling markets. The internationalization of enterprises is also the subject of interest of governments of individual countries which provide specific conditions and programs to support foreign expansion of their own enterprises. This, most of all, refers to small and medium enterprises, whose scope of activity, financial and negotiating potential is frequently insufficient to undertake the internationalization strategy.

The main objective of the paper is to present the instruments which have been developed by Polish government administration authorities in the framework of supporting the internationalization process of Polish enterprises. Therefore, there will be characterized some direct instruments, such as: sector promotion projects concerning export, export certificates etc. Subsequently, there will be discussed some indirect instruments, i.e. the institutions supporting entrepreneurs. The third and last group of the characterized instruments are so called instruments for supporting business environment institutions. The paper is summarized with general conclusions and recommendations.

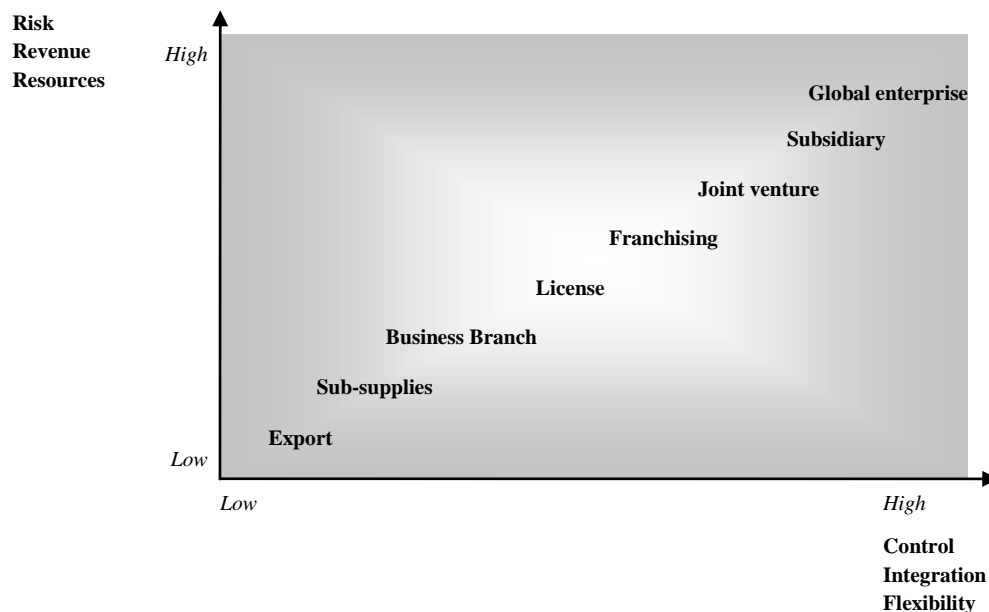
The essence and general characteristics of internationalization of the enterprise activity

There are a lot of definitions of internationalization, however, they all have a common denominator. Generally, internationalization is defined as expanding the enterprise activity by entering foreign markets with this activity to provide better opportunities for development. Internationalization is, most frequently, regarded as the process or the way of reacting to changes taking place in the environment of the enterprise - behavioral approach (Rymarczyk, 1996, p. 17; Tomski & Pabian & Bylok, 2014).

Internationalization is frequently regarded as the process characterized by the stage system of its forms. It is assumed that the achievement of one form conditions the passage to another one. Such an evolutionary approach to internationalization was, among others, popularized by J. Johanson, J.E. Vahlne, F. Wiedersheim-Paul, R. Luostarinen, K.A. Nordstorm. These authors claim that the typical course of internationalization begins with export, another stage is different forms of cooperation which precede direct investments of the enterprise on the foreign market characterized by the highest degree of control (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1990; Nordstorm, 1991).

According to the evolutionary model, in the initial stage of development, the enterprise usually concentrates its activities on providing services to the domestic market. This happens until the size of the internal market is sufficient for further development of this enterprise. Subsequently, the enterprise achieves the volume of production which the home market is not able to absorb. Aiming at the market expansion, the enterprise makes a decision concerning export. In accordance with the evolutionary model of the internationalization process, the first and, simultaneously, the simplest form of entering the foreign market is export, which precedes more advanced forms of entering the market. Each entry of the enterprise to the foreign market is associated with the necessity to select the form of service provided to this market, which is optimal in specific conditions. These forms can be defined as the institutional solutions which allow the enterprise to introduce goods or resources to another country (Zorska, 1998, p. 286) - Fig. 1.

Fig. 1. Risk, the level of control and other dependencies in different entry models



Source: Rymarczyk 1996; Yadong, 1999.

The passage to more advanced forms of internationalization is connected with the necessity to change the mechanism of coordinating transactions and operations: from the market ones (export, sub-supplies), through the interorganizational ones (agreements, joint ventures) to intra-organizational ones (subsidiaries, mergers). The selection of the way of entry should be preceded with the analysis of the available ways of entry and the factors specifying the present and future position of the enterprise and the whole sector. Each of these forms, in specific conditions, may constitute the best option of the internationalization of the business activity.

The selection of the appropriate option on the specific foreign market, among others, depends on the environment of the host country and the overall expansion strategy.

On account of the nature of the paper, the presented classification is an outline of the problem. It should be noted, for example, that, in spite of the fact that the evolutionary model has a lot of supporters among the researchers of internationalization, there should also be mentioned the views of its opponents. Reid, (1987), Bonaccorsi & Dalli (1990) indicated that this theory was applied in the seventies when the level of internationalization and globalization was low, however, it has become obsolete nowadays. Simple evolutionary theories often explain the strategic behavior and the selection of the forms of enterprise development in an insufficient way.

The characteristics of small and medium enterprises in Poland¹

The enterprises in Poland generate nearly three quarters of the Polish GDP (73% in 2012). Out of this, almost half (48.5%) amounts to SME sector. In the framework of SME sector, the majority, since 29.7%, is generated by microenterprises, 11% by medium and 7.8% by small companies.

In Poland, the share of the micro- and small enterprise sector, measured with the share of this sector in the gross value added, generated in enterprises, is significantly lower than the average in the EU. According to the data by Eurostat, microenterprises in Poland generate 16.5% of the gross value added of enterprises, compared to 21.4% in EU-27. In case of small enterprises, these figures respectively amount to: 13.5% and 18.0%. In Poland, the contribution to the generation of gross value added, which is significantly higher than in EU-27, is typical of medium and large enterprises.

An average Polish enterprise generates significantly lower gross value added than an average enterprise of the EU. For small enterprises, it is the amount which is slightly higher than half of this value - precisely 55.6%, which, in terms of value, amounts to EUR 450.3 thousand. Medium enterprises generate 47.9%, of the average value of UE-28, which amounts to EUR 2.4 million. The worst results, in this comparison, refer to microenterprises, which generate less than a third of an average enterprise of UE-28 (31.1% - EUR 20.2 thousand). For all the enterprises in Poland, there can be observed an upward trend with respect to the amount and share of value added compared to the results obtained, on average, by enterprises of UE-28.

With reference to the number of enterprises, Poland is the sixth economy of the EU. In the area of Poland, in 2012, there were about 1.8 million of enterprises with about 22 million in the whole EU. In that period, Poland was respectively preceded by: Italy (3.8 million), France (2.6 million), Germany (2.2 million) and Spain (2.1 million). This ranking completely changes if its criterion is the number of enterprises per 1000 citizens of the specific country. In the countries of the EU, the majority of enterprises operate in Czech Republic (96), Portugal (79), Slovakia (69), Italy (63), whereas the smaller number of enterprises is in Romania (20), Germany (26) and Great Britain (27). Poland, with 40 enterprises, is somewhere in the middle position.

In Poland, as much as 99.8% of the total number of enterprises come from the SME sector. Out of this, 76.6% of enterprises operate in the sector of services and trade, 13% in construction and 10.3% in industrial processing. Compared to the average of the EU, the SME sector in Poland is more significantly dominated by microenterprises. On the other hand, the share of small enterprises is half the average in the EU. However, the structure of Polish enterprises gradually becomes similar to the European one. For a few years, there has been noticeable a decline in the share of microenterprises for the benefit of small and medium companies.

The instruments supporting the internationalization of Polish enterprises²

The presented data indicate that Polish enterprises are characterized by significantly lower effectiveness than their average equivalent in the EU, while generating barely half of their gross value added. However, this gap is slowly and systematically narrowing. This means that Polish enterprises have unused growth reserves.

¹ The chapter has been prepared on the basis of the following sources: Polska Agencja Rozwoju Przedsiębiorczości. (2014). *Raport o stanie sektora małych i średnich przedsiębiorstw w Polsce w latach 2012-2013*.

² The chapter has been prepared on the basis of and with the extensive use of the following source: Ministerstwo Gospodarki. (2009). *Instrumenty umiędzynarodowienia działalności przedsiębiorstw*.

An increase in own potential is of interest not only to the enterprises themselves but also to Polish government administration since this directly amounts to an increase in GDP corresponding with an increase in wealth of the society and the opportunities to satisfy social needs of the population from the State budget. In the framework of help provided to enterprises, Polish government have developed the appropriate set of instruments aimed at supporting the process of internationalization of the business activity, while seeking, in this process, the opportunities to stimulate the growth of Polish enterprises and achieve the level which is close to the European average.

In the following part of the paper there are presented and characterized the instruments, which are divided into three groups. The first group includes the direct support for entrepreneurs, the second one refers to indirect instruments, understood as the support forms coming from the institutions supporting entrepreneurs, the third group includes the instruments supporting the business environment.

Direct instruments

Direct instruments in the present paper are understood as direct help addressed to entrepreneurs. In the framework of this group, there are characterized the following instruments supporting the process of internationalization of the enterprise activity:

- industry promotion projects concerning export,
- export certificates,
- promotion projects and the ones supporting export,
- publishing projects promoting export,
- passport to export,
- industry promotion programs,
- general promotion programs.

Industry promotion projects concerning export are regulated by the appropriate legal provisions and they aim at supporting projects including different forms of promotion, such as: shows, exhibitions, presentations, tasting, demonstrations, industry meetings, training and workshops held at home and abroad, and also the study of foreign markets. The entrepreneurs creating the group of at least four entrepreneurs taking part in the project can apply for support. The maximum amount of the grant per one group of entrepreneurs is PLN 50000 (about EUR 12000), and per one entrepreneur, it cannot exceed PLN 8000 (about EUR 2000). In this case the supporting institution is the Ministry of Economy.

Export certificates. The Ministry of Economy provides help to small and medium enterprises in the field of obtaining product certificates or extending validity of products certificates, certification and attestation required in trade in goods on foreign markets, excluding certificates, certification and attestation of conformity with the standards of the Single European Market. The annual limit of such support cannot exceed PLN 50000 (about EUR 12000).

Promotion projects and the ones supporting export are another support instrument from the Ministry of Economy. Its objective is to hold seminars, conferences, collective shows and presentations of products of the defense industry. In this case, the enterprise may obtain the support in the form of maximum 50% of expenses qualifying for support (e.g. hiring rooms, printing information material, translations).

Publishing projects promoting export are an instrument aimed at promoting publishing projects: catalogues, brochures, handbooks, foreign magazines, books and promotion and information materials promoting export or sales on the Single European Market. The support does not include the publication of advertising materials of individual entrepreneurs. The amount of the grant cannot exceed 50% of the qualified costs (paper, print, setting, breaking, binding, pressing records). The supporting institution is the Ministry of Economy.

Passport to export is an instrument which aims at strengthening the position of the Polish economy by: promoting Poland as an attractive business partner, increasing the amount of Polish export and increasing the number of enterprises involved in the export activity. The enterprises of the SME sector, whose share of export in the total sales does not exceed 30% of the total revenue, can apply for support. The support can be received in two stages. The first stage includes the preparation of the plan of export development by the purchase of external consulting services. The maximum amount of the grant is PLN 10000 (about EUR 2500).

The second stage includes the organization of trade fairs, foreign missions, searching for and selecting partners on the target market, consultancy in the field of development of the strategy of financing export, the company image. The maximum amount of funding is PLN 200000 (EUR 50000) and it cannot exceed 50% of the total expenses qualifying for the support. The supporting institution in this case is the Polish Agency for Enterprise Development (PARP).

Industry promotion programs are an instrument aiming at the promotion of groups of products, services and modern technologies. It is regarded as the support for entrepreneurs of the selected industries which, in the opinion of the supporting entities, may become Polish export specialties. The supporting institution is the Ministry of Economy.

General promotion programs aim at promoting the participation of entrepreneurs in promotional (industry and general) events at home and abroad, increasing the recognition of Poland in the world and promoting Poland as the country which is innovative in nature. Also in this case the supporting institution is the Ministry of Economy.

Indirect instruments

Indirect instruments are understood as all institutions supporting entrepreneurs in the development of the internationalization strategy. The following units are characterized:

- Trade and Investment Promotion Sections and Portal,
- Polish Export Promotion Portal,
- The Network of Investors and Exporters Service Centers (COIE),
- Eulex database,
- Consulting services for the benefit of entrepreneurs.

Trade and Investment promotion Sections and Portal (WPHiI) are appointed by the Minister of Economy. These are foreign agencies of the Minister of Economy, operating in the framework of Polish embassies and consulates. Their task is the promotion at the macro level – i.e. broadly understood economic cooperation and at the micro level, consisting in the promotion of Polish enterprises. The promotion of the collaboration of Poland with the host country, among others, consists in: promoting Poland, promoting economic cooperation with Poland, suggesting the topics for discussion at business meetings, assessment of the prospects for trade development and investments and the implementation of promotion projects. Supporting enterprises is implemented as a result of organizing information on the conditions of entry of Polish enterprises onto the market of the host country, identifying threats for the enterprises entering this market, help in organizing economic missions, exhibitions etc., monitoring investment projects developed by Polish enterprises, making possible intervention in case of difficulties in the functioning of enterprises on the specific foreign market. Nowadays, WPHiI has its units in 42 countries.

Polish Export Promotion Portal – aims at supporting Polish export by the integration of the distributed Internet resources, essential for the Polish exporter, providing Polish and foreign partners with credible and up-to-date economic information, facilitating contacts with foreign partners, promoting Polish export offer. The main source of information for the Portal is the report, materials of the Ministry of Economy and other public institutions and foreign requests for quotation. The portal is addressed to potential exporters and potential foreign partners.

The Network of Investors and Exporters Service Centers (COIE) was appointed to facilitate entrepreneurs' access to complex, high quality, free information services to the extent which is necessary for planning, organizing and developing export and foreign investments.

Eulex database aims at facilitating entrepreneurs' search for the selected legal regulations of the EU, essential for running a business activity. The database provides the opportunity for searching for the EU legislation in Polish language in the form of syntheses of legal acts and in full form in English.

Consulting services for the benefit of entrepreneurs are the instrument aimed at an increase in competitiveness of the offer of the domestic exporters by allowing Polish entrepreneurs to use the access to consulting services offered by the specialized entities. These entities have been equipped with different kinds of analyses, research, legal opinions, market expertise etc. The institution responsible for the implementation of the activity is the Ministry of Economy.

Instruments supporting the institutions of the business environment

The internationalization of enterprises can be also aided due to the support for different initiatives co-creating the business environment. The Polish government administration have undertaken the following initiatives:

- supporting the organizations of entrepreneurs in the works of the international groups or industry organizations,
- supporting the network of investors and exporters service centers,
- promoting Polish export specialties,
- implementing the Swiss-Polish Cooperation Program.

The first of the listed initiatives aims at supporting the integration of firms on the Single European Market and also significantly representing interests of Polish enterprises at international level and spreading Polish achievements and experiences abroad. The organization associating entrepreneurs can obtain the financial support from the Ministry of Economy to cover membership fees resulting from the membership of international groups or industry organizations.

The second of the listed government initiatives consists in facilitating the entrepreneurs' access to the complex, high quality and free information services in the field which is necessary for planning, organizing and developing export or foreign investments. These functions are performed by Investors and Exporters Service Centers (COIE) in the structures of marshal offices.

Another government initiative consists in the promotion of individual industries and selected modern technologies characterized by high competitive potential. There are supported promotion activities during trade fairs of different kinds both at home and abroad.

Swiss-Polish Cooperation Program is the project aimed at the improvement of the business environment and access to capital for SME. The activity consists of two sub-projects. Project I assumes building the network including 16 Investors and Exporters Service Centers (COIE). Project II refers to the issues of Corporate Social Responsibility (CSR). It consists in building the potential of COIE in the field of CSR, financial support for SME for CSR projects and spreading good practices and communication. The institution responsible for both this initiative and the previous one is the Ministry of Economy.

Conclusions

The internationalization of the activity is one of the ways to increase the competitive potential of the enterprise. The major benefit resulting from this is expanding the market and access to the resources disposed by other countries. The effective use of opportunities provided by foreign expansion may significantly increase the growth of the enterprise and the achievement of competitive advantage over business rivals.

The listed reasons constitute the motivation of enterprises to undertake the internationalization of the activity. However, it should be underlined that, apart from the enterprises themselves, also the governments of the countries they come from are interested in their internationalization. Generally, if enterprises develop, they generate higher budgetary revenues, simultaneously allowing for better satisfaction of social needs, they reduce the level of unemployment, leading to an increase in wealth of the whole society. With regard to the above reasons, also the Polish government administration are interested in the acceleration of the internationalization process of Polish enterprises. Therefore, they have already started a range of initiatives and actions aimed at supporting this process.

In the paper, there have been characterized the most important initiatives undertaken in Poland for the benefit of the internationalization of Polish enterprises. They include the instruments addressed directly to enterprises, the institutions supporting internationalization and the initiatives which are to create favorable conditions and the environment for internationalization.

Summing up, the Polish government administration notice the benefits coming from the internationalization of the activity of Polish enterprises. They create a range of documents which directly help enterprises in their foreign expansion. They have also appointed a lot of institutions aiming at supporting enterprises in their foreign expansion, they have also made an effort to create the business environment which is friendly to the internationalization process. Specific funds isolated from the budget are reserved for these activities. In the light of the above, it should

be acknowledged that the activities of the Polish government administration seems to head in the right direction. The observation of the future will allow to state whether these actions are sufficient and if they will involve the support from additional support instruments.

Piotr Kuraś

He was awarded Ph.D. in the field of management in 2003. Since then, he has been working as an assistant professor at Department of Management – Czestochowa University of Technology, Poland.

His main research include issues of strategic management, in particular strategies of enterprise development, strategic context of enterprise resources, management of enterprise value and valuation of assets.

Małgorzata Kuraś

She was awarded Ph.D. in the field of management in 2010. Since then, she has been working as an assistant professor at Department of Management – Czestochowa University of Technology, Poland.

Her main research include issues of strategic management, in particular management of knowledge, management of cost and management of human resources.

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