

Project SIE

Action Plan for Kuyavian-Pomeranian region, Poland

General information

Project: SME Internationalisation Exchange (SIE)

Partner: Torun Regional Development Agency

Country: Poland

NUTS2: kujawsko-pomorskie

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Policy context

The Action Plan is aimed at influencing the Regional ERDF Operational Programme for the Kuyavian-Pomeranian Voivodeship (region)

Actions taken in the project to develop the Action Plan

SME Internationalisation Exchange (SIE) is co-financed by the European Regional Development Fund under the INTERREG Europe programme and implemented within the partnership of seven organisations from various European regions. In the Kuyavian-Pomeranian voivodship project is implemented by Torun Regional Development Agency (TRDA). The aim of the project is to evaluate of the effectiveness and improvement of support policies for the internationalisation of small and medium-sized enterprises (SME) including making policy improvements under the Regional Operational Programme for the Kuyavian-Pomeranian Voivodeship (ROP K-PV) Priority 1 "Strengthening innovation and competitiveness of the of the regional economics", linked to Specific objective 4 "Increased level of foreign trade in the SME sector".

As part of the learning phase of the SIE project, study visits, stakeholder meetings, and policy improvement workshops were held to learn about the region's specific economic context and mechanisms for supporting the internationalisation of companies. The *“Analysis of internationalising related to small and medium-sized enterprises of the Kuyavian and Pomeranian Province”* was delivered as part of the SIE project. The process of mutual learning and analysing good practices from other SIE partner regions served as a basis of this Action Plan, which contains recommendations and proposals of specific actions to improve SME internationalisation policies in the K-PV region.

Region in numbers

The Kuyavian-Pomeranian voivodship is one of 16 voivodships (regions) in Poland. It covers an area of 18 000 km² (5.70% of Poland, 10th in the country) and is inhabited by 2.091 million people (5.40% of the population of Poland, 10th in the country).

Level of internationalisation of companies from Kuyavian-Pomeranian Voivodship

In the region less than 2% of active businesses export. However, the share of trading in total net revenue of Kuyavian-Pomeranian entities in 2016 was 5.42 million – 3.3% of total revenue. Bearing in mind that the industry profile of internationalized companies from the Kuyavian-Pomeranian Voivodship coincides to a large extent with the industries with the highest competitiveness in terms of internationalisation, such as the production of metal products, transport equipment or furniture production, it seems that the full potential is not being developed. The results so far in terms of the number of exporters and the value of exports indicate the need to adopt measures to support the internationalisation of enterprises.

Geographical structure of export in Kuyavian-Pomeranian Voivodship

The *Analysis of internationalisation of small and medium-sized enterprises of the Kuyavian and Pomeranian Province* shows that there is an intense concentration of exports in EU markets (over 70%). The largest of these is the German market, where exports of the Kuyavian-Pomeranian Voivodship remain at 33.52% (data from 2015). The second largest destination is the United Kingdom, which in 2015 received 5.72% of exports from the region. Sweden, Italy, the Netherlands, and France are ranked next, achieving a comparable share in voivodship exports (4.92%, 4.90%, 4.81%, 4.60% respectively). The strong concentration in EU market may be a concern, due to not taking advantage of the opportunities of more distant markets, which are considered lucrative, yet more risky to export to. In the long-term, focusing solely on the European market may be detrimental to maintaining the competitiveness and expansion capacity of companies from the region. Therefore, it is necessary to diversify sales across the different market, possibly by intensifying operations on lesser known but promising countries. It is also concerning to note that every second entrepreneur participating in the research does not intend to expand its operations to include new markets either within the next year or within the next three years.

Among the internationalised companies, simple forms of connections with foreign markets dominate and this consists of direct exports using the company's resources, through its export team or its distribution network.

Share of the most important commodity groups in export

Two product or commodity groups dominate in the Kuyavian-Pomeranian voivodship: paper and cardboard, and plastics and plastic articles. A company having an impact on such significant share of paper and cardboard is Mondi Swiecie, one of the five largest producers of paper for corrugated board and paper bags in the world. The large percentage of plastics and plastic articles in export is caused by a significant number of SMEs specialising in this field. What is more, in the region there is the Bydgoszcz Industrial Cluster, which brings together different entities from this sector.

The following is a commodity structure in the export of the Kuyavian-Pomeranian Voivodeship:

- Paper and cardboard – 12.37%;
- Plastic and plastic articles – 11.88%;
- Machinery and electrical equipment – 7.81%;
- Furniture – 7.51%;
- Machinery and mechanical equipment – 5.97%;
- Cast iron or steel products – 5.94%;
- Cast iron and steel – 5.28%.

Motives for undertaking international business

The survey conducted highlighted factors/motivations which are conditions to start and run an international business. Amongst internationalised enterprises in the study, the most frequently given reason to undertake activity in the global market was:

- the search for new markets of sale – 55.47%;
- fierce competition in the internal markets – 23.44%;
- the need to reduce costs of business – 20.31%;
- the need to widen the offered products/services – 20.31%;
- acquisition of strategic resources or competences – 15.63%;
- optimising the use of resources – 11.72%;
- improvement of output and efficiency of distribution channels – 11.72%;
- tax optimising – 9.38%.

Only 15.63% of internationalized companies did not indicate factors determining their internationalisation. At the same time, it is significant that over 72% of non-internationalized entities do not see any factors determining the adoption of internationalisation activities. It can, therefore, be concluded that non-internationalized entities are aware of the type of benefits related to exports to a small degree.

Barriers hindering international business of regional enterprises

The results of the survey conducted allowed to set out factors which hinder the international expansion of regional enterprises. The most substantial obstacle for enterprises was the risk arising from the fluctuation of foreign currencies exchange rates (60.15%). Another barrier was conditions and uncertain political situations (51.57%), e.g. *Brexit*, the precarious situation in Ukraine. Saturation of products and competition in the foreign markets (47.65%) is the next factor. High costs of trans-border business (36.72%) and requirements for certificates in international markets (34.72%) were at the similar level.

Internal barriers, identified within the enterprise are of secondary importance for the surveyed companies. This may be due to the lack of enterprises' awareness of their weaknesses and their importance in the internationalisation process. Internal barriers, which currently have the most significant impact according to internationalised companies, are the lack of company/brand recognition on foreign markets (39.07%) and difficulties in finding appropriate external partners (38.28%). These results show that companies most definitely care about company/brand recognition in foreign markets. The above coincides with the indication that broadly understood promotion is one of the most critical factors affecting the success of international activity.

When it comes to un-internationalised companies participating in the study the analysis claimed that enterprises do not see barriers to doing business in foreign markets or only see them to a small extent. The above situation may be influenced by the lack of awareness and knowledge of non-internationalized companies about operations on international markets and the internal and external factors that shape them.

Success factors of Kuyavian and Pomeranian exporters

The survey results showed that the most successful way to reach new foreign customers for exporters were the recommendations of current customers/business partners (25.45%). Quite a large number of respondents (32.73%) related their success to participation in fairs, both in the country and abroad.

The survey results indicate that the most crucial factor which affects the competitiveness of exporting enterprises is the price of products/services (60.91%) along with their quality (51.82%). These results show that the low price of Kuyavian and Pomeranian products and services is their main asset in foreign trade. The high-quality index could prove a strong competitive position of regional enterprises in the overseas markets. However, low indications for other factors related to products/services innovativeness, i.e., product uniqueness, high technological level, modern design, and environment-friendly products/services may indicate that this quality is understood as sufficient to launch goods into foreign markets. This level of accuracy may, however, be not good enough in the future. SMEs without innovative, unique, technologically developed products may have difficulties with maintaining their presence on the foreign markets and further expansion in the future.

Forms of support for the internationalisation of enterprises in the Kuyavian and Pomeranian Province

Export support in the region takes place on two levels: in a narrower sense, through services offered by regional business support institutions (regional development agencies, chambers of commerce, etc.), commercial entities and specific instruments, and in a broader sense by promoting regional and national brands in macro scale.

Activities aimed at supporting exports are implemented under operational programmes and are based mainly on financial help from European Funds.

In the region, organisations are aiming to support the internationalisation of enterprises, such as Investors and Exporters Service Centre (part of Marshal's Office of Kuyavian-Pomeranian Voivodship), the Enterprise Europe Network centre located by Torun Regional Development Agency, Bydgoszcz Regional Development Agency or Regional Export Centre by Chamber of Commerce and Industry in Torun. These organisations help companies by providing information on foreign markets, free training, meetings, conferences, searching for business partners and organising cooperation exchanges and business missions.

Currently, TRDA implements a project named: "Export Fund - grants for SMEs from the Kuyavian-Pomeranian Voivodeship" in partnership with institutions from the region, co-financed under the ROP K-PV for the years 2014-2020. As a part of the project, regional SMEs can receive grants for consulting services (designing marketing and advertising campaigns, legal support for the negotiation and contracting process, adaptation of products and processes for export through certification of products/services and operations in the field of technical standards, quality and compliance, design adjustment, services and packaging for the requirements of foreign markets), participation in fairs and developing an internationalisation strategy for new exporters. The call for support is planned in the first half of 2019.

Another example of support for entrepreneurs in the region, being a part of ROP K-PV is a project implemented by Kuyavian-Pomeranian Voivodship in partnership with TRDA, named "Support for the internationalisation of Kuyavian-Pomeranian SMEs and promotion of the region's economic potential". The project co-finances the costs of entrepreneurs' participation in international trade fairs and missions as well as search and selection of partners on target markets.

In Kuyavian-Pomeranian Voivodship there is also a loan with preferential interest rates for micro, small and medium-sized companies that plan to start or develop their operations on foreign markets. The loan may be used for investment, marketing and administrative activities necessary to enter the international market.

The SME internationalisation study carried out in SIE project influenced the demand analysis carried out for the needs of "Export Fund - grants for SMEs from the Kuyavian-Pomeranian Voivodeship".

The study allowed to develop proposals for support instruments that fit into the needs of regional companies from the SME sector. Recommendations include:

1. Additional support for exporters and companies, which are planning to start exporting, such as:
 - promoting possibilities of obtaining support for the internationalisation of activities among Kuyavian-Pomeranian entrepreneurs from the SME sector by organising dedicated information meetings, individual consultations, and participation in regional events organized by business environment institutions,
 - providing information for entrepreneurs in the area of preparing applications for export funds, settling of subsidies, implementation of purchase procedures, etc., both in the form of individual consultations and group meetings.
2. Advisory services for export starters, involving the development of internationalisation strategies for businesses

SMEs of Kuyavian-Pomeranian region, participating in the study, most often used the support of commercial consulting companies. Public forms of support were characterized by a very low level of use. The main reason for this state of affairs is insufficient knowledge about the possibility of obtaining support and general distrust of its quality and effectiveness. The second reason for the low level of using public forms of support is the scattering or overlapping of business support institutions and the lack of a leading export supporting entity that performs tasks in cooperation with other institutions.

Based on the *Analysis of internationalising related to small and medium-sized enterprises of the Kuyavian and Pomeranian Province* and the effort and cooperation of the Stakeholders of SIE project, **the main challenges for internationalisation in the region** were identified:

- Conducting regular research which provides reliable statistical data on internationalisation in the region, export structure, export directions, analysis of the regional export potential as well as monitoring and evaluation of activities supporting internationalisation. (The lack of which hinders the development and implementation of optimal, targeted actions and more effective use of funds that raise the level of internationalisation in regional enterprises).
- Creating tailored-made instruments supporting regional enterprises such as:
 - mobilisation in the field of internationalisation, especially those entrepreneurs who have not carried out activities in this area so far,
 - tools dedicated to companies at higher stages of internationalisation, for example those who want to make investments on foreign markets, focused on opening branches (representative offices or branch offices) outside of Poland,
 - stimulation and promotion of new, high growth technologies (scale-ups),
 - the use of cluster initiatives for the internationalisation of micro and small enterprises.

Description of planned activities

Action 1. Regular examination of the level of internationalisation of enterprises

1.1. Background

When planning activities aimed at increasing the internationalisation of enterprises, it is extremely valuable to know the region's potential export opportunities and forecasts. Unfortunately, there is a gap and need in the Kuyavian-Pomeranian region regarding data and information from companies in this area. When planning support for the internationalisation of enterprises in the region, decision-makers rely on statistical data. Research is not carried out directly with companies. The statistics lack a lot of information on the early stages of internationalisation in SMEs and data on micro-entrepreneurs (employing from 1 to 9 employees). Analyses of export activity carried out on general statistical data do not include other possible forms of internationalisation. There is also a lack of regularity in conducting reviews. This lack of information means that the region has no basis for creating a comprehensive internationalisation strategy with business support instruments which will improve the ERDF policy in the K-PV region.

In the *Nouvelle Aquitaine* region (France) within the regional observatory, regular surveys of enterprises are carried out every two years to obtain information on the level of internationalisation in the region, e.g., the position of enterprises in the field of internationalisation, identification of strengths and weaknesses of enterprises and barriers they face. The research results are used to conduct public and political forms of support for the internationalisation of companies, determine the impact of support services, satisfaction with the implemented activities and help in making decisions in the field of supporting internationalisation.

The results of the research are used for:

- mapping foreign business locations, to determine where regional companies operate abroad,
- positioning of priority sectors in the field of internationalisation, i.e. the sectors on which the internationalisation support will focus,
- shaping the region's economic strategy for internationalisation for the upcoming year.

One of the challenges of conducting such research among entrepreneurs is responsiveness. Often many researches are carried out simultaneously; hence companies may not be eager enough to participate in every study. The Chamber of Commerce and Industry in Nouvelle Aquitaine (CCI) overcomes this barrier with maintaining close relations with companies and sharing results and analyses that provide them with valuable information free of charge, such as information about competitors and market trends.

1.2. Activities

Conducting regular pieces of research to examine the level of internationalisation of Kuyavian-Pomeranian enterprises, consisting of development of the primary objective, scope, and methods of the study; possible selection of the study contractor; preparation of research questionnaires and purchase of necessary databases and data; conducting the survey; development and publication of study results. The results of the studies will be the basis for creating a recommendation which will improve the ERDF policy in the K-P region and will monitor results of the activities under the ERDF internationalisation policy.

KPI:

Number of researches of business internationalisation - 1 in in the period up to 2020, (research will be carried out systematically but not more than once a year, hence one such study will be conducted by the end of 2020)

1.3. Parties involved

Kuyavian-Pomeranian Voivodship (the Managing Authority) – responsible for conducting the research

Torun Regional Development Agency – responsible for reaching businesses and promotion

1.4. Time frames

1st of January, 2020 – 31st of December, 2020

1.5. Costs

Development of the main objective, scope, and methods of the study – 1 200 EUR

Conducting the study, development, and publication of study results – 10 000 EUR

Coordination (0.1 of full-time work during 18 months) – 7 200 EUR

Total: 18 400 EUR

1.6. Sources of funds

1. Resources of Kuyavian-Pomeranian Voivodship or
2. Resources of Regional Operational Programme of Kuyavian-Pomeranian Voivodship through a call for proposals

Until now, the general statistical data was used in the creation of ROP policy instruments. This action will allow to examine companies further, receive specific data on their needs and evaluate forms of support they obtained so far. This will contribute to justified specific and targeted support for the internationalisation of enterprises. Future pieces of research will allow us to examine the impact of particular support instruments on the level of internationalisation in the region. The policy-makers in the Kuyavian-Pomeranian voivodeship will support the development of SME internationalisation.

Action 2. The partnership of organisations supporting export in the region

2.1. Background

One of the objectives of ROP K-PV for years 2014-2020 is to increase the level of international trade in the SME sector. Current activities of institutions supporting internationalisation in the region are focused on companies that already carry out export activities. There are no actions dedicated to companies that are considering doing export business or postpone it for later or do not consider undertaking such activity at all.

In 2019-2020, the incentive for regional companies to undertake business on foreign markets will be the possibility of receiving grants for new exporters, as a part of the "Export Fund", for example for advisory services regarding developing an internationalisation strategy for a company and its participation in fairs. Due to the distrust of companies of the quality and effectiveness of EU funds and the lack of determination and unawareness of the benefits of internationalisation undertaken by non-internationalized entities, it is advisable to take actions towards their activation. The *Analysis of internationalising related to small and medium-sized enterprises of the Kuyavian and Pomeranian Province* shows that more than 72% of entities not internationalized do not see factors determining to undertake internationalisation activities. It can be concluded from this that these entities do not understand the benefits associated with export activities.

Promoting internationalisation became a matter of higher importance when it comes to shaping policies in developed countries. This activity is widely recognized as a key factor in pursuing economic development on a global scale, at the national and regional level.

The activities of institutions supporting internationalisation in the region are fragmented or duplicated, which causes disinformation and confusion among companies. Many companies do not know what activities in the region are implemented to support internationalisation and where to go to obtain information.

Similar problems have been noticed in other European regions as well. The example of an initiative undertaken and successfully implemented by *Kent County Council* (regional authorities) is *Kent International Business* (KIB - <http://www.kentinternationalbusiness.co.uk/>). KIB is an umbrella programme, which combines various services of support, initiatives, and projects. Joint actions are directed at helping SMEs from the region of Kent in internationalisation and reaching foreign markets. KIB is a programme, which may be accommodated to promote export and internationalisation of enterprises. The initiative's success depends on stakeholder engagement and a strong partnership approach that requires good everyday working relationships and regular communication. It is also important to get involved in working with entrepreneurs to be able to respond to changing needs.

To convince entrepreneurs to undertake export activities, increase the visibility of activities of entities supporting internationalisation and provide consistent information on services and projects

implemented in the region, it is highly advised to use the experience of the SIE project lead partner and undertake to implement good practice from Kent in the Kuyavian-Pomeranian region.

Good practice from Kent International Business aims to:

- Increase awareness regarding benefits for entrepreneurs coming from undertaking internationalisation activities,
- Promote economic growth through exports,
- Ensure coherence and visibility of internationalisation support services and activities taken in cooperation by institutions supporting export in the region.

These goals correspond to the needs of the Kuyavian-Pomeranian region. Although the support services provided by individual partners can change over time, the partnership will make the overall offer for enterprises visible, understandable and continuously updated. With involved partners and a key organisation-leader that will drive the initiative, the partnership will be able to evolve and look for new ways of dealing with the challenges faced by the Kuyavian-Pomeranian enterprises in the internationalisation of their activities.

2.2. Activities

1. Actions to create a partnership between institutions supporting the internationalisation of SMEs in the region based on an agreement of SIE stakeholders:
 - a. selecting the lead organisation and choosing a lead representative – an employee delegated to work on partnership-related activities, along with a contact person in every partnering entity
 - b. mapping export supporting services for regional SMEs, provided by regional BEI,
 - c. partners meetings not less than once every six months,
 - d. evaluation of partnership effectiveness.
2. Yearly development of an action plan with activities stimulating the start and supporting the international activities, which will include:
 - a. informative activities for companies dedicated to the internationalisation of Kuyavian-Pomeranian SME,
 - b. intermediary activities in the entities' internationalisation and finding business, technological and research partners,
 - c. educational activity, overcoming the mistrust of the companies - especially SME, towards undertaking international activity, promoting examples of successes and supporting the knowledge exchange between companies in the field of export experience.

KPI:

1. The number of institutions supporting the internationalisation of enterprises in the region, operating in the Partnership – minimum 4
2. The number of partner meetings – minimum 3 (at least once every 6 months)
3. The number of recipients from the Kuyavian-Pomeranian Voivodship who received information regarding activities and tools supporting internationalisation – 8 000 per year

4. Number of companies participating in events promoting internationalisation – 250 per year

2.3. Parties involved

Kuyavian-Pomeranian Voivodship (the Managing Authority), Torun Regional Development Agency, Bydgoszcz Regional Development Agency, Chamber of Commerce and Industry in Torun

2.4. Time frames

1st of April 2019 – 31st of December 2020

2.5. Costs

Creation/modification of the internationalisation online website – 5 000 EUR

Actions to create and develop a partnership (0,3 of full-time work during 24 months) – 12 000 EUR

Total: 17 000 EUR

2.6. Sources of funds

1. TRDA resources being part of internationalisation projects or
2. Resources of Regional Operational Programme of Kuyavian-Pomeranian Voivodship through a call for proposals

The action is based on transferring elements of the Kent International Business programme. At present, there is no regular cooperation and meetings of business support institutions in the region. There has never been an initiative in the region to co-ordinate BSO activities such as promotion, information and lobbying in the context of internationalisation activities undertaken within the ERDF policy. After establishing the partnership, it will be easier for institutions to influence and efficiently implement activities under the ROP. The created partnership through coordination between business support institutions in the region will ensure coherence and visibility of internationalisation support services and implementation of activities undertaken in cooperation by institutions supporting export, promotes economic growth through exports and increases awareness of the benefits of the internationalisation of enterprises.

Date: _____

29.08.2019

Signature: _____

Wicemarszałek Województwa

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