

# The Scope and Effectiveness of Support for the Innovative Potential of Small Business in the European Union

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**Abstract**—Innovativeness is the foundation of competitiveness and the competitive advantage of micro, small and medium-sized enterprises (SMEs). It is determined by the innovative potential that expresses a company's ability to create and innovate. In the process of the development of this potential, enterprises can use external support offered by small business environment institutions in the framework of the integrated actions taken by the Member States of the European Union to promote entrepreneurship development. Taking this into account, the paper aims at the assessment of the scope and effectiveness of SMEs' use of external support for their innovative potential. Two research hypotheses were adopted in the paper. The author's own survey conducted on a sample of 1,741 SMEs in the European Union was devoted to the aim of the paper and the verification of the adopted hypotheses. The results indicate that the analyzed companies use external support to a very small degree. Despite the small scope of its use, this type of support significantly affects the level of innovative potential of small business. Non-repayable financial support derived from various aid funds of the European Union, as well as technological support, supplementing resource shortages of small business in the sphere of technology and know-how, are characterized by the relatively highest effectiveness.

**Index Terms**—Small business, SMEs, innovative potential, innovation management, business support, European Union.

## I. INTRODUCTION

Innovativeness is a strategic prerequisite for market success of modern enterprises [1], including micro, small and medium-sized ones (SMEs) [2]. In the case of these entities, it is considered as one of the dimensions of a company's entrepreneurial orientation, which is an essential basis for performance of small business [3]. Innovativeness is determined by the innovative potential, which is the foundation for the effectiveness and efficiency of the process of creating and implementing innovation [4]. In order to develop and make full use of this potential, SMEs should seek specific concepts of innovation management which emphasize the importance of an external perspective and interactions with the environment [5], [6]. One of the directions of these interactions is the use of specific forms and instruments of support offered by a variety of small business environment institutions in the framework of the measures taken by the Member States of the European Union to promote entrepreneurship development [7].

Taking this into account, the paper aims at the assessment of the scope and effectiveness of SMEs' use of external

support for their innovative potential. Two research hypotheses were adopted in the paper. The author's own survey conducted on a sample of 1,741 SMEs in the European Union was devoted to the aim of the paper and the verification of the adopted hypotheses.

The paper is organized as follows: the first part presents a literature review and the adopted research hypotheses. Next the research methodology is presented, including the characteristics of the companies and respondents surveyed. In the further part, the research results are provided along with the discussion aimed at the verification of the research hypotheses. The final part of the paper draws attention to limitations of the empirical study, points to the further directions of research, and presents the key implications.

## II. LITERATURE REVIEW AND HYPOTHESES

In general, the innovative potential means the ability to engage in innovative activity as well as effective and efficient implementation of innovations into economic practice. It can be considered at different levels: individual (personal) [8], technological [9], organizational (enterprise) [10], sectoral (industry) [11], regional [12], national [13], or even international [14].

Considering this issue in the theoretical terms at the organizational level, the innovative potential is not an unambiguously defined homogeneous term, and there is an ongoing discussion in the literature about its structuralization and empirical operationalization. On the basis of a review of existing studies, S.M. Valitov and A.K. Khakimov [4] point out that the innovative potential can be considered as a configuration of opportunities, resources, and organizational mechanisms that allows the achievement of enterprises' objectives in the field of innovation through their ability to implement the full cycle of innovation management taking into account the needs of the market.

Thus understood innovative potential plays an important role in the efficiency of innovative actions taken by the SME sector companies [15], and also in building competitiveness and developing performance of small business [16]. At the same time, it allows to face the challenges of globalization and increased market competition by the introduction of new, innovative, flexible and imaginative ways to survive and develop [17]. This is also facilitated by the qualitative specificity of small business [18], [19], which indicates a considerable innovative potential of micro, small and medium-sized enterprises based on such characteristics as: a high level of entrepreneurship and flexibility of operation, speed of decision-making, or low formalization of operation. On the basis of this specificity, structuralization and operationalization of the innovative potential of the SME

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sector companies should be considered.

M. Ahedo [20] includes the following elements as the basic structural components of the potential of these companies: a pro-innovation orientation of a company expressing its desire for innovation and human resources management solutions aimed at an increase in creativity and ingenuity of employees. R. Mbizi *et al.* [21] extend this list to the characteristics of the main company owner/manager related to his/her entrepreneurship and focus on innovative activities. The key role of the owner's entrepreneurial attitude in the development of the innovative potential of small business is also observed by F. Verhees and M. Meulenberg [22], for whom this feature is one of the main differences between innovativeness of SMEs and large enterprises.

R. Mbizi *et al.* [21] also stress the importance of environmental factors indicating a company's bold (and even aggressive) pro-market orientation based on a strategic vision of business activity, making use of market opportunities and market leaders benchmarking. The importance of the relationship between market activity and a strategic development approach is also indicated by T. Edwards, R. Delbridge, and M. Munday [23]. Analyzing structuralization of SMEs' innovative potential, they also point to the need on the part of these companies to take reactive actions (adapting to changes in the environment) as well as proactive actions (anticipating market trends). As a result of the literature review, it can be concluded that operationalization indicating the structural system of components of innovative potential taking into account the specificity of small business can include the following elements:

- business owner's entrepreneurial attitude, including willingness to take on new challenges as well as to search for and seize market opportunities, at the same time accepting a higher level of risk,
- entrepreneurial and creative attitudes and behavior of company employees,
- focus on implementation of innovation understood as high propensity for implementing novelties and conducting externally-oriented activities through identifying, creating and meeting market needs,
- adaptation to the environment expressing business flexibility, including striving for the development of the characteristics commonly appreciated when applying for external support,
- focus on seizing market opportunities,
- ability to anticipate and stay ahead of market trends.

For the creation, development, and effective use of innovative potential in their business activity, SMEs should not rely solely on their own resources. They are usually significantly limited as a result of quantitative specificity of small business. This specificity is determined by particular definitions of SMEs, which in most countries of the world are based on the number of persons employed and the level of certain financial indicators [24], [25]. One example is the definition of micro, small and medium-sized enterprises established by the European Commission [26], which is in force in the European Union. It defines the boundaries of the SME sector at 249 employees (FTE) and an annual turnover of EUR 50 million or an annual balance sheet total of EUR 43 million. In addition, it takes into account capital and/or ownership ties between SMEs and other enterprises, which in

the case of significant influence have an impact on the final level of the criteria adopted for the analysis of the company size.

Their limited resources mean that SMEs should open up more to the environment and seek market opportunities to exploit in order to develop their innovative potential. One of the directions of such activity available for SMEs in the European Union is the use of a variety of initiatives aimed at promoting entrepreneurship and small business development [7], [27], [28]. Their availability is a consequence of the treatment of micro, small and medium-sized enterprises as the backbone that ensures efficiency and competitiveness of the economy, creating new jobs and innovative ideas related to economic activity [29]. As a result, the SME sector companies in the European Union have access to various forms of support for their development which include:

- financial non-repayable support, including sources of financing of companies' equity, of an internal nature. For example, grants, co-funding and subsidies from public funds provided by the EU assistance programs and budgets of individual countries [30],
- external financial support which includes a variety of repayable sources of financing such as: credits, loans, leasing, guarantees or sureties [31],
- capital support, including, among others, support provided by private equity funds, business angels or other categories of investors, as well as special stock exchange solutions designed for small business (e.g.: NewConnect market in Poland) [32], [33],
- administrative and legal support, including systemic and legal solutions stimulating the development of SMEs, e.g.: tax exemptions or investment incentives [34], [35],
- advisory/information/training support aimed at increasing knowledge, skills and competencies of company employees or access to information valuable from the point of view of development processes [36],
- technological and pro-innovative support related to facilitating SMEs' access to new technological developments, e.g.: through technology audit or technology transfer [37],
- organizational support or business environment institutions support, including, among others, the offer of business incubators and technology parks, services related to the provision of business premises and infrastructure used in pursuing business activity [38].

Diversity and high availability of support forms and instruments allow their use aimed at stimulating SMEs' entrepreneurship and development processes. One of the directions of the use of this support may be the development of innovative potential, which leads directly to the formulation of hypothesis H1:

*Hypothesis H1: the use of external support significantly and positively affects the level of innovative potential of small business.*

Previous research results suggest a relatively small scope of the use of this support by the SME sector companies. This is due to the qualitative specificity of small business associated with the concentration of management in the hands of the owner/manager, an orientation towards a high

level of autonomy and independence of operation [39], as well as an aversion to the use of external financing [40]. It also results from the information gap existing in small business in terms of the possibilities of the use of support, especially support of a financial nature [41], as well as too complicated procedures and requirements for the acquisition and use of external support [42]. This leads to a broad discussion on the effectiveness of the use of support in the management of small business [43], [44], as well as SMEs' focus on obtaining support selectively tailored to their existing development needs. Due to the fact that many of the initiatives that accommodate the needs of innovative companies are implemented with public funds, including financing provided by the EU funds, and national or regional budgets [45]-[47], it can be assumed that the innovative potential is developed primarily through the use of non-repayable financial support, which leads to the adoption of hypothesis H2:

*Hypothesis H2: the innovative potential of small business is developed primarily through the use of non-repayable financial support and other forms of support selectively offered for SMEs.*

The verification of the adopted research hypotheses will allow to draw new conclusions about the scope and effectiveness of the use of various forms of support in the development of the innovative potential of small business. The considerations in the further part of the paper are focused on this objective.

### III. RESEARCH METHODOLOGY AND CHARACTERISTICS OF THE ANALYZED COMPANIES

The aim of the paper was realized and the verification of the adopted hypotheses was conducted on the basis of the empirical research based on the results of the survey [48] carried out on a random sample of 1,741 SMEs, including 1,183 (68%) micro companies, 399 (23%) small companies and 159 (9%) medium-sized companies. Computerized Self-Administered Questionnaire [49] was applied as a research technique, and the research tool was an original survey questionnaire in the electronic version made available to the respondents on [www.questionpro.com](http://www.questionpro.com).

The research was conducted in 22 selected countries of the European Union: Austria, Belgium, Bulgaria, Croatia, the Czech Republic, Denmark, Finland, France, Germany, Great Britain, Greece, Hungary, Italy, Lithuania, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden. The geographical coverage of the study was determined on the basis of statistical data by selecting those countries in which the largest number of business entities in the European Union operate. According to Eurostat data [50] and the SME Performance Review data [51], more than 21 million enterprises operate on this territory, of which over 98% are companies included in the small business category. The share of the entities according to the individual size classes amounted to respectively: micro – 92.52%, small – 6.25%, medium-sized – 1.03% and large enterprises – 0.20%. According to the World Bank indicators [52], the research area covers more than 4 million km<sup>2</sup> (more than 95% of the

EU area) and is inhabited by nearly 500 million people (98% of the EU population).

The size of the companies analyzed was established on the basis of the declarations of the respondents based on the criteria of the uniform, formal definition of micro, small and medium-sized enterprises in force in the European Union [26]. The annual average level of employment in terms of full-time equivalents, the level of turnover and the balance sheet total were included. In addition, the category of SMEs covers only autonomous enterprises, that is, those which are completely independent in terms of capital and/or ownership from other entities or have one or more minority partnerships (each less than 25%) with other enterprises.

Most of the analyzed companies operate as sole proprietorships run by individual owners (45%) or as limited liability companies (35%). These are companies operating primarily in the services sector (60%), in manufacturing (21%) or trade (19%). Most of the surveyed companies (73%) are active at least in the domestic market. The sample includes entities with a relatively long period of market activity of more than 20 years (36%) or company activity from 5 to 10 years (21%). Table I shows detailed characteristics of the companies surveyed.

TABLE I: DETAILED CHARACTERISTICS OF THE SMEs SURVEYED

Distinctive feature	Overall in	Companies by size:		
	the sample	micro	small	medium
Legal form of the company				
Individual company	44.5%	56.4%	23.3%	9.4%
Private partnership	13.3%	13.1%	14.3%	12.6%
LLC	35.3%	27.0%	52.1%	54.1%
Joint stock company	5.5%	2.8%	7.8%	20.1%
Cooperative	0.9%	0.3%	2.0%	1.9%
Foundation	0.4%	0.3%	0.5%	0.6%
Other	0.1%	0.0%	0.0%	1.3%
Sector of operations				
Service	59.9%	68.2%	44.9%	35.8%
Trade	19.2%	19.9%	19.5%	13.8%
Production	20.9%	11.9%	35.6%	50.3%
Range of market operations				
Local	6.7%	8.3%	3.3%	3.1%
Regional	19.9%	22.1%	16.3%	13.2%
National	38.8%	43.2%	33.1%	20.8%
International	27.5%	21.9%	39.1%	40.3%
Global	7.1%	4.6%	8.3%	22.6%
Company age				
Up to 5 years	11.4%	15.0%	4.5%	1.3%
Over 5 to 10 years	21.1%	26.2%	12.0%	6.3%
Over 10 to 15 years	17.5%	17.3%	20.1%	12.6%
Over 15 to 20 years	13.8%	12.9%	16.5%	13.2%
Over 20 years	36.2%	28.5%	46.9%	66.7%

The respondents in the study comprised representatives of the analyzed companies, and based on their responses (opinions) data on the SME companies surveyed were collected. The respondents were primarily the owners (74%), less frequently higher-level managers (19%) or employees authorized and legitimized by the management to participate in the study (7%). The questions were answered mostly by men (70%), persons aged 31 to 40 years (30%), or over 50 years (35.5%), with higher education (81%), technical education (40%) or economic/managerial education (26%).

Based on the empirical material collected, a statistical

analysis was conducted using IBM SPSS Statistics software [53]. The following quantitative statistical methods were used [54]: measures of location, Pearson's ( $r_{xy}$ ) and Spearman's ( $r_s$ ) correlation coefficients and their significance tests as a measure of interdependence of the phenomena and a multiple linear regression analysis. To assess the strength of the interdependence of the phenomena, the approach based on the proposal of J. Cohen [55] was used, taking as value thresholds of the linear correlation coefficient the following levels of correlation: 0.1 – weak; 0.3 – medium; 0.5 – strong, 0.7 – very strong.

IV. RESULTS AND DISCUSSION

First, the level of innovative potential of the analyzed companies was assessed. A synthetic indicator consisting of 6 items prepared on the basis of the considerations presented in the theoretical part of the paper was used. Each of the items was assessed by the respondents on the Visual Analog Scale from 0 (it does not apply to my company) to 100 (it fully applies to my company). The level of reliability of the scale measured by Cronbach's alpha coefficient [56] amounted to 0.841. Thus, the result is within the recommended range of 0.7 to 0.9 [57]

The results indicate that the innovative potential of the companies surveyed is, on average, assessed to be at the medium level (sample average: 58). Its main stimulant is the business owner's entrepreneurship and his/her attitude towards the exploitation of market opportunities (average: 70) as well as the level of innovative and creative attitudes of employees (average: 63). The main destimulant is relatively low elasticity, associated, among others, with the ability to develop characteristics which are positively assessed by small business environment institutions when applying for support (average: 48). The detailed results concerning the development of the innovative potential of the companies surveyed in terms of their size are shown in Table II.

TABLE II: ASSESSMENT OF THE LEVEL OF INNOVATIVE POTENTIAL OF THE SMES SURVEYED

Innovative potential	Overall in the sample	Companies by size:		
		micro	small	medium
Overall innovative potential, including:	58	56	60	66
Owner's entrepreneurship	70	67	73	81
Employees' creativity	63	62	64	65
Focus on implementation of innovation	55	54	56	64
Adaptation to the environment	48	45	50	60
Exploitation of opportunities	58	56	61	64
Anticipation of market trends	55	53	58	62

The level of innovative potential grows significantly statistically to a small degree along with the size of the companies surveyed,  $r_s$  ( $N = 1741$ ) = 0.12,  $p < 0.01$ , and for the medium-sized companies reaches more than the medium level (average: 66). The market range of operations affects the innovative potential of the companies analyzed to a somewhat greater degree,  $r_s$  ( $N = 1741$ ) = 0.21,  $p < 0.01$ . The

companies operating in local markets show a significantly lower level of this potential (average: 40) than the companies operating in the domestic (average: 59), international (average: 62), or global market (average: 66).

In the second part of the study, the scope of the use of support offered by various business environment institutions in the studied sample was assessed. The assessment was made in relation to the different types of support identified in the theoretical part of the paper.

In the survey questionnaire, each type of support was accompanied by an appropriate commentary along with examples of the particular support forms and instruments. This solution facilitated the provision of credible responses by the respondents, properly reflecting the organizational reality in the companies they represented. The scope of the use of these different types of support was evaluated in the period of the last 2 years in relation to the needs of the company based on the following ordinal scale: 0 – no use of support; 1 – use of support to a very small degree; 2 – to a moderate degree; 3 – to a very large degree. Since each of the types of support had an entirely different substantive scope, it is hard to provide a precise interpretation of the synthetic indicator based on the scope of the use of these different types of support. Moreover, it is difficult to assess the reliability of such a scale using Cronbach's alpha coefficient. Despite these methodological weaknesses, it was decided to calculate the synthetic indicator based on particular items expressing the general attitude of a given company towards the use of external support in its development processes. The value of Cronbach's alpha coefficient for thus adopted scale was 0.730, which means that it is within the acceptable range.

The results obtained show that the orientation of the companies surveyed towards the use of external support is very weak, the average level of the responses amounted to 0.76 (25%). At the same time, its statistical significance grows to a small degree along with an increase in the size of the analyzed companies,  $r_s$  ( $N = 1741$ ) = 0.23,  $p < 0.01$ , and for the medium-sized companies it reaches a low level (average: 1.06).

The companies surveyed use external financial support as well as training, information and advisory support to a relatively largest degree. In addition, in the case of the medium-sized companies, non-repayable financial support gains relatively large importance. This is confirmed by the results of earlier research of N. Daskalakis, R. Jarvis and E. Schizas [40] concerning the preferences and the structure of financing of micro and small enterprises. They are generally characterized by a limited focus on the use of external sources of financing, primarily as a result of a variety of barriers related to access to capital. However, they show interest in non-repayable forms of support, although the problem in this case is often insufficient knowledge on the part of the entrepreneurs concerning the possibilities and conditions of acquiring such support.

On the other hand, the companies surveyed use capital support to a relatively smallest degree, as a result of the assumptions of the pecking order theory [58], as well as the specificity of small business expressed in the desire to preserve the ownership control of the company by its owners-founders (which is particularly evident in the case of family businesses) [59]. Detailed results of the scope of the use of the different types of external support by the companies surveyed are shown in Table III.

TABLE III: THE SCOPE OF THE USE OF EXTERNAL SUPPORT IN THE SMEs SURVEYED

Types of support	Overall in the sample	Companies by size:		
		micro	small	medium
Overall use of support, including the following types of support:	0.76	0.69	0.87	1.06
Financial non-repayable	0.93	0.78	1.12	1.54
External financial	1.21	1.08	1.41	1.61
Capital	0.22	0.19	0.27	0.35
Administrative and legal	0.57	0.52	0.64	0.73
Advisory, training and information	1.16	1.10	1.25	1.38
Technological	0.81	0.73	0.92	1.17
Organizational and business environment institutional	0.46	0.43	0.50	0.60

In the last part of the study, the impact of the scope of the use of external support on the level of innovative potential of SMEs was analyzed. The overall results indicate that the level of innovative potential is statistically moderately significantly related to the scope of the use of external support by the surveyed entities,  $r_{xy} (N = 1741) = 0.38, p < 0.01$ . It confirms the hypothesis H1, according to which the use of external support significantly and positively affects the level of innovative potential of SMEs.

In order to obtain more detailed results, a multiple linear correct regression analysis was applied. The identified level of innovative potential was adopted as a dependent variable. Independent variables were the scopes of the use of the different types of support by the companies surveyed. In addition, the analysis used the control variables characterizing the companies surveyed, as the literature indicates that they can significantly affect the level of innovative potential of SMEs [20], [21]. The results of the analysis are presented in Table IV.

TABLE IV: THE IMPACT OF EXTERNAL SUPPORT ON THE LEVEL OF INNOVATIVE POTENTIAL OF THE COMPANIES SURVEYED

Model variable	Analysis results
Dependent variable:	innovative potential level
Non-repayable financial support	0.55** (0.29) [11.81]
External financial support	0.53** (0.11) [4.92]
Capital support	1.09** (-0.08) [-3.38]
Administrative and legal support	0.83 (-0.05) [-1.96]
Advisory, training and information support	0.61** (0.09) [3.92]
Technological support	0.65** (0.19) [7.36]
Organizational support	0.88 (-0.02) [-0.81]
Company size	0.85 (-0.01) [-0.34]
Company age	0.36** (-0.06) [-2.86]
Range of market operations	0.52** (0.20) [8.78]
Sector of market operations	0.67 (-0.02) [-0.74]
Constant	34.95 (2.04)
Observations	1741
R <sup>2</sup> / R <sup>2</sup> corrected	0.25 / 0.25
F-stat	52.85**

Multiple linear regression analysis. Standard errors in parentheses, standardized coefficients in square brackets.  
\* significant at 0.05; \*\* significant at 0.01.

The results obtained indicate that the innovative potential of SMEs is shaped to the greatest extent by the use of non-repayable financial support derived from all sorts of subsidies, grants and aid funds of the European Union, as well as technological support, supplementing the deficiency of resources of small business in the sphere of technological solutions and know-how. The positive impact of these types of support stems from the fact that they often provide specific solutions, adapted to the needs of small business and are

dedicated selectively for SMEs, with limited access on the part of other (e.g.: large) enterprises [60]. The results, therefore, positively verify the hypothesis H2, according to which the innovative potential of small business is shaped primarily by non-repayable financial support and other forms of support offered selectively for micro, small and medium-sized enterprises.

To a lesser extent, the innovative potential is shaped through the use of external financial support. This is due to the fact that this support is most often commercial in nature and is widespread (it is available to different entities). Providers of external financing often have stricter requirements and higher prices of capital offered to micro, small and medium-sized enterprises [61].

Advisory, training and information support affects the development of the innovative potential of the companies surveyed to a relatively smallest degree. Perhaps this is due to the fact that, as shown by the results of the research of J. Lambrecht and F. Pirnay [62], this support has a primarily positive qualitative impact on the functioning of SMEs. However, it stimulates to a limited extent quantitative objectives (e.g.: jobs, financial indicators), which are often the basis of innovative activity conducted [63]. The identified low quality and lack of conceptual integration of advisory support for SMEs can also pose a problem.

On the other hand, external organizational and business environment institutions support as well as administrative and legal support do not play a significant role in the development of the innovative potential of the surveyed companies. Perhaps SMEs require greater use of internal organizational support, which, according to the results of the research of L. Alpkam *et al.* [64], should include, first and foremost, commitment on the part of the management, work discretion and tolerance for risk taking.

The results indicate that the use of capital support has a negative impact on the level of innovative potential of the surveyed companies. This finding is at odds with the results of many previous studies [65], [66] which show a positive relationship between private equity support and the involvement of SMEs in innovative activity. On the other hand, a detailed review of the existing research points to the inconclusive results in this area. Restrictions in access to capital funding in relation to too risky market projects of an innovative nature [67] have been observed. K. Amess, J. Stiebale, and M. Wright [68] indicate that PE companies do not promote short-term cost-cutting at the expense of entrepreneurial investment opportunities with a long-term pay-off. Specific preferences of SMEs, expressed in their

unwillingness to use capital support from outside the ranks of the family [40], are also a problem. As a result, the assessment of the impact of external capital support on the innovative potential of small business is ambiguous and requires in-depth empirical research.

In addition, the results indicate that the innovative potential of the companies surveyed is shaped significantly by two control variables: their age and market range of operations. The representatives of younger businesses subjectively evaluate their companies' innovative potential higher. This conclusion is consistent with the results of the research of E. Huergo and J. Jaumandreu [69] which indicate that entrant companies tend to present the highest probability of innovation. Similarly, N. Balasubramanian and J. Lee [70] indicate in their studies that a company's age is negatively related to technical quality and market efficiency of its expenditure on R&D activities.

The review of the secondary research results also fully justifies the positive impact of larger market range of operations on the level of innovative potential of small business. A larger market range of operations allows to collect a wider range of information and its use to create new ideas and opinions about the concept of products and services [71]. The level of innovative activity is also positively influenced by network relationships that are developed through the activity in the market of a greater range [72]. It should be additionally noted that bilateral relationships occur between the innovative potential and the range of market operations. The introduction of innovation usually allows companies to efficiently increase the range of market activity and enter into new areas of business activity [73].

The fit of the model in question measured with the coefficient of determination  $R^2$  shows that approx. 25% of the variance of the innovative potential of the companies surveyed is explained by the adopted predictors. This indicates a significant, but relatively low, impact of support on the development of the innovative potential of small business. On the other hand, given the complexity of the analyzed theoretical constructs and their determination by many measurable or difficult to measure variables, the fit of the analyzed model can be considered as satisfactory.

#### V. LIMITATIONS AND DIRECTIONS OF FURTHER RESEARCH

When considering the results obtained, the limitations of the research conducted should be noted. They stem from the adoption of the inductive research approach [74] as well as the research method used which is characterized by high levels of subjectivity of the responses provided by the respondents [75]. A wide variety of support forms and instruments in the individual EU Member States also poses a methodological problem. Despite the fact that the survey questionnaire sought to formulate questions in the most precise and unambiguous manner, it can be assumed that some of the questions were erroneously or improperly understood by the respondents.

The importance of the analyzed issue for the development of the innovative potential of small business also indicates the need for the continuation of research. Interesting research areas include the acquisition of in-depth research results concerning the configuration of internal and external support

that allows obtaining synergistic benefits aimed at developing the innovative potential of SMEs. It is also important to carry out additional research into the impact of different forms of capital support on the innovative potential and the level of innovativeness of small business. The studies will definitely continue, and it can be expected that they will be a source of new cognitive and applicable conclusions.

#### VI. CONCLUSION

External support seems to be an important component of strengthening the innovative potential of micro, small and medium-sized enterprises. Entrepreneurs seek appropriate solutions that are best suited to their development needs. The results obtained indicate that SMEs should primarily focus on the use of non-repayable financial support provided by dedicated grants and subsidies from public funds offered through the EU aid programs as well as budgets of individual countries and regions. It is also important to use technological and external financial support, including the various sources of repayable funds. On the other hand, entrepreneurial commitment to acquire and use administrative and legal support, as well as organizational and business environment institutions support may not produce the intended results in terms of the development of the innovative potential. The mismatch of the offered solutions to the needs of SMEs as well as high transaction costs and complex conditions for obtaining support may limit the effectiveness of its use in business practice.

In addition, SMEs should be particularly careful while using capital support in the development of their innovative potential as studies show inconclusive results in this regard. It seems that in this case choosing the right investor and mutual matching of preferences in terms of innovative attitude, dynamics of market activity and the level of acceptable risk are of key importance.

The results obtained provide new evidence that justifies conducting activity focused on the acquisition and use of support for the development of the innovative potential of small business. Entrepreneurs, however, do not have to concentrate on obtaining as much support as possible. Instead, the measures taken should be rather selective, focused on the search for solutions optimally adapted to the needs of a particular company. Given the importance of this issue for small business management, the continuation of research that may provide further, more detailed cognitive conclusions is planned.

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