
The Role of European Funds in the Internationalisation Process of Portuguese SMEs: A Case-Study

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To my family, that taught me that only with work and perseverance we can achieve the goals that we set for ourselves.

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ABSTRACT

The increasingly need for companies to internationalise their activities as well as the increase of EU Funds to promote regional cohesion through the increase of SMEs' competitiveness makes the study of the role of EU Funds in the success of the internationalisation process quite relevant and timely.

The internship in a company specialised in helping companies in their internationalisation process provided the necessary tools for studying and examining the conditions companies need to fulfil when engaging in internationalisation. This report starts by reviewing the relevant literature related to the internationalisation process and to the use of public funds to support it. The reader can understand what was already explored by other authors regarding the importance of these funds for companies and their role in their development and expansion.

Afterwards, a brief statistical analysis is implemented. However, the fundamental analysis relies on interviews with Gênesis.Studio and Market Access. The main conclusions drawn were that the previous EU Funds to Internationalisation, like PT2020, were perceived by companies as a financing tool, more than a proper incentive. Since then, corporations seem to have modified their mindset to perceive EU Funds as incentives for their internationalisation process. Additionally, organisations are more aware that they must create their independence before reapplying for EU Funds. Only that way can organizations utilize the EU Funds as incentive to succeed and prosper.

Keywords: Internationalisation, EU Funds, SMEs, Incentives.

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ACRONYMS CONTENT

SMEs – Small and Medium Enterprises

FDI - Foreign Direct Investment

MNE - Multinational Enterprise

EU - European Union

ERDF - European Regional Development Fund

PT2020 – Portugal 2020

PT2030 – Portugal 2030

AICEP - Agência para o Investimento e Comércio Externo de Portugal (Portuguese Agency for Investment and Trade)

1. INTRODUCTION

This report results from an internship in Market Access, a specialised company dedicated to consultancy in the internationalisation field.

The internship was focused on evaluating companies that had their internationalisation process financed by specialized European investment funds. The main task was to contact them and convince them to hire the company as their consultant in the internationalisation process. But an additional goal was to evaluate how these funds have been helpful for companies to become more financially and economically stable.

The present report has the primary goal of analysing to what extent have European funds helped Portuguese SMEs in their internationalisation process. Therefore, we study if the companies that received funds would internationalise without them and whether the dependence on them is still present when the process is more mature. It is also an objective to study if companies, after internationalising, can build their independence regarding the European funds and establish their position by themselves or if they continue to depend on European financing. Additionally, the advantages, disadvantages, and possible improvements of these EU Funds are also discussed.

The present report contains a literature review directly related to internationalisation and the EU funds and their importance. After, it includes a description of the internship and the activities put through. Later, some statistical analysis is done to contextualise qualitative research of the general panorama of companies that pursue their internationalisation process relying on EU Funds. Afterwards, the particular case of a Market Access's partner, as well as of Market Access itself, is studied to analyse their view and experience on the matter. Finally, some conclusions and the study's principal outlines are drawn.

2. INTERNSHIP FRAMEWORK

Market Access is a consultancy firm in the field of internationalisation. Its main activity consist in helping national and international corporations expand their business, mainly through an increase in exports.

The internship was in the position of business development in the commercial department. Some activities included meeting with Market Access potential clients, the strategic definition of the approach to the national market and helping to make budgets for business proposals.

Therefore, the position allowed for better and closer interaction with the organisation's partners to understand their process regarding EU funding and their dependence on them. The proximity established with different companies in the commercial department facilitated the interaction with companies and their decision-makers. It also allowed to interview them regarding the EU funds usage and dependence on internationalisation processes and development.

Market Access works with private corporations and associations financed by EU funds, allowing for a deeper analysis of the mechanisms that lead these funding channels and their main streams.

Hence and even though the internship was in the commercial department trying to engage potential customers for Market Access, it was possible to have access to many corporations funded by the EU and the internationalisation stream, as well as understand what drives them to proceed with an international strategy and to hire a consultant in this field.

3. LITERATURE REVIEW

The concept of internationalisation has been deeply studied due to its significant relevance in promoting growth. Companies seeking an out-of-borders expansion need to be familiarised with the concept of internationalisation and its implications for corporations' development.

It is essential to understand and know what drives small and medium companies to internationalise. These motivations can be integrated into many theories or models of internationalisation developed by many authors throughout the years. This analysis allows for a better conceptualisation of the topic and a better understanding of the international expansion of Portugal's small and medium enterprises, as well as for the relevant role of the European Funds in accelerating the process.

3.1 INTERNATIONALISATION

The concept of internationalisation has not been consensual throughout the years, facing some difficulties regarding the conceptual domain of international business as it was defended by Toyne (1989). International business has its foundations in international economics, including a set of theories on international trade, such as the comparative advantage of nations (Melin, 1992). Internationalisation is seen as the increased engagement in international procedures across borders (Welch & Luostarinen, 1988). This perspective comprises both changed views and positions (Melin, 1992). As a result, most commercial enterprises' continuous planning process includes internationalisation as a fundamental component. The strategy process influences the international firm's continual evolution and changes in scope, business idea, action direction, organisational principles, type of managerial activity, dominating values, and converging standards. The internationalisation factor links these parts of the strategy process (Melin, 1992).

In a survey of academic researchers in strategic management, Lyles (1990) argues that the internationalisation theme regarding global competition is viewed as the coming decade's most important area of strategic management research. At the same time, there seems to be a consensus among scholars that longitudinal analysis enables a better insight into corporations (Melin, 1992).

The concepts of internationalisation were already being used before Hymer (1960). However, the well-defined concepts only arise with the theory defined by Hymer. Before

1960, there were already plenty of theories on international business, although they did not present the proper labelling (Buckley, 2011). Hence, Hymer (1960) and Dunning and Rugman (1985) provide abridged views of the multinational firm, sophisticated and enhanced since 1960. Also, it is believed that much of the terminology used before Hymer (1960) formulated his theory has been forgotten and ignored since it was inserted in practical, explanatory or wide fluctuating writings (Buckley, 2011).

However, the internationalisation theory regarding organisations has been developed mainly from 1960 to the present. When internationalisation started to be present in the literature, it was developed based on the approach defined by Hymer (1960). Thus, upon Hymer (1960) theory, he presents two significant internationalisation determinants for foreign direct investment (FDI). One relates to removing competition and other concerns with the advantages which some firms possess in a particular activity. (Horaguchi & Toyne, 1990a).

However, after Hymer posted his thesis on the international theory, many were the ones that decided to interpose his position on the matter. Hymer's controversy started when McClain (1983) stated that the "new theories" of FDI that emerged in the 1970s did not provide any distinctive alternative to Hymer (1976) and Kindleberger (1984) has already supported and exposed. Dunning and Rugman (1985) undertake a "critical" assessment of the theoretical limitations of Hymer's Work. Hymer's succeeding writings in advancing his theory of the multinational enterprise (MNE) are prominent in their absence of such evolution, specifically his fundamental analysis of Coase's theory of the firm, which other authors have also pointed out (Horaguchi & Toyne, 1990b).

As a result, Hymer established that FDI only occurs when the benefits of utilising flexible spending accounts (FSA) across borders enable the expense of conducting business overseas to be overcome (Rugman & Verbeke, 2007). Zaheer (1995) relabelled Hymer (1960) concept of costs of doing business abroad as the "liability of foreignness" (Rugman & Verbeke, 2007).

To explain foreign direct investment, Hymer takes a firm-level, industrial organisation approach. He was the first to contrast firm-level FDI with economists' dogma, which described FDI as a financial (portfolio) investment choice based on interest rate differentials across national boundaries (Dunning & Rugman, 1985). Similarly, according

to Hymer, FDI is a firm-level strategic decision, not a capital-market financial one (Rugman & Verbeke, 2007).

Additionally, Arum and Water (1992) propose a definition for internationalisation based on "*the multiple activities, programs and services that fall within the international educational exchange and technical cooperation*" (Arum & Water, 1992). By the mid-1990s, Knight (1994) had developed a process or organisational approach to demonstrate that internationalisation was a process that needed to be integrated and sustained at the institutional level. The "*process of incorporating an international and multicultural component into the institution's teaching, research, and service activities*" (Knight, 1994) was termed internationalisation. Wende (1997) later pointed out that an institutional-based definition had limitations. Thus, he provided a broader definition, implying that internationalisation is a process that "*any systematic effort aimed at making higher education responsive to the requirements and challenges related to the globalisation of societies, economy and labour markets*" (Wende, 1997).

Thus, "*international*" refers to the interactions between nations, civilisations, or countries. However, because internationalisation also entails dealing with the multiplicity of cultures inside governments, communities, and organisations, intercultural is employed to handle the domestic components of internationalisation (Knight, 2004).

Furthermore, the internationalisation theory is now relying in more behavioural models than at the outset. More recent perspectives on the internationalisation of the firm deal with the eclectic paradigm of internationalisation (Dunning & Rugman) and the "Born Globals" debate (Madsen & Servais, 1997).

3.1.1 MOTIVATIONS FOR INTERNATIONAL EXPANSION

Dunning and Lundan (2008) have identified four motivations that make enterprises want to expand internationally.

- Natural resource seekers

In this case, companies start their foreign activity to access specific assets or higher-quality resources in order to increase their competitiveness and competitive advantage. The pursuit of international business can be justified by searching for more price-competitive inputs or even guaranteeing the stability of one's supply. Additionally, global expansion can occur when an organisation seeks some information that is not available in its country of

origin. Lastly, cost-saving, especially in the workforce, represents a significant portion of the company's motivation to internationalise (Dunning & Lundan, 2008).

- Market seekers

International activities can be motivated by the willingness of the firm to protect its position or even the desire to enter new markets. In Dunning and Lundan (2008), it is reinforced that a grant part of the companies that decide to approach new markets do it to sustain their network (Dunning & Lundan, 2008).

- Efficiency seekers

The motivation underlying the search for efficiency-related intimately to the rationalisation of the investment structure of the company to benefit from an aggregated management of everyday activities. This motivation is closely related to economies of scale, scope, and risk diversification (Dunning & Lundan, 2008).

- Strategic asset or capability seekers

The development of international expansion underlies acquiring inexistent assets in the country of origin and exploiting market inefficiencies to benefit and create value for the organisation. Additionally, this motivation is rarely related to the opportunity to implement mergers, acquisitions, or even joint ventures (Dunning & Lundan, 2008).

3.1.2 MODES OF ENTRY

According to Andersen and Buvik (2002), there are two different entry modes, non-equity and equity. The non-equity modes are not associated with the acquirement of capital. Therefore, they include exportations in all forms (direct or indirect through distributors or agents) and contractual methods, such as licensing or franchising. This mode of entry complies with a more flexible strategic approach because companies constantly renegotiate the contractual conditions, change partners, or even abandon the foreign market more efficiently. However, the lack of commitment and the possible absence of direct presence in the foreign market can expose the company to various risks, namely by exposing the enterprise to market changes and external environment volatility (Hollender et al., 2017).

Moreover, according to Hollender et al. (2017), the *equity* modes allow the company to have more proximity to the targeted foreign markets due to the location presence, better monetisation, and better information access.

Table 1 summarises the main aspects of each mode of entry.

TABLE 1 - MODES OF ENTRY

NON-EQUITY	Exportation	It occurs when there is no advantage for the production to be physically close to the market. It can be categorised into direct or indirect exportations. Direct is when the company sells directly to an imported client in the foreign market. Indirect is when the company sells their product in a foreign country through an intermediary, usually designated by Agent (Andersen & Buvik, 2002).
	Licencing	The right to produce or commercialise a company's products or use its technologies for a specific period in exchange for royalties payment (Doherty, 2009).
	Franchising	A specialised license is when the company gives up intangible assets, such as a brand (Doherty, 2009).
	Management contracts	Contract through which a company gives the other the operational control of an asset, such as management (Gannon et al., 2010).
	Production share	It occurs when a set of companies or public organisations take into action in a joint operation, sharing risk (UNCTAD, 2011)

	Turn-key Projects	Agreement through which a company acquires the responsibility to implement a project in a foreign country (OECD, 2017).
	Subcontracting	When a company contracts services or starts a strategic alliance with other cooperation, cooperative agreements between enterprises (UNCTAD, 2011).
EQUITY	Joint-Venture	Creation of a new subsidiary with share rights and ownership with a partner company (Dow & Karunaratna, 2006).
	Foreign Direct Investment	It occurs when a company owns 100% of its subsidiary in a foreign company (Dow & Karunaratna, 2006).

3.2 EU FUNDS

Before introducing a well-funded European Union (EU) Cohesion policy, some Member States' regional and cohesion strategies were restricted in scope and resources. As a result, tackling competitiveness concerns related to the internal market and challenges with a genuinely European character proved challenging (Mairate, 2007). The most widely held belief was that the Structural Funds were established to mitigate the "*risks of regional imbalance in the course of market liberalisation*" and that "*adequate measures are necessary to speed up adjustment in structurally poor areas and nations.*" (Padoa-Schioppa, 1987). However, this perspective was limited since it favoured budget transfers between nations for redistribution, but without regard for the EU's added value (Mairate, 2007).

The European economy is becoming increasingly linked, as evidenced by increased intra trade and investment movements. EU policies concerning the internal market completion, establishing a single currency, and enlargement have encouraged this. Additional Cohesion Funds help to deepen economic integration by promoting trade flows

and influencing the placement of economic activity in the least developed areas through significant infrastructural networks (Mairate, 2007).

The concept of 'community added value' is being used to justify expenditure on Cohesion policy as part of a more considerable discussion over the EU's finance. While opinions diverge on whether this strategy should be implemented at the EU level and to the size of financial resources allocated to cohesion, Member States agree that future initiatives should aim to maximise their "added value" (Mairate, 2007).

Cohesion and Structural Funds are tools for promoting economic and social integration, but they do not work alone. They are deeply enmeshed in a larger, multi-level governing structure, including various players and organisations (Hooghe & Marks, 2001). The gains resulting from actions on the ground are directly tied to the added value of the Cohesion policy. The extent to which the Community spending directly impacts regional competitiveness and employment is a serious question. As a result, quantifying these effects is critical to addressing rising expectations for responsibility from budgetary authorities, and hence European taxpayers, over the use of Structural and Cohesion Funds (Mairate, 2007).

Supporting the growth of SMEs is a priority for the European Union and other industrialised countries. This is because these businesses contribute considerably to the nation's gross domestic product and added value. Therefore, supporting SMEs is one of the European Commission's goals in the context of "economic growth, job creation, and economic and social cohesion," particularly from this latter perspective (Comission, 2006).

The European Regional Development Fund and its Operational Programme: Competitiveness and Economic Growth are the most important financial instruments, respectively the Structural Funds, for supporting SMEs, with the priority of fostering employment and competitiveness of SMEs on a national and international level. The European Regional Development Fund (ERDF) has provided the highest financial resources to the regions, which have already improved the competitiveness of small and medium-sized businesses and ensured long-term development (Sergej, 2016).

During the specified programming period, the EU policy on assistance for small and medium firms focused primarily on collaborating with research technology institutes to develop innovative research capabilities and increase competitiveness. This EU assistance

aimed to guarantee that all enterprises in the market were treated equally and could trade in a fair environment. Furthermore, their goal was to make Europe more appealing to investors, enable manufacturing businesses to compete on European and global markets, and encourage the economic expansion of strategically essential industries (Sergej, 2016).

"The promotion of small and medium enterprises is one of the European Commission's goals in the context of economic development, job creation, and economic and social cohesion" (Comission, 2006).

However, there are some opposite opinions regarding the positive effects of the Structural Funds. Rodriguez-Pose and Fratesi (2004) defend that the Structural Funds had no positive impact in the convergence of countries and regions in the EU. Additionally, the influence of EU cohesion and strategy on regional integration and the role of regional institutions in Central and Eastern Europe is also criticised by Bachtler and McMaster (2008). They extensively analyse the EU Structural Funds' technical factors and complicated features. They split the administration and drawing procedures of the EU Structural Funds into discrete phases, highlighting variances in regional engagement in Structural Funds. They also perform a cross-national examination of practical experience accessing EU Structural Funds funding. Their findings cast doubt on the belief that the Structural Funds help create regional institutions and competencies, resulting in *"stronger regions."* They claim, on the contrary, that there is no certainty that the Structural Funds will help regional integration in Central and Eastern Europe in the short or medium-term (Sergej, 2016).

Despite all conducted analyses and assessments and positive declarations about the impact of European cohesion policy on regional development and integration, Wostner and Slander (2009) claim that EU leaders cannot be confident whether the vast sums of money invested in European cohesion policy have been spent efficiently.

Bernini and Pellegrini (2011) is one of the few studies that employs a microeconomic method to analyse and evaluate the success of the EU cohesion policy. As compared to non-supported enterprises, the authors conclude subsidised companies improved the extent of their output and employment indices. However, the surprise discovery was that the supported enterprises' labour productivity had declined (Bernini & Pellegrini, 2011).

Lastly, Bondonio (2014) looks at the influence of EU funding on the performance of primarily small and medium-sized businesses in Italy and finds the same results. According to his results, subsidies have no beneficial influence on labour productivity or employment

in the financed SMEs. At the same time, he observes that small enterprises are more cost-effective than larger companies.

4. METHODOLOGY

4.1 QUALITATIVE METHODOLOGY: A CASE STUDY

The present report contains a systematic approach based on qualitative analysis to evaluate the impact of the EU funds on the internationalisation expansion process of Portuguese SMEs. The methodology presented is adequate for the study since the boundaries between phenomenon and context are not evident, and contextual conditions are essential (Yin, 2003).

Hence, statistical data are presented and analysed to contextualise the interviews. The primary database used is the list of approved projects by the Portugal 2020 programme reported on December 31, 2021. Then, financial data were extracted from Sabi database to complement the available data. Information regarding activity sector, company dimension, and multiple financial indicators were matched with each company through their fiscal number.

In addition, and to help achieve the proposed goals, a case study approach was implemented to provide an inside view of the studied problem. Based on Market Access portfolio, a study of the expansion of a company was made, which allowed for a better understanding of the main motives that encourage companies to internationalize their activities and the impact of the European Funds on this procedure, using, for this matter, an inductive analytical approach.

Furthermore, an analysis of the companies' dependence on the EU Funds was made. It was analysed to what extent the company became independent after the first stages of internationalisation or remained dependent on the financing structure throughout the whole time.

Additionally, the focus of the inquiry was mainly narrow and explanatory since the purpose was to explain the behaviour of different types of enterprises when adopting European financing.

Regarding the time frame, company's current situation is the object of analysis. The reasoning is that expansion processes are long in time and motivated by methods. However, the present study focuses on the current situation of the companies, contextualised by the past decisions taken towards the present internationalisation process.

Considering the units of analysis, there were two main components: individuals and their narratives, alongside documents to support some of their views. This approach was achieved through a mixed data collection strategy, mainly focused on semi-structured interviews and documental analysis. The data collected reflect mostly typical cases of the Portuguese SMEs.

The complete interviews with both companies can be found in Appendix 1 and 2. In addition, every question, planned or additional, can be found for each participant, as well as their answers and comments during the process.

The present methodology is characterised by its fixed design since the cases to be analysed are part of a predetermined sample. Thus, in the case of Market Access's partner, a judgmental model is adopted, considering it was deliberately chosen by its position on the spectrum studied. Market Access's perspective was also included, as an international business consultant, but also as a company with offices around the world, therefore, a company that benefited from EU Funds in its internationalisation process. Thus, it was possible to analyse how an international consultant company dealt with its internationalisation process, also using European Funds.

Additionally, to increase the robustness of the findings, a triangulation of sources of information was pursued by interviewing two people from the partner company and three from Market Access.

To ensure ethical practices, the participants were asked if the name of the companies could be published, which they allowed. However, for confidentiality purposes and for the participants to feel free in their speech, their identity will be preserved and presented as Person A, B, C, D, and E. All information given during the interviews was recorded and its release was authorised by the intervening parts.

Thus, the case study allowed for an analysis close to the business reality that can be extended to other SMEs with similarities and working in the same conditions.

4.2 COMPANIES' PRESENTATION

The companies chosen for this case study were the international business consulting company where the internship was performed, Market Access, and an IT company that provides blockchain and programming services in the outsourcing and nearshore, Gênesis.Studio.

The IT corporation was chosen due to the current situation in the international markets. Due to the beginning of the war in the starting of 2022 between Ukraine and Russia, many sectors suffered from many commodities scarcity, logistic obstacles, and lack of inputs. Therefore, the IT sector was one of the few that did not suffer a lot from the latest developments in the international geopolitical situation due to its independence from the factors most affected.

Market Access was chosen since it might be fruitful to understand how an international business consultant deals with its internationalisation process. They also were beneficiaries of the EU Funds for internationalisation, which should be interesting to analyse. Furthermore, it is essential to understand the view they have from their partners' experience with EU Funds and how that influences in internationalisation process put into action by Market Access.

4.2.1 MARKET ACCESS

Market Access is a consultancy company in the field of internationalisation. Its main activity relies on helping national and international corporations to expand their business internationally, mainly through boosting exports.

The company has 17 years of experience and is present not only in Porto, Portugal, but also in Beijing, China, and S. Paulo, Brazil. It is starting to have a presence in the US as well.

Present in more than 60 markets, Market Access has a vast network in many countries that allows for better and more personalised work regarding “go international” strategy definition with its partners. Additionally, the diverse nationalities present in the office facilitates a centralised line of work, where Spanish, French, German and Polish speakers can be found in the same facilities, among others.

Thus, in the internationalisation process, Market Access provides its clients a wide range of services. Activities such as market selection, market studies, business development, international marketing plan, preparation and empowerment in missions or fairs are some of the many services that this company can provide

Hence, the company's mission goes along with developing international processes for companies and organisations, where people perform a fundamental role since they are

the main asset and contribution to the corporation's success as well as their partners in international markets.

4.2.2 GÊNESIS.STUDIO

Founded in 2018, Gênesis.Studio is a specialised technological consultant, developer, and service provider.

With a start in the blockchain sector, the company began playing a relevant role in the innovative contract applications, self-executing digital contracts in which the terms are written in code. Additionally, in the same sector, the company Distributed Ledger Technologies and Blockchain, mutualising the access to data and optimising multi-organisation digital processes, among others.

Then, after understanding that the IT sector was demanding programmers, the possibility of developing other services such as outsourcing and nearshore arose. Thus, outsourcing comprehends the people matching skills and needs in national terms. On the other side, the same procedure that occurs overseas is called nearshore.

Therefore, Gênesis. Studio offers high-tech solutions for companies through evolutive transformation and cutting-edge technology.

5. STATISTICAL CONTEXTUALIZATION

5.1 INITIAL CONSIDERATIONS

Some statistical analyses of internationalisation funds were made to contextualise interviews held and analysed in section 5.2.

Therefore, through the approved operations list for Portugal 2020 (PT2020), a European Fund reported on December 31st, 2021 (2020, 2022) it was possible to link data with other important financial variables from the Sabi database.

To conduct this study, the variables analysed comprehended Fiscal Number as an identifier, Region, Total Fund Approved (in euros), Activity Sector having in account CAE revision 3, Total Assets (in thousand euros in the available last year), Equity (in thousand euros in the last available year), Economic Profitability (in percentage in the last available year) Financial Profitability (in percentage in the last available year), Total Liquidity (in percentage in the last available year), Indebtedness (in percentage in the latest available year), and Number of Employees.

The following analysis will be more centralised in the European Fund for Internationalisation and distribution. It will then be compared with other Portugal 2020 Fund, one more directed to building and improving SMEs' capacity in production and activity to understand if internationalisation funds yield peculiar outcomes

5.2 INTERNATIONALISATION

After a global analysis of the total funds approved in the different regions of Portugal for internationalisation, it is possible to see that the fund's majority is not allocated to a specific region, but to organizations that have a supra-regional influence (i.e., public administration, associations, ...), being the North region the second largest, complying with around 60 million euros, as it can be seen below in **Figure 1**. Thus, Alentejo is the one that has the lowest value for the approved funds, with little more than 5 million euros approved for actions related to internationalisation.

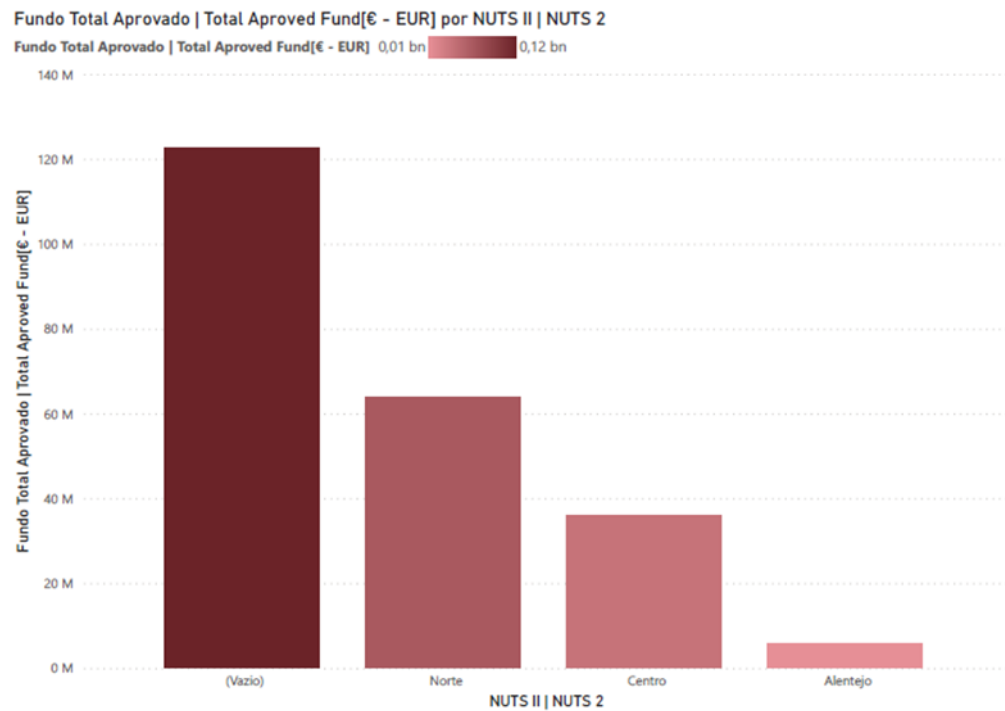


FIGURE 1 - TOTAL APPROVED FUND

The disparities observed can be associated with the high level of industry presence in the North of Portugal, representing more than 50% of the total count of activities in the country. At the same time, there is much less activity in the Alentejo region, around 3%, as seen in **Figure 2**. It can be seen that the North of Portugal is where most of the total activity is concentrated, followed by the Centre, with around 25%, and Lisbon and Tejo Valey, which is located in the country's capital, gathering around 13% of total activity in the country.

Contagem de Descrição da CAE Rev.3 Principal por Região

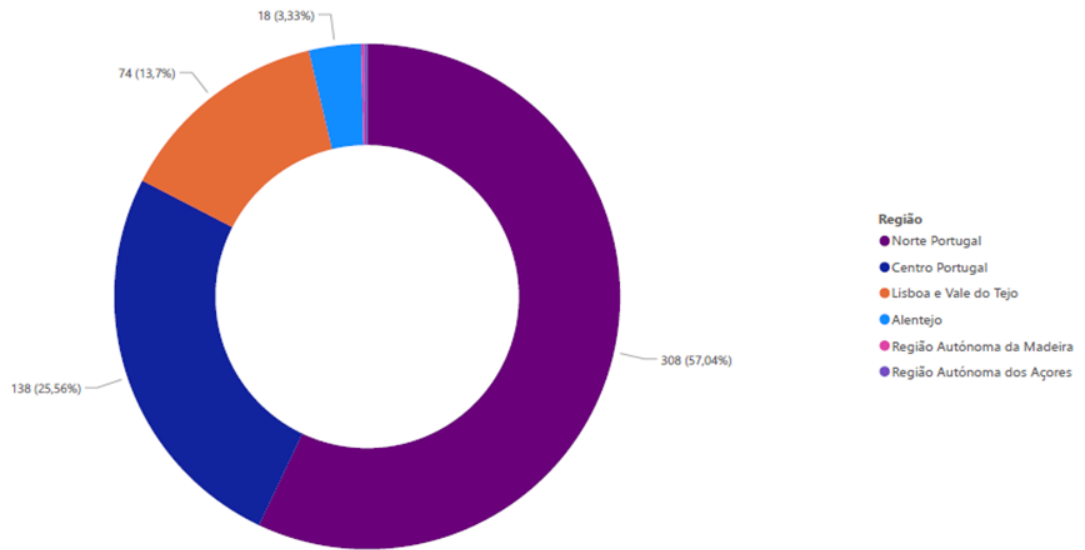


FIGURE 2 - ACTIVITY SECTOR COUNT PER REGION

When analysing the year-on-year evolution of approved funds by start dates for the projects, it can be concluded that the amount has been decreasing throughout the years, with an increase of the percentual decrease. Hence, through the **Figure 3**, from the first year of financing, 2015, to the second year, 2016, there was a decrease of around 5%, while in the last year dated with start dates for the projects, 2022, the decrease comprised more than 90%, embracing the most significant decrease in all start dates by year in the fund's approval.

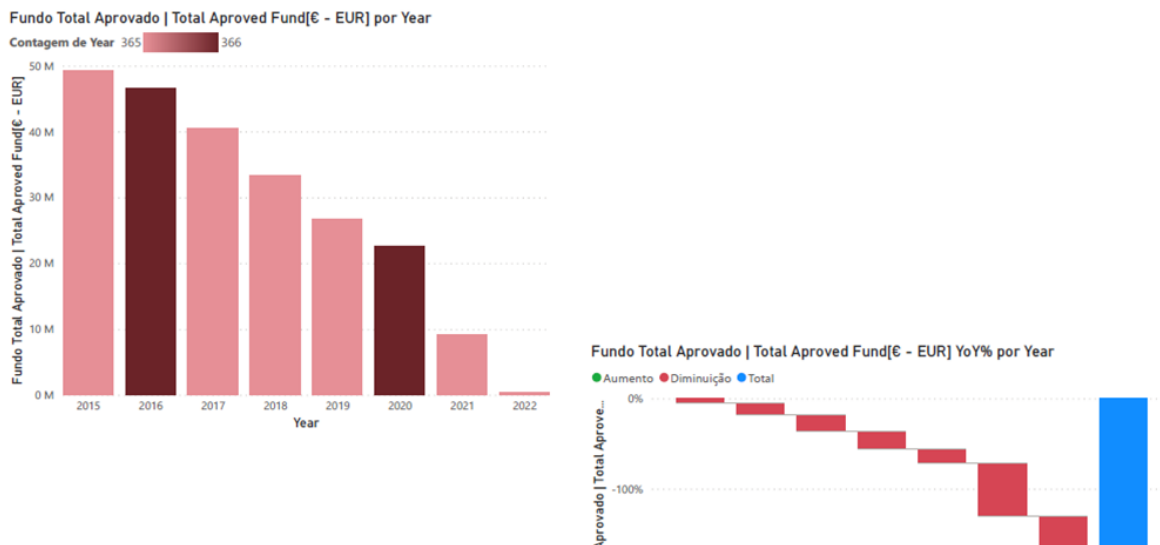


FIGURE 3 - YEAR ON YEAR EVOLUTION OF APPROVED FUND BY START DATE OF THE PROJECT

A correlation was made to evaluate the drivers on the approved funds, as observed in **Figure 4**. Therefore, when the total approved fund average increases by €927,6 thousand, the total eligible expenditure allocated to the operations increases by €1 548 267,39. Hence, as seen in the graphic in **Figure 4**, the relationship between total fund approved and total eligible expenditure allocated follows a directly proportional relation.

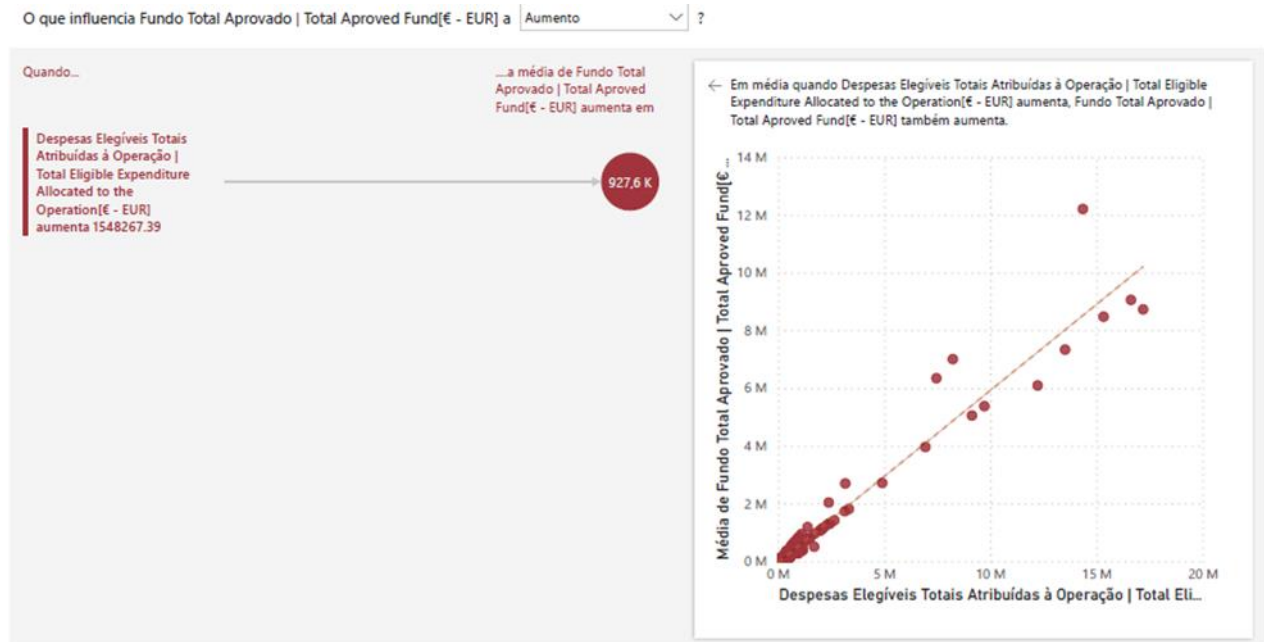


FIGURE 4 - DRIVERS OF THE TOTAL APPROVED FUND

Additionally, when analysing the dimension of each sector in the economy that got financing for internationalisation, it is possible to notice that the sector with the most prominent dimension regarding total assets is public administration, followed by wine production, with the industrial production of multiple products right after, as it can be seen in **Figure 5**.

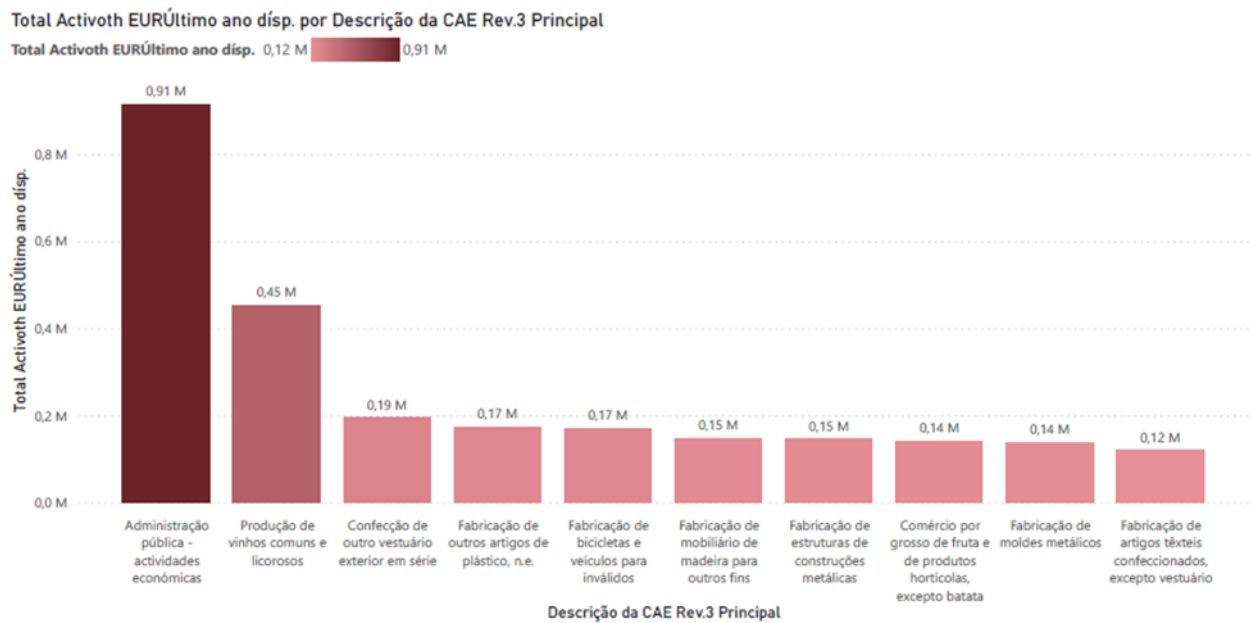


FIGURE 5 - TOTAL ASSETS BY ACTIVITY SECTOR

5.3 INTERNATIONALISATION VS CAPACITY BUILDING

Funds for internationalisation are not the only European Funds that finance companies to grow their businesses. Therefore, other EU Funds were analysed to compare how internationalisation funds can improve and stimulate business activity and performance.

Hence, to execute a comparative analysis between the internationalisation funds, capacitation funds were chosen, which are resources that support organizations in the enlargement of advanced capabilities in the development of products and services. The goal was to study to what extent the organizations and the activity sectors that receive internationalisation funds to expand their activity to foreign markets have better performances than those that receive an incentive to increase their internal capacity.

However, it should be noted that companies that receive capacity funds and increase their internal or production capacity might afterwards want to expand to other markets. Thus, only on the direct impact of the funds was analysed since corporations can use EU Funds to increase the capacity to export the excess production then, which can serve as a consequence of the European incentive.

Hence, when analysing the top 10 economic profitabilities of the Internationalisation funds, it is possible to observe that the sector that presents higher profitability is the sector

of IT Consultancy, presenting around 130% in the available last year. After that, it can be found clothing production and other exterior textiles in series with 127%. The third primary sector is computing programming activities with 113%. Thus, and as can be found in **Figure 6**, in the top 3 sectors with higher economic profitability, two are related to the IT sector, with the following positions predominantly producing goods.

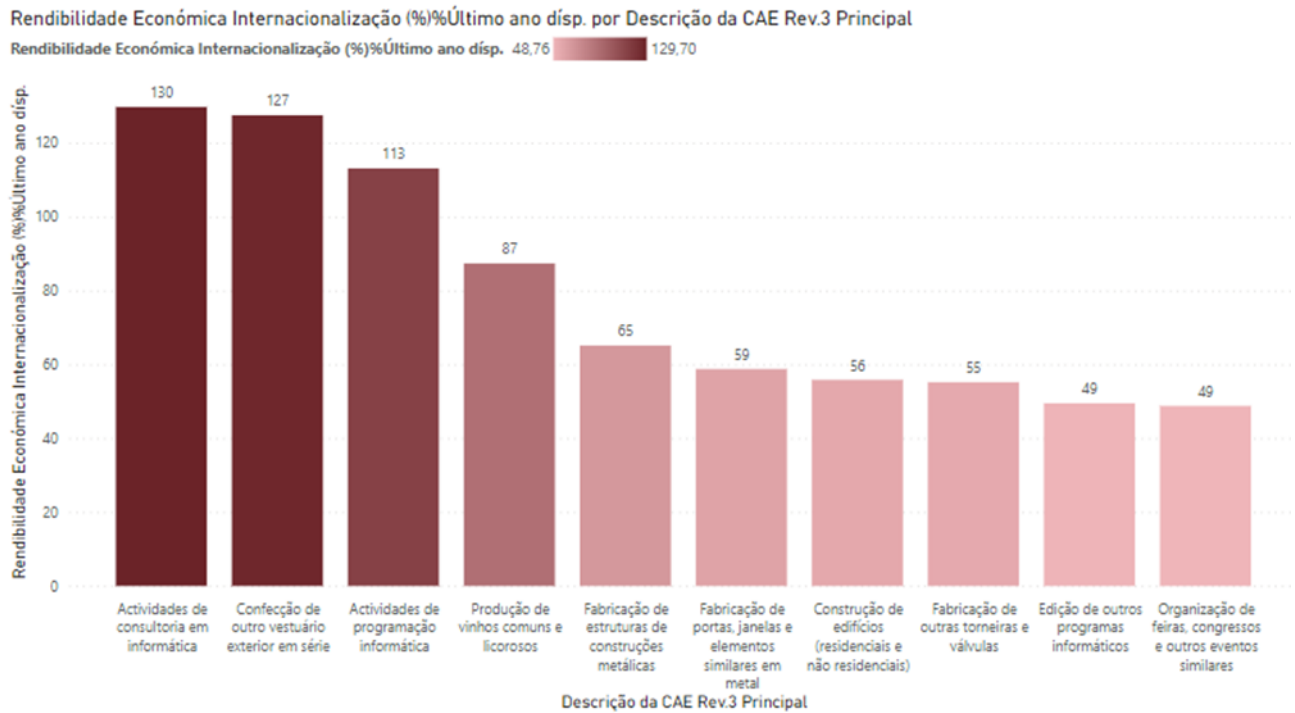


FIGURE 6 - ECONOMIC PROFITABILITIES OF THE INTERNATIONALISATION FUNDS

However, when analysing the economic profitability of the capacitation funds, we realise the same higher sector of activity, IT consultancy activities, presenting around 51% in the last year available, which is significantly lower than the economic profitability of internationalisation. As seen in **Figure 7**, the following activity sectors with higher capacity for capacitation financing are related to manufacturing activity, only to encounter the activity sector of other consultancy activities in the scientific and technical fields with the fifth higher capacitation rentability, with a value close to 18% in the last available year.

Rendibilidade Económica Capacitação (%)%Último ano disp. por Descrição da CAE Rev.3 Principal

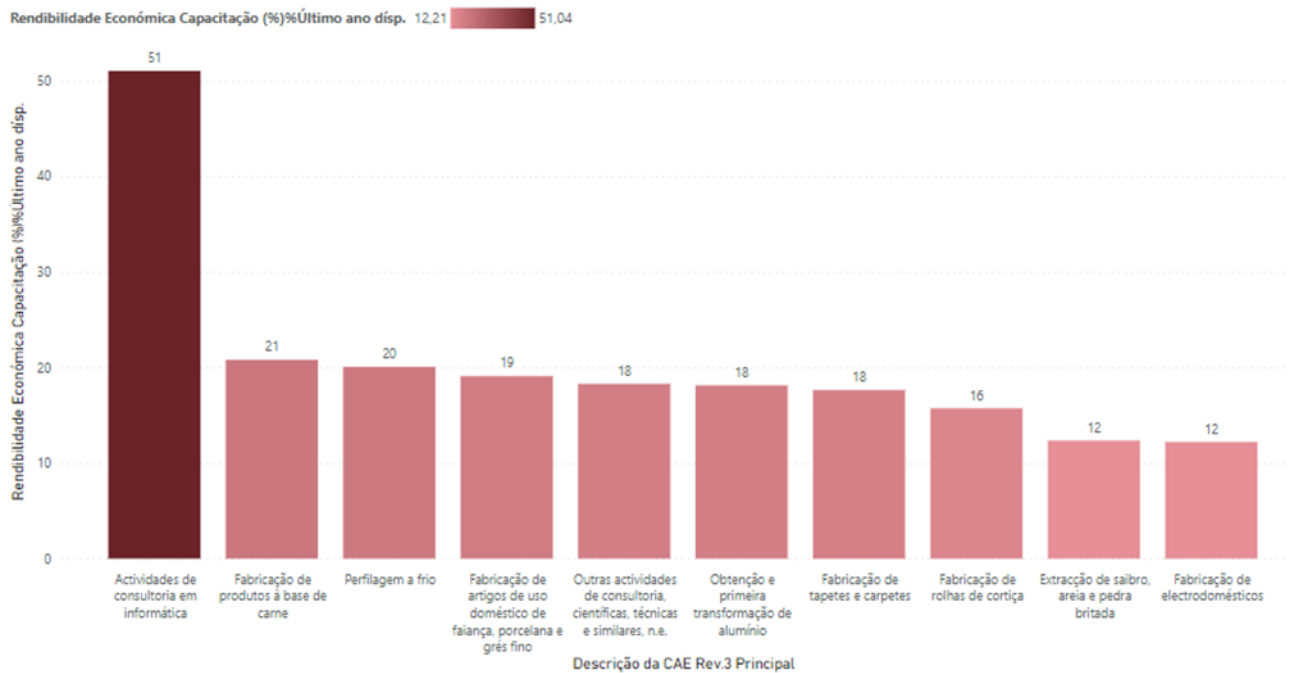


FIGURE 7 - ECONOMIC PROFITABILITIES OF THE CAPACITATION FUNDS

Thus, comparing the total profitabilities found in **Figure 8**, it can be observed that the economic profitability of the capacitation funds is positive (221%) and higher than the one associated with the internationalisation funds (-444%), which is negative.

Rendibilidade Económica Internacionalização (%)%Último ano disp. e Rendibilidade Económica Capacitação (%)%Último ano disp.

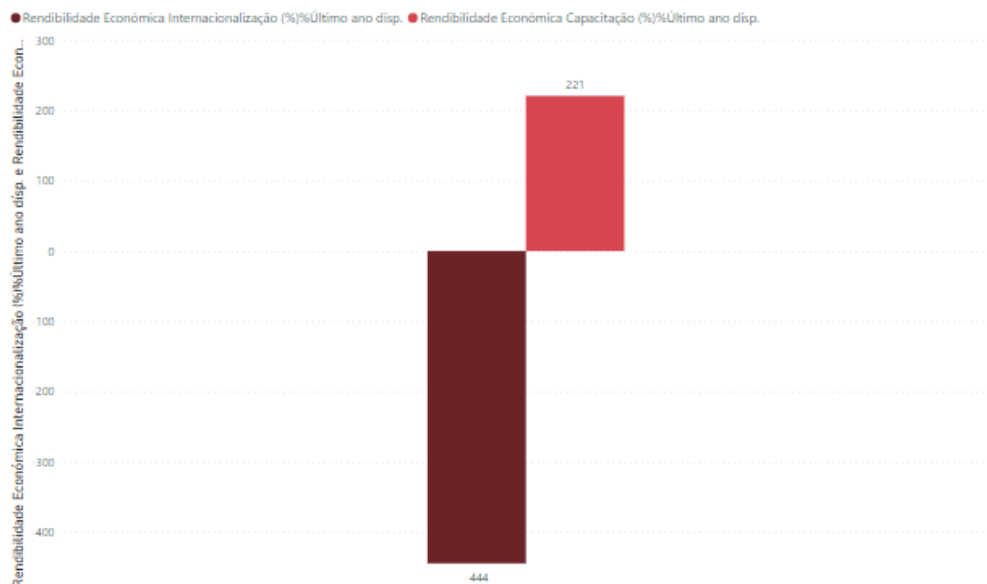


FIGURE 8 - ECONOMIC PROFITABILITY FOR THE INTERNATIONALISATION AND CAPACITATION FUNDS

Therefore, comparing with the previous analysis of the individual rentabilities, we can conclude that although the higher rentabilities of internationalisation are higher than those related to capacitation, we can also deduct that the lowest rentabilities of internationalisation are much lower than the economic rentabilities for capacitation. Hence, through **Figure 9**, it can be perceived that the highest ten activity sectors for economic rentability of capacitation are all positive, achieving the lowest percentage, in this range, of 12% in the sectors related to extraction of sand and rock and the manufacturing of home appliances. On the opposite, when analysing the top 10 activity sectors for the economic rentability of internationalisation funds, it can be found that the last two sectors presented in this ranking already present a negative percentage, for the sectors related to shoe manufacturing and wood furniture manufacturing, presenting a rentability of -11% and -40%, respectively.

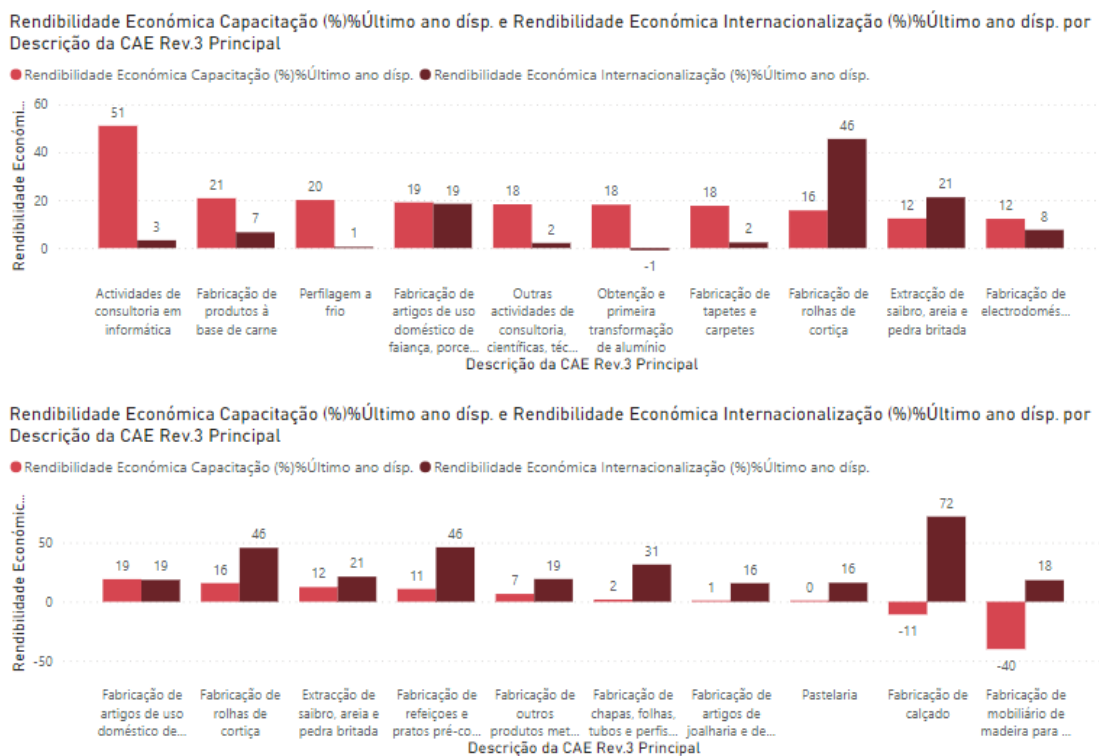


FIGURE 9 - TOP 10 SECTORS WITH HIGHEST ECONOMIC PRIFITABILITY OF THE CAPCITATION FUNDS; TOP 10 SECTORS WITH HIGHEST PROFITABILITY OF THE INTERNATIONALISATION FUNDS

Thus, it can be concluded by analysing the data available that sectors more evenly distribute the rentabilities for the capacitation funds without many disparities or outliers. Something that does not happen in the analysis for the rentability of the internationalisation funds, where the sectors with higher rentability present very high values, but economic rentabilities decrease quickly. So, in the internationalisation funds, we can find enterprises that, if related to the IT sector, can have very high economic rentability and improve their business activity to a large extent when investing in external markets.

6. CASE-STUDY ANALYSIS

6.1 INTERNATIONALISATION PRIOR EUROPEAN FUNDS

Gênesis.Studio and Market Access had a very different beginning concerning the internationalisation process.

Gênesis started as a small Portuguese start-up with its network only based nationally. Therefore, although it was always an objective to go abroad and internationalise its services, the company would always have to start in Portugal, starting to create its network as a brand national wise, before going to foreign markets. Thus, Gênesis did not have any internationalisation strategy before the EU Funds for internationalisation; they had the idea of doing so but did not have the resources to materialise what they had thought. Hence, for them, everything started with PT2020. That was when they started their internationalisation process.

On the contrary, Market Access, although an internationalisation consultant, is also a company that implemented an internationalisation project with the European Funds and, from the beginning, was an international company. Due to its history and the fact that one of its founders is Chinese, Market Access, from its early days gave its first steps in the international markets. Hence, with the opportunity to have a subsidiary in China, more specifically Beijing, the organisation has already started internationally. Consequently, China revealed an excellent opportunity to increase the company's image and visibility to perceive other markets. Once China was a complex market, it also gave the corporation the tools, the capabilities, and the projection to go to other markets, such as Brazil. For them, after China, every other market seemed interesting.

Thus, both companies had very different starting points. While one was new to the international markets, being only present on national soil when they received the European Funds, the other had already a history abroad and practically started as a born global.

6.2 REASONS TO INTERNATIONALISATION

The reasons that incentive the process of internationalisation for both companies were very different. While Gênesis process was due to a not favourable market environment in national terms, Market Access process was driven by their clients' needs and market demand.

Gênesis, a technological company, always had thought about an internationalisation strategy, but it was not a priority. However, when they realised that the Portuguese market does not work for innovative technologies, they had to look to other options and start materialising their ideas on internationalisation. Another reason behind their internationalisation process was to become a reference, and they wanted to be known outside of the Portuguese borders as a company. The quest for visibility was another reason for the corporation to go to foreign markets and use the services of Market Access in international consultancy.

On the other side, Market Access started looking to other markets such as Brazil due to customer challenges. It was not something they had decided upon or was significantly defined. However, once they started seeing that many of the requested destinations for their clients went through Brazil and South America, they decided to establish an office in São Paulo. Additionally, the entry into the American market was very much related to their network there. In this market, they had someone who represented a perfect fit for the role and the company's needs.

Furthermore, when analysing the main reasons that led many Market Access's partners to pursue internationalisation, consultants have pointed out various reasons corporations do not want to limit their activity to the national space.

One reason is that the Portuguese market is generally tiny, so companies must go abroad and find international demand to continue to drain production. This way, many companies have an installed capacity higher than the national demand. However, others are already market leaders nationally and want to expand their activity. Other companies were born with an exporter identity, and the international markets were a natural market for them.

Additionally, enterprises want to reduce the risk of market exposure, whether national or international, since, with the diversification of markets, they reduce the exposure to the risk of one specific market. Thus, reducing the dependence on a few markets is an important reason to diversify markets and perceive an internationalisation strategy of consolidation in the countries they are already present but always look for new opportunities in other locations.

Thus, increasing revenue by increasing the added value, diversifying risk, and avoiding price wars are most pointed out by Market Access when new partners come looking for their services.

The following table shows the main reasons for internationalisation pointed by Gênesis and by Market Access, not only as an internationalised company but also as an internationalisation consultant and with its experience in dealing with corporations that want to expand their activity to foreign markets. The symbol X represents for each perspective the reason pointed for internationalisation.

TABLE 2 - REASONS FOR INTERNATIONALISATION

Reasons	Gênesis.Studio	Market Access	Market Access's Experience
Visibility	X		
Market difficulty in perceiving company's product	X		
Clients' needs		X	
Increase Add-value			X
Diversify Risk			X
Higher capacity than Portuguese Demand			X

6.3 DIFFICULTIES TO INTERNATIONALIZE

Both companies pointed out diverge in the sense that the difficulties that Market Access might have encountered when perceiving their internationalisation process were seen

as opportunities. Thus, when asked what their main difficulties in this process were, the answer was that when a company is young, every difficulty can be an opportunity and the other way around. It always depends on the vision of the corporation, the goals and the willingness to thrive.

On the other hand, Gênesis pointed out as their primary obstacle the difficulty of recognition of the brand internationally. Being a new company and not having references for what they had done, even when they had the reference of the people, it was not enough, the brand Gênesis.Studio was not known. In Portugal, people and possible customers might know who Genesis was; if not, they will recognize the names involved in the project. Internationally, this would not happen, and it was revealed to be something tough to overcome.

Additionally, Gênesis also pointed out that since their internationalisation started during the pandemic, it was tough to find the decision market when trying to find new partners. Everyone was at home, and in the beginning, it was tough to contact the people that could decide whether to arrange a partnership with Gênesis.

However, due to Market Access experience, they pointed out other difficulties that most companies face when they decide to internationalize their activity. Thus, the most evident is the lack of resources. Although many companies want to perceive an international path, they do not have the resources, financial or structural, to do so. Also, the lack of knowledge of how to approach different markets that are unknown to them, with different social and business cultures, where the language might be different, reveals incredible difficulties for many corporations that are not prepared at this level to move towards new markets. Lastly, the lack of time to work on the correct methodology, do the proper research and contact the decision-makers of the potential clients.

Therefore, many companies prefer to outsource a specialized service with all the know-how, resources, and methodology, where the costs are neither structural nor internalized. It is cheaper and compensatory than hiring someone individually full-time to do their expansion.

Lastly, as it was possible to perceive, many difficulties had to do with the absence of financial resources. Thus, companies see an excellent opportunity to take advantage of the EU Funds. Even not having the structural resources or know-how, they use financial help

to subcontract these services. This is when Market Access, as a consultant, comes to support those corporations to expand their activity to foreign markets. Consequently, many of the difficulties presented in the internationalisation process give space for the reasons to apply for the EU Funds.

6.4 STRATEGIES WITH EUROPEAN FUNDS

After applying for the EU Funds for internationalisation, both companies had pursued a strategy that allowed them to grow and increase their performance.

Gênesis.Studio used the funds to work their visibility close to the potential partners. They worked on their marketing, website optimization, and other tools that allowed for the increase of visibility, for example, in Google. The EU Fund PT2020 helped them in this sense, with the capability to recur to external services to promote the prospection work, such as hiring Market Access. Thus, Gênesis' strategy during their internationalisation project went much more along with contracting services that would boost their internationalisation process. In the past, they were only two people in the commercial and business development department who also had other activities inside the company. With the possibility of contracting Market Access to do all the international prospection work, they could relieve some resources needed in other areas.

Therefore, the strategy pursued by Gênesis allowed them to expand their business around Europe, now in around ten countries, such as Spain, France, Luxemburg, Germany, and the United Kingdom, among others. Furthermore, it gave them financial leverage that they would not have achieved in such a period, making them grow around 400% from 2019 to 2021.

What concerns Market Access is that its strategy during the PT2020 Internationalisation project was no different from what it was supposed to be without it. Thus, what Market Access had idealized was much more than what they advised their partners to do, which was to draw a plan and a strategy, not thinking about the funds that might come with the initial investment. Companies must define their international strategy independently of what they might receive.

This was the line of thinking that Market Access developed. They had already a defined strategy of which markets to approach and how to approach them. They only applied for the Internationalisation Fund as an additional incentive and to help finance

their activity. However, the strategy was never dependent on whether they would see their project approved or not. The plan was always to be pursued the way they did it.

Consequently, they could pursue their strategy in the same line they had defined but quicker. The financial leverage allowed for the acceleration of the process. Moreover, the EU Funds also allowed for the increase of the global network of Market Access which helped the company in their projects and growth. Additionally, the European Funds to Internationalisation also helped Market Access in its diversification of new international clients.

Furthermore, when looking at the Market Access experience, more than 90% of the companies that became their partners use the European Funds to start their internationalisation process even though they are becoming more and more independent of the EU financing and starting their international expansion by themselves.

6.5 ADVANTAGES AND DISADVANTAGES OF EUROPEAN FUNDS

The advantages and disadvantages of the EU Funds vary from company to company and even to the vision of Market Access as an international business consultant.

Gênesis.Studio pointed out as the only benefit from de European Fund the financial help. Thus, it is natural for them, a small and new start-up, that the financial leverage that PT2020 gave them was a significant support to expand their business out of borders and grow their business. They even state that, without the funds, they did not know if they would have been able to pursue their internationalisation strategy. At the very least, it would have been much more difficult.

However, when they had to point out the main disadvantages of the project, they indicated many factors that were visible when they had to apply for the EU Fund. Thus, the main disadvantage is that institutions do not offer any help or support when companies have to apply for the Fund. According to them, institutions only care about the company's situation, if they are eligible for the application, if they are financially prepared, and in the end, to make the reimbursement. However, in the process of all these phases, companies feel lost and do not have any support from the official entities. Another drawback of the EU Funds is all the bureaucratic process they must go through to make the application, the old and outdated website/portal where they have to submit the candidature, as well as all the problems this platform offers, and the structural incompatibility that obliges companies

to make the application in a specific computer, with specific software. To an IT company with leading technology, software, and equipment, this does not make sense and, at some point, is frustrating to deal with.

Also, another aspect pointed out by Gênesis was that for a recent company, the portion of co-payment of just 40% is not enough. In their perspective, if the government and the higher authorities want to support service exports to promote enterprises' national export capacity, then they cannot finance only 40% of the total eligible expenses. For an SME with 4 or 5 years of existence, this amount of co-payment barely makes the difference if the company does not already have the financial capacity.

When approaching Market Access regarding their internationalisation process, they only pointed out advantages, and only one, the financial incentive. Thus, in their view of the program, a Fund only has advantages, and it is the financial leverage they provide to corporations. The EU Fund for Internationalisation allowed them to implement a strategy that was already designed and to implement it at a faster pace.

Even the bureaucratic process for Market Access is more evident by the end of the project when companies must present all the evidence of what they have been doing during the project than at the moment of application. Hence, since Market Access's project was already designed, they only had to transpose it to a format that was not significantly different from the reality and the initial idea. Therefore, they already had the information gathered and organised. This way, the only bureaucracy they had to do was submit all of that in the PT2020 Portal. Hence, they even defend that this can be a reflective moment for companies to perceive if they are in a good place or not.

Analysing the strand of Market Access as an international consultant and their experience with their partners, the most prominent disadvantages they point out are, beyond the bureaucracy by itself, which is needed because it is an investment fund and so must be complex, the uncertainty of companies seeing their project approved. Also, the uncertainty of being able to execute their project is an excellent uneasiness for corporations. Hence, many organisations apply for the internationalisation Funds without having planned their execution independently of the Funds themselves. Thus, they often plan their actions with the reimbursement they will receive, making them dependent of the EU Fund to execute their plans, something that should not happen.

Therefore, most companies resort to management consulting companies that, most of the time, design their projects taking into account the benefits that they could bring to the consultant itself, rather than the position of the company and their capability to follow and fulfil the project defined. Thus, most of the time, these management consulting companies are paid a percentage of the amount approved by the EU Fund, something that leads to predatory behaviour, making them draw very high-value projects without the proper analysis of the companies' situation and define a strategy to pursue those numbers and goals defined in the application. This leads to maladjusted projects that then have to be redefined and ended to generate distrust in the market because when companies with this type of project arrive at Market Access many times are advised to give up on the project as clearly the objectives drawn are out of reach and if the company wants to pursue with the project and then do not reach the minimum goals they do not receive the reimbursement. Thus, often, Market Access has to advise their companies to give up on the EU Funds project and develop an internationalisation strategy on their own, even if that means more time and less investment.

Additionally, one more critical point is the lack of planning carried out by AICEP (Agência para o Investimento e Comércio Externo de Portugal), which is the intermediary organisation that mediates the internationalisation processes of the multiple corporations. The absence of a notice plan does not allow companies to plan their investment. Additionally, the lack of internal resources to answer the reimbursement to companies leads to significant constraints since organisations must first spend the money to receive it. However, these constraints were pointed out by Gênesis in their experience, the lack of support of the designated entities.

Furthermore, and in contraposition to the last disadvantage presented by Gênesis, Market Access defends that the EU Funds' goal is to support already capable companies, not to finance activities in companies that without them cannot pursue them. Thus, EU Funds to Internationalisation are incentives for companies that can pursue this process, not financing companies that depend on them to do these activities and expand their activities in foreign markets. An organisation that wants to go abroad should not consider the money it might receive from the European Union in the future. However, this is the reasoning that most companies have. Nevertheless, according to Market Access and its experience, EU Funds are incentives, not financing.

Table 3, below, shows a resume of the main advantages and disadvantages of the participants in the interviews, namely, Gênesis.Studio, Market Access in its own Internationalisation EU Fund, and the experience of Market Access in assisting companies with these funds. Moreover, as it can be seen, companies realise many more disadvantages than advantages of applying to EU Funds.

TABLE 3 - ADVANTAGES AND DISADVANTAGES OF EU FUNDS TO INTERNATIONALISATION

		Gênesis.Studio	Market Access	Market Access's Experience
Advantages	Financial Leverage	X	X	
Disadvantages	Lack of support from the proper identities	X		X
	Bureaucracy	X		X
	Poor structures	X	X	
	Low rate of co-payment	X		
	Uncertainty of Approval			X
	Uncertainty of execution			X
	Maladjusted projects			X

	Gênesis.Studio	Market Access	Market Access's Experience
	Lack of planning from AICEP		X

6.6 BUILD INDEPENDENCE AFTER EUROPEAN FUNDS

The perspective of both companies on the matter of their independence from the EU Funds is very similar. However, Market Access's perception of their experience and most of their partners deviates slightly from the others.

Gênesis.Studio was able to build its financial independence through the cash flow generated in 2021. They are now capable of financing their internationalisation process with their funds. Therefore, they will continue their international expansion with Market Access but finance this activity with their internal financial capacity. Hence, their future strategy includes, as mentioned, working with Market Access, but also physical appearance in fairs and public events that can propel the company's image and visibility. Also, the after pandemic has shown that companies want their collaborators in the country where they are, or at least speak their language. Consequently, Gênesis plans to expand its business to other markets, possibly the Middle East or North America. They will take advantage of the leverage that PT2020 gave them to expand their business and give new solutions to the challenges their clients are giving them in different markets.

Regarding Market Access and its internationalisation process, the EU Funds only allowed for quicker execution of the plan they had already in mind. Therefore, they would have pursued the same strategy whether or not the Fund had been approved. This shows how independent the company was in financing its international expansion. Additionally, if we approach the thematic of being independent in terms of having acquired the knowledge necessary to continue their process, it seems clear that a consultant in international business was, since the beginning, independent to pull through this task. However, as the EU Funds allowed for a quicker expansion of the network around the world and the diversification of international clients, it also allowed for the expansion of their knowledge and know-how of

the markets, making them even more independent of any EU Fund or type of governmental financing.

Though, when analysing the experience of Market Access in the internationalisation process of many companies with PT2020, it is possible to understand that their dependence after the project is much more related to the company's maturity, rather than the usage of EU Funds or not. Many companies want to internationalise but never had, and those, besides some exceptions, are not entitled to apply for EU Funds to Internationalisation. Nevertheless, this does not dictate their success or failure.

Therefore, through experience, Market Access has been assisting more and more companies facing the EU Funds as a reward rather than financing. Corporations should not perceive EU Funds as a critical criterion for their expansion. They should not make implementing an internationalisation process entirely dependent on them.

However, companies take advantage of having this financing. But after their project ends, they rarely stop with the international expansion, even if they decide to leave Market Access. Many of them even integrate much of the know-how they acquire during the process, for example, the methodology or even contracting people who participated in their expansion through Market Access. This continuity of the internationalisation process, when independent of Market Access, is made more rudimentary since the higher entities and the organisations responsible for the EU Funds do not have a line of incentive to assist enterprises with their level of capacitation for developing a sustainable international expansion.

Therefore, their dependence or independence on the EU Funds will depend on the company's maturity. Note that every company that can finance its actions is much more independent of the European Funds. From the beginning, they do not have to worry about whether their project will be approved. Organisations must already have the capacity and the structure to implement the strategy and face the funding as a gift for their good practices. They must have the notion that the internationalisation process is a strategy durable and extended in time. Hence, a company cannot be successful without thinking about the funds and what they will receive.

Thus, for Market Access, between a company with EU Funds for Internationalisation and one that finances its internationalisation process, this last one has

more chances to be more successful. Consequently, enterprises that follow their path without being worried about the EU Funds and use them just as an incentive are more successful since they are already capable than those that put all the strategic decisions on the money they might receive.

Therefore, to Market Access, the critical factors for a company to succeed after using the EU Fund are the financial capacity, structure, and organisation. Thus, with all these factors, companies must have them well developed before applying to the EU Funds. These are capabilities that organisations must develop to be prosperous in regular activity, the only difference in the international markets is it is more complex, but if they have these capabilities well defined, they will prosper out of borders as well.

6.7 FUTURE PROSPECTS FOR EU FUNDS PT2030

The prospects for the PT2030 are still something very precarious. Some program calls have already opened, but the ones directed to internationalisation are not available yet. Therefore, there is no information on when or what the terms of its execution will be. However, both companies were asked what they think they can expect from these new Funds and whether they are thinking about applying again.

Gênisis.Studio is still analysing whether they will apply for these new Funds or not and what the implications. However, they think it might be beneficial since they have already invested much in their internationalisation process. Also, as they want to proceed to markets such as Arabic and the American, the new incentive can help them reduce costs. Additionally, they perceive the possibility of applying to PT2030 with a better understanding of what EU Funds are, with a more significant structure, more volume, and more business. This way, they would use these new funds in a new strand than the PT2020. They now have a more precise strategy of where and how to operate to increase their international presence.

Referring to the internationalisation process of Market Access, they will proceed the way they did before. They have the strategy planned and designed, and they will apply if they are eligible for the EU Fund PT2030. However, if something does not allow for the approval, they will continue with the predefined strategy because they are not dependent on the European Funds.

When approaching Market Access's general view of their partners and their experience, companies perceive both funds (PT2020 and PT2030) differently. With PT2020,

companies were focused on having the financing, the investment, and only then the internationalisation. Corporations then were pushed to internationalisation. On the other side, although PT2030 is still not a reality for many enterprises, they are not also looking for them, which means that companies want to develop themselves by themselves. One reason is that they have a more extensive apprehension toward the future, and companies start working for themselves when this happens.

In the last months, Market Access has been assisting an increasing number of companies that look for their services independently of EU Funds, even without mentioning them. Nowadays, the trend is that one. Organisations, more and more, look for internationalisation without EU Funds, using private equity and becoming more independent of these funds.

Market Access believes that the EU Funds will push companies by giving them more confidence to take the next step and go forward with their internationalisation strategy. The EU Funds will end up helping them more as an incentive to internationalisation. Now, PT2030 will have a diminished weight for companies and will work just as a motivation to expand their activity internationally and reduce costs through the income they will receive.

6.8 IMPROVE FUNDS' EFFICIENCY

One of the problems most described in the interviews was the lack of support from entities such as AICEP, which works as an intermediary between companies and the EU for the Internationalisation Funds. The fact that these entities do not have proper certification for the enterprises that end making the application and implementing the projects leads to a lag between the objectives described in the application proposal and the real, tangible, and possible objectives for each company in different positions.

Therefore, as part of their activity, many management consulting companies can apply for EU Funds for the multiple companies with this need. However, they are not certified, in this case, in internationalisation, which leads to an application with objectives maladjusted to the reality, with actions that are unsuitable for the company, its position in the market or its maturity. By not making a diagnosis of the company's condition when starting an internationalisation process and without understanding what the different phases of an internationalisation project implementation are, the application cannot be adjusted to reality with real and feasible actions.

In addition, it is essential to mention that many of these management consultancy companies adopt an opportunistic behaviour because, not rarely, they are paid through a portion of the total fund approved for the companies. This leads them to project applications with much higher values with an enormous number of actions to justify the incredible amount they are asking.

Therefore, identities as AICEP should not only certificate companies to make the applications to the EU Funds but also make them consult a specialised organisation in the field of the EU Fund. However, this might bring some constraints since, with more requirements, companies feel demotivated to apply for the funds, and AICEP wants to see the most number of approved projects. This way, this regulation would increase the efficiency of the EU Funds but certainly reduce the number of companies applying for them.

Additionally, as already mentioned, many companies end their internationalisation project and leave the partnership with Market Access, continuing their process internally. However, there is no proper capacitation of internal resources in these companies. Therefore, many export managers would benefit from a portion of the EU Fund to be dedicated to the capacitation of the internal resources of the company for them to, after leaving the EU Funds for Internationalisation project, pursue their international path as more oriented and with more guidelines than the ones they can acquire now.

7. CONCLUSIONS

In a world of constant change, where companies no longer want to be restricted to their own country, there is a growing need to go abroad and expand their activities outside the border. Thus, the internationalisation process of companies worldwide has the subject of study during the internship, the goal to understand what their main drivers and difficulties in their home country are that make them want to go international.

Additionally, after the past two years, where a pandemic slowed down the economy of most countries and the growth of the majority of sectors, companies now, more than ever, noticed that having their business diversified by location is something that can help them continue to develop. For example, not every country entered in restricted lock-down, and those that took measures in that direction did it in different moments. At a certain point, the lock-down in the various countries was lagged, that was a sign for companies that were having their activity in multiple markets could ensure for whatever happens in other locations. However, there are many other reasons companies want to internationalise their business, as it was presented not only in the literature but also by both companies interviewed.

Likewise, the existence of EU Funds to increase SMEs' competitiveness leads many companies to apply for them to help their internationalisation process. Thus, using EU Funds for Internationalisation, companies have seen their investment to go abroad reimbursed. Though, these funds were searched by many organisations in different forms, having different roles. Something possible to observe from the interviews made with Gênesis.Studio, Market Access, and from Market Access's vast experience with their partners throughout the last 17 years.

Accordingly, by analysing the role of the EU Funds for Internationalisation in both Gênesis and Market Access, it is possible to understand that Gênesis was a very young company when they recur the funds. At the same time, Market Access had already more structure. Therefore, the EU Funds were revealed to be fundamental for Gênesis to kick off their internationalisation process. Without the European Funds, it might not have been possible in the terms it was done, and in the time it was accomplished. Nevertheless, when studying the same process in Market Access, it is easy to understand that they already had enough structure to have a strategic plan drawn, with a business capacity that independently

approved by the funds they would pursue—taking, nonetheless, more time and possibly having more costs in the process. Though, their internationalisation process was not, at any point, conditioned by the existence of the EU Funds, something that did not happen with Gênesis.

Although the initial process for internationalisation of Gênesis was much dependent on the EU Funds, they could use them to create their independence and now can finance their expansion by themselves. Somewhat different of many experiences with whom Market Access worked. Therefore, when companies pursue the EU Funds as financing and make dependent their expansion on this funding, they end up not developing their independence and see their internationalisation process be much less successful than what could have been if they could build their independence on their own. Thus, many organisations would only pursue an international expansion if they received this support from the EU, which is not the institution's objective or the way to be successful. Hence, corporations must consider the EU Funds only as incentives for their excellent work. Before applying to them, they should be prepared to finance their actions and the activities they propose and use only the cash flow they have in their hands.

Fortunately, the way they perceive the new EU Funds for Internationalisation and other activities such as capacitation of the SMEs (PT2030) is very different from the past. This way, companies are not looking for this funding to act and expand their activity. The uncertainty of recent times has made companies work by themselves to create their independence from the EU and even the government because they already perceived that this is the only way they can survive when tough times come, something that was perceived by Market Access's experience lately.

The present analysis is the result of the analysis of two companies, one of them from two perspectives: an internationalised company and an international business consultant. Therefore, the conclusions are bounded by their reality. However, it is believed it is represented the reality of many SMEs in Portugal regarding European Funds, and more specifically, EU Funds for Internationalisation. One limitation of the work was the impossibility of interviewing a corporation that did not become independent of the EU Funds and had to interrupt their internationalisation process. It would have been fruitful to analyse that perspective also to study another side of the spectrum.

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9. APPENDIXES

APPENDIX 1 – GÊNESIS.STUDIO INTERVIEWS

PERSON A

Can you tell more about Gênesis.Studio, how it was created and what its main activity?

Gênesis is a Technological consultant. Born in January of 2019, we initially worked with a particular technology, Blockchain. In the Portuguese market and being a small start-up with our only network in Portugal, we would always have to start here to have references and then internationalize. So the goal was always that one, to internationalize from the beginning.

However, we soon realize that the Portuguese market for innovative technologies does not work. Unfortunately, that is the way it is. However, separate the blockchain talk into two parts, one of which focus more on automation of some processes at the data level, but this led to companies to ask us more thing at the automation level, and that led to the other part, which was the reason to the appearance of the artificial intelligence department.

In this field, we do much more machine learning to predict future events in diverse areas rather than create robots or even process automation. Afterwards, as the Portuguese market showed an increased demand for programmers, we understood that there was also a business area where we could operate.

The third operational area for Gênesis ends up being the outsourcing and the nearshore. Outsourcing is to provide specialized resources to companies in Portugal. While nearshore is the same provision but working from Portugal to companies in other countries. At the time, we only work for companies in Europe. However, we want to internationalize to other markets, first North America and then Asia, but now we are only in Europe. So we work with Spain, France, Luxemburg, Germany, the United Kingdom, Norway, Romania, and Belgium.

All of this is to say that in the IT sector we do a little bit of everything. As a consultant, our objective is to be just like an Accenture, and as a technological consultants, our goal is to give answers to the challenges our clients might have.

(Additional question) Having in account the current situation of the world, with covid, the war in Ukraine, the high rise of prices in many commodities, how that has affected your sector?

The harm of some can be the success of others. For example, the war in Ukraine has started, specifically in our segment of nearshore. Many clients, mainly from the United Kingdom, Germany, and North of Europe, had their development centres in the east, in countries such as Poland, Ukraine, etc.

When the war began, these clients had to look for alternatives, and since last year, we have been doing this work with Market Access to make us known to the market and started to have exciting clients asking for 60 people teams to do development. This happened more than once.

Even with Covid, we might have slowed down for two weeks, but then we speed up again. With the war now, it is a day just like another.

Before receiving the European Funds (PT2020), did you already have an internationalisation process? For example, have you already exported your services?

No, we had anything at all. We had the idea that we wanted to make some approaches to the international markets, but we still had not the business to do so; basically, everything was just in our minds. PT2020 allowed us, above all, to do more work with Market Access, such as more company marketing and then with covid, as we could not travel, these part of international business development, where it is needed to enter the international markets. So, the funds allowed for this that we barely had any internationalisation before.

At the time, what were your main difficulties in internationalisation?

I think that it was a reference. Being a new company, not having a reference of what we have done, even with the reference of the people that have done it, the brand Gênesis.Studio was not known.

Therefore, our main challenge was talking with a potential lead as Gênesis, but they would always questions, “Who is Gênesis?”. In Portugal, people might not know the name Gênesis, but they would know who we were, and that was enough and was enough to open the possibility for a business. Internationally this process was much harder. That is why the

national market always was a safe entry door because if we can develop our business here, we can do it everywhere else.

Thus, I think the most significant difficulty for such a new company as ours was the recognition of the market.

What have you done? What strategy did you adopt using the EU Funds that, without them, you would not? Did it relate to the brand's promotion and your international recognition, as you mentioned before?

Yes, there was much marketing work, SCO work, and website optimization, and with all of this, we also started appearing more on Google, for example.

Not long ago, we had a case that showed us that our marketing is working well and is very good for us. We had a conversation with a potential lead, a massive company in the blockchain industry, and they approached us because they had a potential client in a very advanced phase of the process, and they had not a Portuguese partner. So they just did a quick and simple research on Google, and our page showed up first.

This is also to internationalize, and it counts a lot. PT2020 also helped in this sense, with social media, website, all marketing development, etc.

After the project, does the company present any change in its dimension in terms of net income or number of employees?

From the de end of 2019 to the end of 2021, in the year that internationalisation was more substantial, and when we started with Market Access, we grew up to 400%.

We started 2020 with 14, 15 employees and reached the end of 2021 with 80 people, which was fantastic.

The Funds contributed to our growth.

After the incentives end, how do you start to manage your internationalisation process? Market Access is still with you. The internationalisation process management goes just by Market Access, or are you doing something internally?

Now we are appearing more at a national level, in events, fairs, etc. We have been starting to appear more, so let us know a little more. One thing is to appear in Google searches or on social media. However, another, completely different, is to be physically

present, and that makes all the difference, which was hard to do in the last years with the pandemic.

Internationally, now we trust 100% in Market Access, and we are not working in any other way internally in that field. We might do some commercial development, but it is not the focus, per se. Probably in the second semester or the following year, we also want to start attending international fairs. We have a very ambitious goal: to have a pilot project that we are developing at the Web summit; if not this year, it will be the next.

What were the main benefits and disadvantages you found to have applied for the European Funds for internationalisation?

Advantages:

The aboveall benefit was the financial help. Naturally, it is the primary benefit to apply for European funds since there is not much in terms of institutions and their support. They are only there when we ask for the refunds and to analyze if we have money or not. It does not work for much more. These institutions do not open any doors to help in the internationalisation.

I cannot say there is any other benefit from the funds without being the financial support.

Disadvantages:

On the negative side, I would say it is the part where institutions don't help or offer support. Since there is no support or options that they could offer in these situations, there is not any alternative in the system that we can resort to.

Additionally, it is a bureaucratic process. Websites are awful. The web portals are from the last century. It does not make sense for them to still be like this. This point is a significant disadvantage mainly because we are in 2022, and we want to be able to apply for these things on our mobile phones. We don't want to be on the computer. We do not want to use Windows on the computer specifically because Mac does not work. We must use internet explorer because any other browser works. It does not make any sense to be like this nowadays. In addition, it does not make sense that the candidacies have to be stamped, even when we have a bunch of governmental online keys that allow us to access our ID and other documents through our phones. However, we have to print 18 pages, stamp and sign every one of them, and then scan them for possibly someone to print them again.

Another aspect that I can understand or not is the fact that for a recent company, the portion of co-payment is just 40%. If we want to reinforce service exports, if the country wants to promote the export capacity of the national enterprises, it cannot only finance 40% of the total eligible expenses. For an SME, the financing should be a bit higher to encourage success. Because for an SME with 4 or 5 years of existence, a co-payment of 40% barely makes the difference.

To sum up, there are more disadvantages than benefits.

What is your future prospection for your internationalisation strategy?

Given a little of the feedback that Market Access has been giving us, after the Covid, the markets are starting to close again. This affects us in the nearshore segment of having people in Portugal working remotely to other countries.

Nowadays, international enterprises have started to ask for people to work in their country, even remotely, but to be there or at least speak the native language. With this, we start seeing some contraction of the markets.

This is one of the reasons we are thinking of expanding our business to other market types, maybe the middle east, it can be a possibility shortly, or even the North American market. However, it can be difficult for us in southwest Asia since the time difference is considerable. In the US, we can still work with a 5-hour difference on the east coast, but on the west coast, it becomes problematic.

Thus, we will approach new markets, and I think it will be a little by feeling and seeing how things go and how the market reacts, but our investment will continue, of course.

Are you considering applying for the possible European Funds that come next, like PT2030?

Honestly, I do not know. That is something we have not discussed yet; we will have to analyze if it is worth applying for PT2030, depending on the financing and the stage we will be at that moment. Maybe it can make sense because it is something we are already invested in, but it is something we didn't think about yet.

Do you think the European Funds PT2030 will enable you in some way that PT2020 did not? Considering your dimension and capacity then and now, do you think the European funds would be better used and for a better use now?

It is possible to be helpful, but we must see the process and what is going to be the conditions. So then, if it is worth it or not, there is all analysis that we must do.

It is in our mind but is a matter of deliberation and seeing the timing because we are already in 2022, and we are still hearing about PT2020 and are these bureaucratic things that start not making sense, and it is a little confusing for us.

PERSON B

Can you tell me more about Gênesis.Studio, how it was created and what its main activity?

It was an idea from 3 founders to create a Portuguese enterprise to answer to a very specific niche that in this case is the segment of Blockchain.

In terms of our activity, we are divided in two/three big areas, when I say this is because two are more directed to project that subdivide in two different technologies, one the Blockchain, the reason to create Gênesis, in the project strand but more for the artificial intelligence, then the third/second area is the area of outsourcing and nearshore, that is focused on this environment of ceding professionals. Outsourcing in the national market and nearshore in the international market and where we can find Market Access and the reason for us to have used European Funds, to expand our internationalisation.

Before receiving the European Funds (PT2020) did you already had an internationalisation process? You already exported your services?

It is a good question but at the time I was still in the company. And when I join the company, we already had PT2020.

However, in my area, which is outsourcing and nearshore, we started our internationalisation process when we received the European Funds.

At the time, what were your main difficulties in internationalisation?

In my area, the biggest difficulty was the receptivity and how to do the commercial approach. This was during covid, when everyone was at home, and it was that typical phase of calling to the office and ask to speak with the responsible, and there was anyone there. That was the biggest difficulty.

You were able to boost your internationalisation process through the European Funds?

It gave us help to use external services and promote the prospection work internationally with Market Access.

So, it helped us a lot.

What have you done, what strategy did you adopt using the EU Funds, that without them you wouldn't?

Our strategy went a lot by contracting services to boost our internationalisation process. And this was our main focus, because and just to contextualize, when I joined the company, it was just me and my colleague to do the commercial work, and this way we two could not go to everywhere and reach every company we wanted.

Therefore, we were very focused on the national market and just a little bit, nothing significant in the international market, also because, in this field we had Market Access doing the job.

After the project does the company presented any change in its dimension, in terms of net income or number of employees?

Regarding financial terms, we grew considerably. There was an increase around 200 thousand euros.

In terms of team, it helped us a lot, because the international market gives us some advantages such as, not pay IVA, more attractive rates, which made us to grow in terms of teams internally. Also, in terms of clients we grew, around 10 people in nearshore projects.

In terms of employees, we went from 14 employees in 2020 to 85 by the end of 2021.

After the end of the incentives, how do you started to manage your internationalisation process? Market Access is still with you, the internationalisation process management goes just by Market Access, or are you doing something internally?

We used the cash flow generated in 2021, we were able to build financial stability in order to perceive our internationalisation process, in this case with Market Access, and not with European funds, but with our own funds.

What were the main benefits and disadvantages that you found to have applied for the European Funds for internationalisation?

Disadvantages:

I can't say because as I wasn't in the initial process, I didn't had access to them.

Advantages:

The financial leverage that it gave us, to start our internationalisation process. Without that I don't know if we had been able to perceive our international strategy, or at least it would have been difficult.

What have you done for the international expansion of Gênesis?

Mostly we have been working with Market Access, however we have been also creating internal teams to answered to international markets, to start doing international business development, but also in national terms.

So, yes, mostly Market Access, but not only.

We have some strategies in the international market for 2023, they are still not certain, it was just a brief discussion, we have some ideas. But for sure we have to be present in the international market, physically.

The strategy passes by positioning ourselves in the center of Europe with physical presence.

(Additional question) For you, what were the impacts of Covid, and even the war in Ukrain?

We did not suffer much. It is as the people say, the misfortune of some can be the benefit of the others. And it was how it worked for us.

The Ukrainian market was a competitor of ours, since they were very price competitive, but with the war, there were many clients of them that had to find solutions and turned to the Portuguese market which was very good for us.

Fortunately, we did not suffer with any of these situations, and even last year was the year we have grown the most.

Are you thinking to apply for the possible European Funds that come next, like PT2030?

I don't think we have already discussed that; I think not. But it is likely we appeal to them, since in the internationalisation segment it would be added value because in the segments of outsourcing and nearshore, we want to go other market, market more distant that involve more money, like Asian and American markets. Because of this we might take advantage of the funds.

Regarding the product that we create I also think it would be beneficial for the company, because it is a product we create, and it gives us an air bubble for us to start producing and selling the product.

Do you think that the European Funds PT2030 will enable you in some way that PT2020 did not? Having in account your dimension and capacity then and now do you think the European funds would be better used and for a better use now?

Of Course, I think that having more structure we also have more volume, more business, and more costs. So, yes, I think the possibility of new funds would give Gênesis a new leverage for the future.

Also, because, when the company applied for PT2020 had different ideas the ones that has at this time, as for example the physical positioning in the European market, entering the American market or the Asian market also. And as we are building company structure this starts making part of our plans.

APPENDIX 2 – MARKET ACCESS INTERVIEWS

PERSON C

Market Access since the beginning was an international company, due to its foundation and because one of its founders to be Chinese. Thus, since early days Market Access had their offices in Portugal but as well as in China. However, nowadays the company is also present physically with their own offices in Brazil and in the US. Therefore:

What were the main difficulties in the markets where you were already present that lead you to look for other markets?

It is always more in the opportunity side rather than in the difficult side.

When the company is new and is growing, its vision is very different, everything is difficulty and opportunity, therefore, there is not a clarified separation of both.

What you can perceive, and was the same way we did, our growth. We looked at China as an opportunity, that was what happened. It gave us an image and a visibility to the other markets, since that china is a complex market, gave us capabilities and projection to go for other market, such as Brazil.

When we went to china, every other market seemed interesting, so it wasn't something that at a certain point we have decided and planned, it was rather very much related with the challenges that our customers gave us. And also, this entry in the American market was related with our network, we had, and have someone there that is a perfect fit for the role and for what are our needs.

You had an internationalisation project, right? What were the main reasons/difficulties that made you apply for these funds?

No. in our internationalisation project we did what we defend for our clients. To do what they had planned independently rather they were to receive the EU Fund or not.

We had already our path planned and defined, that we would execute, and did so, but much thought and balanced before the Funds and independently of that. Everything that were markets that we wanted to go into, was previously idealized and we wanted to look at the Funds as an incentive, for the project previously designed. Therefore, whether

we had our funds approved or not we would have perceived our strategy. And that was what happened.

In what extend did de the funds helped you mitigate these difficulties?

It is just the financial incentive.

But it was clearly the strategy thought to be adopted much before, and independently of the EU Funds.

Do you think that with the European Funds you end up having some leverage for the internationalisation process that without them it would not have happened?

They helped to the execution of some actions that without them would have been more prolonged in time. In this aspect, the EU Funds allowed us to perceive a quicker execution of what we have though as a strategy for our company but did not change what we had though at that level.

What were the main vantages and disadvantages of the European Funds?

Sincerely, I just see vantages. There is no disadvantage in a Fund. Even the bureaucracy, it ends up being more at a final stage of the financial incentive rather than in the beginning, when we must conceive a plan and apply for the fund.

We think that it is a process that we already had though about and to transform it to a format that it was not very different from the initial ideal, since our plans had already the plan for the markets that we wanted and the actions that we would do to promote that. We already had the information gathered and organized, the only bureaucracy that we had to do was to submit all this information in the PT2020 Portal. We had the support of a consultant that is our partner, but I do not think that is a disadvantage, I even think that it is a time for companies to consider whether they are in a good place or not.

The advantage is exactly what I have just mention, it allows us to implement the strategy that we already had concretely, and to look to what can be executed and to the funds that allowed us too more.

What about our clients/partners, do you think all the bureaucracy involved in the process can deter companies from applying to the European Funds?

I don't think that is that demotivates them but rather the uncertainty of approval.

Also, then the uncertainty of being able to execute. Many of the companies that apply for internationalization funds did not do a plan that they would execute independently of the funds. When we have a plan that we are going to execute, of course the bureaucracy exists, but the plan already exists and so we do not have to do anything transcendent. On the contrary, if there is no plan and the company must do one, that, of course is a problem. Additionally, the uncertainty of seeing the project approved.

In our case, if the financing was approved, as it was, great, if not we would have developed and pursue the same strategy we did, but probably it would had taken more time to achieve our goals.

What is the future internationalisation strategy for Market Access?

Our future strategy is in a different phase. We intend to open some offices in other markets, in those markets that it is valued to do so. It will not be so much here in Europe; it is not because we have an office in Madrid that we will sell more in Spain, it is important to have a company and a fiscal number to apply for some tenders.

However, our strategy is to identify markets, as it was Brazil and the US, and after the consolidation of this locations, then we want to think about other possible markets to establish our office.

Our internationalisation strategy goes along with having those offices, but also to focus on the international market of action. We can have clients in any market, but our active prospection is going to be more in a view of partnership and less in simultaneous markets.

Clearly, our focus in the next year is to consolidate Spain, develop the US, and Brazil. Here we are already in three dimensions, everyone of them in different levels.

With possibility of the existence of PT2030, Market Access will apply to this European Funds?

We are thinking to do everything the same way we did until now. We have our strategic plan, verify if it is possible and suitable for the available funds and if yes, we are going to apply.

However, as there anything much clear yet, we are very much in the dark.

At what extent do you think these new funds will enable your capabilities that the previous PT2020 did not?

We believe so, and that's why the plan is going to be obviously different. Speaking about dimension, we still do not know, even because still do not know what is legible or not, but it is going to be a different and a better form.

Do you think that there will be more companies with PT2030 to resort to Market Access? Or do you think they are already with the mindset you defend of drawing the plan and only then apply for the funds, without being dependent on them?

I think PT2020 had the companies focused in having the financing, the investment, and only then in the internationalisation. I think that currently, although PT2030, is still not a reality for most of them, organizations are not looking for that reality. Enterprises are looking for developing themselves, first because they have high apprehension towards the future, many doubts, without knowing what gong is to happen, and it is in this environment that companies tend to move faster and better for themselves.

In terms of our clients, a good part of them has internationalisation funds, but a good part is not the most part. However, associations yes, they are verry much depend on this type of incentives and only work with them.

In the last two months we have been assisted that by their own initiative came to us with the intention to internationalize without any support of any kind of European Funds. This ends up being an indicator for the future and for your question.

The reality nowadays and what is seems to me to be a trend right now is really that, companies are more and more looking to internationalize without EU Funds, with private equity and becoming more independent of them.

In the future we believe that EU Funds will push the companies, by giving them more courage and confidence to make the next step and go forward with their internationalisation strategy. At the limit, they are already in some international markets, and it will allow them to look at others. The EU Funds will end up help them, incentive them to internationalize.

Some years ago, was the EU Funds PT2020 that push companies to internationalize, but now I don't think it is PT2030 that will do so, I think will help, but the weight, of the funds will be reduced. What we have been assisting in Market Access is that many of our clients when came to us they would not have done internationalisation with European financing, but now they are capable of doing so, and will continue their internationalisation process without the European Funds, only taking advantage regarding diminishing costs and get income money to finance their defined strategy.

PERSON D

What are the main reasons for companies to resort to Market Access to internationalize?

First, the fact that the Portuguese market is too small, the necessity to go abroad to look for other markets and continue to produce. I think that is the biggest goal of them all, is to try to enlarge their revenue, also market and risk diversification.

What are their main difficulties?

The main reasons are lack of resources, lack of knowledge and lack of time. And then the fact that we have some experience and a team that at the end of the day is relatively cheaper than hire someone at full time to do their expansion.

Having in account the actual economic and social panorama, with Covid and the war. This affected companies' internationalisation process and their willing to perceive this strategy?

During the pandemic period I never felt that companies left the will to go abroad, I felt the uncertainty they felt in doing so. I felt the fear of them needing the money eventually in the future, felt the lack of knowledge to deal with the internationalisation process but always felt their need to expand over borders and more and more we feel that companies born not only thinking about the Portuguese market, but to become global.

Are many the companies that contract Market Access's services using EU Funds?

Yes, we have many. Many of them, I think they recur to us e those who can, use the European funds, but more and more we notice that independently of having financial support from European entities they want to hire Market Access.

I would say that before we had a bigger dependency, now I think that the companies that can use the EU Funds still use them, but the ones that don't, would also hire our services.

Do you feel that companies that have EU Funds have more, or less capacity to engage in the internationalisation process?

Even due to the Funds nature, except for just one announcement that opened in the last project, that allowed for new export companies to apply, normally this type of Funds ae for companies that already have an export capacity, therefore, companies that have pt2020 and come to us normally already export and are ready for it.

The ones that do not have PT2020, it depends on the maturity of the company itself. Some of them that no have the Funds, whether because do not want, do not need, do not know to apply, or even because do not believe in that kind of financing, the fact that they are more capable or not is much more related with the maturity of it rather than the usage of EU Funds or not.

There are companies that come to us that are not prepared because never had an international experience, those for example cannot have EU Funds except some very specific instruments.

When the internationalisation project ends, what is your experience regarding he continuity of the companies in their internationalisation process?

What I am experiencing is that more and more companies face this EU Funds as a reward for internationalisation, this is also something we live by here in Market Access, we want our clients to perceive this type of financing as a reward for their good practices, and not make them a critical criteria to perceive this expansion, meaning that they should not make the implementation of an internationalisation process fully dependent on the EU Funds. More and more we incentive to these practices.

However, it is logical that some companies take advantage of having this financing and then end their project but rarely they end their internationalisation process even when they decide to leave Market Access. Many of them even integrate much of the know-how

they acquire during the process, the way we work and, in some cases, hire people from our team in order to become export managers for their companies.

Do you think that all the bureaucratic work behind the application for the Funds can demotivate companies to apply for the EU Funds?

I think that for us, our main step back is not the bureaucracy because we do not deal with the application process to the funds. For the client, surely it is.

Other thing that I think that is not well designed in the process is that most of the companies that come to us, have already their project defined and design by the management consulting companies, and many times it is maladjusted to the reality and to the real needs of the company. Then we have to modify the project, not rarely it also has out of context values for the expenditure in some captions that should not exist in that context, because many times these applications are made by someone that does not understand or have minimal knowledge about internationalisations and all the implementation process but know what to include in the proposals in order to make the project to be approved. This leads to great discrepancies that are totally unnecessary.

Therefore, this ends up making difficult our work because since companies commit with some objectives then we must send the deliverables correspondents to those objectives, proving that they were effectively met, for the company to receive the reimbursement of the initial investment. When these objectives are unbeaten it generates distrust in the market. And when a company has a certain amount, that is too high to go to a fair, and we have to say that it is too much, and that even they should go first as a visitor and only then as an expositor, it unsettles companies and what they thought to be the initial plan. For example, we also only defend that companies should go to fairs if they are, at a certain point, already in a market and able to answer any needs that might urge in the fair in the short run.

Do you think that the lack of assistance leads to the projection of overly high values in the internationalisation project's proposals and that can dictate a unsuccessful process internationalisation?

That is related with the kind of assistance you have. If you have a company to help you with the process, the company needs to do what you need and of you need more assistance than the company should respond to that.

Many companies hire enterprises to help them during the EU Funding project, and then they disappear, but others don't, others have someone always with them.

Many times, the problem is the long duration of the project and be updated at all times of all things that are going on.

The assistance to the project management is there, if the company calls to ICEP to speak with their project manager, they will answer to all their questions and doubts. But sometimes, companies also need to understand that they must also go search for the information.

In terms of success, and with your experience, companies that start the internationalisation process with European funds have more success in that process than companies that decide to finance this strategy with internal funds.

It depends on the maturity of the company. But every company that has the capability to finance their own actions is to be better than dependent, even in relation with payments and reimbursements. Since that companies financed by the European funds must first invest to then receive the part that was approved.

If a company has financial structure to invest and then after asked for the reimbursement.

(Additional question) Do you think that a company that engages in a project financed by the EU Funds is more committed to their internationalisation process due to all the goals they must meet than a company that finances this project internally and so do not have any kind of obligation towards a responsible entity?

A company cannot rely on the European funds to finance their project. The company must already have the capacity and the structure to do the strategy and face the funding as a present for their good practices.

Companies must have the notion that the internationalisation process is a strategy durable and extended in time. And it is impossible for a company to be successful thinking about the funds and in what they will receive.

If a company is dependent on the Funds to them reinvest again, then the company has no future.

What do you think are the critical factors of success for companies to internationalize?

Financial capacity. They do not have anything more than financial capacity and resource availability for a new department than what they need to do their activity within borders.

If the company is good, with a good structure and organization at an internal level, the fact they internationalize increases complexity, but it isn't nothing extremely hard if they meet this criterion here in Portugal in their normal activity.

Of course, that doing prospecting and capture clients in international markets is not the same thing as doing so in Portugal, but because of that Market Access exists.

Maybe something that can differentiate companies are volume or capacity. Other thing is the way you do your internationalisation, whether it is with an agent, with a subsidiary or even exporting, these ways are all different and in different markets have different reactions.

Why USA? What are the characteristics or the demands that you had that lead to this market?

It started representing a market where our clients asked more and more and with our network there, we can provide a very competitive service.

And started seeing that there are American companies that might come to Europe, and that is our native market. We start have the necessity to have a team dedicated to that market due to the increase of demand. But the main reason was the dramatic increase demand of our service in the American service.

What is the future internationalisation strategy of Market Access?

Our strategy is mainly dedicated to markets such as Brazil and US, and then Spain to explore some identities there, in a nearshore.

PERSON E

Why do Companies want to internationalize?

Probably to not be dependent on the national market, or even the international markets. Therefore, many of them are already present in foreign markets but want to diversify their investment.

In reality, many of them do not want to internationalize, nor the government wants them to internationalize in the most restrict sense of the concept, since that it means for companies to install their economic activity in other countries. What governments want to do is for them to export to increase the growth domestic product (GDP).

So, why do companies want to export and to sell their products in foreign markets; due to added value, reduce national market exposure. Thus, as companies should reduce their exposure to a certain client, when they reach a certain production level, they also feel the need to reduce their exposure to the national market. So, we can resume it, in generate added-value, mitigate exposure to risk, avoid price wars, even because the most attractive markets are the ones with bigger added-value but with more difficult access, since they usually are very risky. Take for example, countries that produce petrol, companies that go to these markets can earn money very fast, but it takes too little to the economy to crash.

Additionally, there are companies that look for to sell their products in other markets because their installed capacity is higher than the national demand, because they are already leaders in the national market, others because they already have a very developed export identity.

These corporations see in our company, a good opportunity to approach markets that were not thinking to because do not have resources, also, because they see in hiring specialized services using outsourcing for a specific period of time, a cost that is not structural nor is internalized, fundamentally is that.

Companies see in Market Access, a faster way to enter in foreign markets, diminish risk due to its know-how, and because of the fact that great part of exporters in Portugal do not have methodologies rigorous to approach foreign markets and their knowledge about them is not well developed.

What are the main reasons for companies to resort to Market Access to internationalize?

It's because 99% of our clients being private corporations, it all starts with us going to them, and present Market Access. After that, it is easy to follow our methodology since we first look for companies with Investment Funds. If companies have European Funds to internationalisation that means that they want to internationalize.

Having in account the actual economic and social panorama, with Covid and the war. This affected companies' internationalisation process and their willing to perceive this strategy.

It depends on the sector and the profile of the decision maker. I think that the decision of continue or to interrupt their internationalisation process is very much related with the profile, and risk aversion, of the decision maker.

There were companies that decided to reenforce their process because they thought that as many would stop their activity this might result in an opportunity for the others. And there were others that stopped their activity due to the more conservative profile of the decision maker.

In other sectors, this did not happen, namely in the IT sectors, they even increased their activity.

In the sector for tradable goods, the more classical sectors, there was a retraction of their activity, namely textile, shoes, etc. There was no way they could planned their production due to uncertainty of the times. Nowadays, due to the geopolitical conjuncture these industries are overwhelmed with the amount of work they have in hands. In these sectors, companies that were well stablished before the increase of demand more than compensates for the increase of certain commodities.

Are many the companies that contract Market Access's services using EU Funds?

I think there are more than 90% of the companies that Market Access approaches and started with us have or had European Funds to internationalisation.

Do you feel that companies that have EU Funds have more or less capacity to engage in the internationalisation process?

There are two types of companies that do not have investment projects. Big companies because they are suitable for them and those are more than capable to approach

international markets. The other ones do not have investment funds because did nor want to or even due to exclusion in the notices itself.

I would not associate the better capabilities to international dependent on the existence of EU Funds. There are companies that have this investment funds that are not only not prepare to execute the plan but also do not know it contemplates.

This, due to the consultancy companies that elaborate the project plan and application. This companies, normally do not have the care to analyze and diagnose the company, to study the best markets and most suitable ones for the company and its current situation, and to study the correct approach. This since many managements consultancy company do not have the knowledge about internationalisation to do this.

Therefore, this is something that I think it would be beneficial for companies that recur to EU Funds that management consultancy companies that do the service of applying to these projects to be accredited by someone that is specialized in internationalisation in order to draw an action plan that we know is suitable for the company and its situation.

When the internationalisation project ends, what is your experience regarding the continuity of the companies in their internationalisation process?

I think they continue; they just sometimes end their partnership with us. And even, some of them end their project with us due to financial reasons and the fact that the incentive ended leads to the end of their project with us. So, they continue with their approach not so specialized but at their dimension and capacity to do so.

What sometimes happens is that companies come to recruit our consultants to keep their internationalisation process within their company. And this is a good indicator for us, it means that we are doing a good job.

Do you think that all the bureaucratic work behind the application for the Funds can demotivate companies to apply for the EU Funds?

I do not think that it is very bureaucratic, since it is an investment fund it must be complex. If the portal where the applications are made could be easier to use and more intuitive, yes. But normally it is not also the company that does the application but rather the management consultancy company, and at this point I can say that the portal and the application process is not done for corporations to do all by themselves.

The critical point is really the lack of planning carried out by AICEP (Agência para o Investimento e Comércio Externo de Portugal) that here is the intermediary organization that mediates the internationalisation processes, the absence of a notice plan, so that companies can also plan their investment, also the lack of internal resources to answer the reimbursement to companies, this comes with great constraints because, organizations first must spend the money to then receive it.

However, the goal of the EU Funds is not to support companies that are not capable or are not prepared financially to support their activities, in this case internationalisation. A company when is applying for an internationalisation fund should not be doing math to the money that will receive in the future. But this is what most of them does, when should not. Because the EU Funds to internationalisation are incentives not financing.

Many companies look at these projects with an opportunistic view because they view these funds such as financing or even subsidies. So, AICEP should give some knowledge to companies on how to look at these incentives and how to take most advantage possible of them.

Do you feel that companies that benefited from PT2020, end up being more capable or more dependent on the European Funds?

Capacitation is a structural work and companies do not have time or do not have the mentality to look in the long run. Also, the EU Funds do not finance the capacitation of the organization and their collaborators. Which would be certainly beneficial for a company to see their export manager, for example, with the necessary tools to perceive their internationalisation process.

Therefore, after ending their project with us, companies might have a better idea how markets work but do not in detail what we do or what we do, so after ending their project with us they end up a bit lost in their strategy.

In financial terms, there are always companies appearing and disappearing. That why in the new projects there is a plan to capacitate companies for them to keep their project going after the European incentives end.

First, companies must be capable, then they did to know very well the markets and only then they can approach the market. So, the incentive only enters in the end and many companies do not perceive this view and that can be disastrous for them.

In terms of success, and with your experience, companies that start the internationalisation process with European funds have more success in that process than companies that decide to finance this strategy with internal funds.

We cannot say that it is a fundamental rule, but I would say that is more the other way around. The ones that follow their path without being worried about the EU Funds are, but when they apply for them, they represent just an incentive, are more successful, since they were already capable, than the one that puts all the strategy decision on the money they might receive.

The first question a company should ask to themselves is “If there was not any incentive, would we still perceive with our strategy?” If the answer is no, then companies should not continue with their internationalisation process.

I would say that the abandonment rate of the project with PT2020 for internationalisation are very high, the projects that stay in the middle are fair. Being the rate of success and completely conclude the internationalisation project through European funds is very low.

Quais é que diriam ser os fatores críticos de sucesso para as empresas se internacionalizarem?

There are many, since the beginning the difficulty of enter in any market, and then is the realization of that they need investment and need to wait for the reimbursement.

Many companies when want to internationalize they think at the end of 2/3 months think they will have already resulted, this does not happen, the internationalisation process takes time.

Other factor is to project realistic plans where companies can really perceive their internationalisation process with the defined goals.

At what extend did the Internationalisation Funds helped Market Access in its internationalisation process?

It helped a lot. Market Access not only did not need the money to what it did, but also it was able to open new markets, and in terms of expand their network in other countries. It also, had a big impact in the diversification of new international clients.

Without these funds, Market Access would have perceived the same strategy?

It would not have been so quick; it would have been slower and had taken more time. But it was able to accomplish everything that it had been purposed.

With the new program PT2030, Market Access is thinking about applying for these funds?

I think yes. They have all the interest.

And at what extend these funds will be used, it is going to be in a similar matter as the previous ones?

It is going to be used to expand our international network, prospection of new international clients, opening of new markets. Basically, is going to be to consolidate network and find new partners.