



UpGradeSME

Improving policy instruments supporting innovative SME performance

Action Plan

CIM do AVE

Norte region, Portugal

March 2019



Part I – General information

Project: UpGradeSME

Partner organisation: CIM do Ave

Country: Portugal

NUTS2 region: PT11 Norte

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Part II – Policy context

The Action Plan aims to impact:

- Investment for Growth and Jobs programme
- European Territorial Cooperation programme
- Other regional development policy instrument

Name of the policy instrument addressed:

**Internacional.AVE - Internacionalização de Produtos e Serviços de Base Territorial”
(Internationalisation of Territory-Based Products and Services)**

Further details on the policy context and the way the action plan should contribute to improve the policy instrument:

CIM do Ave (Intermunicipal Community of Ave) joined the UpGradeSME as a replacement of ADRAVE (Ave Regional Development Agency), which was the original project partner. Therefore, the CIM do Ave had no participation in the preparation of the project application nor in the first stages of project implementation.

The policy instrument that was to be improved through the UpGradeSME project was Investment Priority 3b of the Regional Operational Programme NORTE2020, specific objective 2.2.1, which promotes the development and implementation of new business models in SME, especially in what refers to internationalisation. The internationalisation of SMEs is one of the investment priorities under the Competitiveness of Small and Medium Sized Enterprises axis, which has the largest share of the operational programme budget (37,4%).

Priority investment 3b has the specific objective of “strengthening the entrepreneurial skills needed for the development of new business activities and new business models, as well as investing on internationalisation”. It aims at increasing companies’ competitiveness, with a positive impact on exports and on the visibility of the North Portugal Region as the most export-intensive in the country. The programme intends to increase the share of external markets in the SME total turnover from 15.6 to 22%-25%.

The ERDF funding of SME internationalisation projects in the Norte Region is channelled both through the Regional Operational Programme (Norte 2020) and the National Thematic Programme “Competitiveness and Internationalisation” (Compete 2020), depending on the type and location of companies. According to the Norte 2020 OP, it supports individual internationalisation projects submitted by micro and small enterprises located in NUTS II Norte, while Compete 2020 supports medium-size and large enterprises internationalisation projects and joint projects involving companies from different regions.

The types of actions that are to be funded by the Operational Programme would:

- Support for business internationalisation:
 - (i) Projects to develop and implement new business models that promote the access and presence of SMEs in international markets, namely related to international marketing processes.
 - (ii) knowledge-gathering and prospecting actions with the aim of obtaining reliable knowledge on international markets, in view of the concrete specificities of the companies’ offer.
- Simplified internationalisation project: a simplified tool to support small business initiatives by SMEs that have not started their internationalisation process.
- Support for collective actions:
 - (i) development of projects aimed at promoting cross-company cooperation or the application of new business models aimed at increasing the size and/ or the added value within the respective tier and thus increase the companies’ capacity for internationalisation;
 - (ii) participation of companies in international networks, in collaborative internationalisation and knowledge sharing processes, in the development and international promotion of brands, in the prospecting, knowledge and access to new markets and in promotional campaigns that ensure their presence and visibility in international markets;
 - (iii) international promotion and valorisation of the different products and tourist destinations in the Norte Region, to be carried out by public and private non-profit organisations.

The ROP support to these actions is provided through open calls for applications that are centrally managed. Applications can be submitted by individual companies or by intermediary organisations representing the business community. The National Regulation of support measures on Competitiveness and Internationalisation sets all grant conditions, although the implementation need to be done at regional level (or eventually at sector or company level). Strictly speaking, the policy instrument is a national one which is funded out of the specific regional operational programme in each of the Portuguese regions. Therefore, the influence on the funding sources may be limited.

Therefore, as the influence in the planning of the policy instrument may be limited, **the Action Plan will focus on improving the implementation of innovation and internationalisation support measures in the area covered by the CIM do Ave** (which is the same previously covered by ADRAVE). The UpgradeSME Action Plan is connected with the initiatives CIM do Ave is carrying out to boost the internationalisation of local SMEs, such as the “INternacional.AVE - Internacionalização de Produtos e Serviços de Base Territorial” project (Internationalisation of Territory-Based Products and Services), which focuses on the Agri-food, Crafts and Tourism sectors.

The “INternacional.AVE - Internacionalização de Produtos e Serviços de Base Territorial” project (Internationalisation of Territory-Based Products and Services), which focuses on the Agri-food, Crafts and Tourism sectors is in fact a pilot project that was implemented in the last years by CIM do Ave and we intend to enhance this project as a policy instrument for the region.

In any case, the CIM do Ave Action Plan will still be fully consistent with the project general objectives, will try to contribute to the improvement of the proposed policy instruments, and will propose specific initiatives to improve the strategies and instruments to support the internationalisation of SMEs in the Norte Region of Portugal and more specifically in the territory of the CIM do Ave.

CIM do Ave is one of the 23 intermunicipal communities that were created in Portugal after the local government reform in 2013. Their area is coincident with the NUTS3 boundaries. The CIMs have replaced previous organisations, they are quite new structures, which are still consolidating. Recently adopted legislation (August 2018) have redefined the competences of CIMs, which include the promotion of investments and the development of local economy and entrepreneurship.

In the last two years, CIM do Ave has started the implementation of pilot projects to promote entrepreneurship, improve SME competitiveness and support internationalisation, with the support of the Norte ERDF Operational Programme (Norte 2020):

- “IN.AVE 2020 – Promoção de Empreendedorismo Qualificado de Especialização Territorial” (Promotion of Qualified Entrepreneurship of Territorial Specialisation)
- “IN.AVE – Qualifica PME”, to improve innovation capacity and enhance the competitiveness of local SMEs
- “INternacional.AVE – Internacionalização de Produtos e Serviços de Base Territorial” (Internationalisation of Territorial Products and Services)

In the case of Internationalisation, the policy instrument **INternacional.AVE** had some modest initial objectives, as it aims to raise the awareness of local companies regarding international markets, and to help them to access some market niches that may be of interest for them. Under **INternacional.AVE**, CIM do Ave has commissioned some analysis of the local endogenous resources and of international markets, in order to identify promising market niches and to define the local strategy for internationalisation and the operational strategies to access such market niches is to be defined. Then, the local partners that integrate the Ave Entrepreneurship Network (IN.AVE) provide guidance and support to SMEs in internationalisation processes, using the different resources locally available: grants (including ERDF grants, advice of local agencies...).

The studies carried out have confirmed that internationalisation of small companies traditionally focused on local markets requires resources and a scale that is difficult to achieve by single companies. To Internationalisation requires better coordination between supporting instruments to meet the needs of this small companies efficiently, and companies need to be supported to improve their competitiveness to be ready to access higher value international markets.

CIM do Ave is particularly committed to encourage innovation and technology transfer to enhance and maintain long-term international competitiveness of local companies. The Action Plan will focus on:

- Promote and support innovation and technology transfer.
- Improve business financial environment
- Improve human capital base
- Boost internationalisation of local SMEs

More specifically, the CIM do Ave intends to promote business and business-research cooperation as an instrument to overcome the barriers SMEs find to access research results that can improve their competitive edge and to access higher value foreign markets. Collaborative research and innovation projects and export consortium will be the main instruments to be used in the Action Plan

INternacional.AVE

The promotion of territorial base products and services has a relevant role in the cohesion and maintenance of territorial identity structure, allowing for the diversification of income sources and providing a multifunctionality to the rural areas. In this context, entrepreneurs frequently face a dual challenge, since they must recover territorial legacy and re-establish local traditions, and at the same time introduce innovation factors appropriate to current market demands.

The internationalisation of products and services based on local assets is crucial for the general territory and particularly the local products to adopt all the benefits of the globalisation process.

However, as a general rule, local products and development agents are not organised in ranks or consortiums, which minimises the scale effect that would be possible if there was a better organisation around critical success factors.

INternacional.AVE is integrated within three RIS3 NORTE 2020 Specialisation Domains: “Culture, Creation and Fashion”, “Agro-Environmental and Food Systems” and “Symbolic Capital, Technologies and Tourism Services”. The choice of these specialisation domains is justified by their relevance in the set of the Ave region’s economic activities, by its comprehensive character and by the know-how and technical expertise capital accumulated within the territory.

The INternacional.AVE project intends to research and study the internationalisation potential of territorial base products and services, both existing and emergente in the Ave region, and present crosscutting solutions that contribute to stimulating territorial base production activities.

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Territorial development and internationalisation

The ultimate purpose for the development is improving the population’s quality of life. It assumes the increase of income levels and the improvement of access to goods and services of social or immaterial nature, such as healthcare and education services. These aspects, together with culture and institutional quality and ability, are key variables for inducing long-lasting development processes, capable of leveraging opportunities and facing threats deriving from structural changes in economic, social and technological domains.

In the last few decades, particularly in Europe, development strategies have been incorporating a new element: territory. The integration of this new element forces the consideration of the particularities of spaces, its agents, and the relations between them. This way, local scopes assume a more and more relevant role in understanding economic and social transformation processes.

Paradoxically, the importance of differentiated strategies of territorial scope was stimulated by the globalisation process: the standardisation of production and mass consumption patterns contrasts with the demand of new products and services with specific characteristics that are difficult to reproduce.

These specific characteristics arise from unique and unrepeatable aspects such as identity, history and local material and immaterial resources, as well as the institutional ability and self-organisation and collaboration of territorial agents. It’s within this frame that the endogenous development processes and the bottom up organisation logics presente themselves as absolutely critical for guaranteeing progress and quality of life.

Economically speaking, the ultimate purpose of the endogenous development is the improvement of territorial competitiveness, understood as a territory’s effective ability to sustainably expand its production, based on business investment and the increase in productivity. From a management point of view, the territorial competitiveness increase assumes the development of competitive advantages, based on the leverage and maximisation of local resources and the development and enhancement of skills.

From a competition point of view, a territory’s competitiveness derives from its ability to sustainably self-develop in an increasingly globalised competition context.

Territorial development is increasingly associated with elements such as natural and man-made landscape, traditions, celebrations and rituals, handicrafts, cuisine and certain ways of living. The added value of territorial productions results from the differentiating factors that grant it certain dimensions like tradition, history or nature. These differentiating elements create productions that integrate niches with potential in global markets.

The possible interest in these productions in international markets justifies implementing territorial strategies and creating instruments that support the producer's internationalisation processes. The income originating from these processes shall be leveraged to induce development at a local level and improve the living standards at that scale.

It is considered that the work on this project reflects the needs of SMEs in the region particularly in supporting their internationalization. Thus, CIM do Ave intends to continue this work by enhancing this project as a policy instrument that supports the actions of the Upgrade SME's action plan.

Part III – Details of the actions envisaged

ACTION 1.

Name of the action: **Improvement governance and effectiveness of INternacional.AVE programme to support SME Innovation and Internationalisation**

1. Relevance to the project

The interregional learning process carried out during the implementation of the first phase of the UpGradeSME project has been instrumental to define possible measures to improve the INternacional.AVE policy instrument, in line with the regional strategy to promote the increase and diversification of exports, and particularly to increase the number of exporting SMEs. As explained above, the Norte Region is the main exporting region of Portugal and the exports have significantly increased in the last few years. However, different analysis shows that while large and medium size enterprises have gone through this process quite successfully, but the smaller companies are still struggling when trying to go international. The lack of qualified and experienced staff was identified as a major obstacle for internationalisation of small companies, a weakness only partially covered by the existing supporting instruments.

The internationalisation of SMEs is one of the investment priorities under the Competitiveness of Small and Medium Sized Enterprises axis, which has the largest share of the operational programme budget (37,4%). **Priority investment 3b (Development of new business models for the SMEs, namely in what refers to internationalisation has the specific objective of “strengthening the entrepreneurial skills needed for the development of new business activities and new business models, as well as investing on internationalisation.** The Regional Operation Programme Norte 2020 keeps the rationale of the previous programming period (2007-2013), to strengthen the SMEs capacity building for internationalisation (aiming not only at increasing exports but also at reinforcing the participation of the regional companies in the international markets and transnational projects).

ERDF grants to SMEs to help their internationalisation are offered for two main type of projects:

- Support to SME internationalisation, aimed at developing new business models,
- Simplified internationalisation project to companies that have not started their internationalisation process, mainly for advisory services for market research.

During the policy learning phase of the UpGradeSME project, it has become clear that small companies need additional support, because they have difficulties to access ordinary support programmes, particularly in case of microcompanies and of innovative companies in emerging sectors. The strong relationship between innovation and internationalisation has become more and more evident, and it has been very important for the definition of the CIM do Ave Action Plan.

CIM do Ave has learned from policy instruments and good practices exchanged during the project activities. Given the limited scope and development of the CIM do Ave policy instrument, most of the

experiences are far too advanced to be directly transposed, but they have offered specific elements that have been instrumental to design the actions and activities:

- Importance of improving the local ecosystem, from different points of view: governance, engagement of key stakeholders, open innovation initiatives, etc. The experience of Fomento de San Sebastian (FSS) in strengthening the local ecosystem and fostering innovation and internationalisation has had a strong influence in some of the actions, such as the strategic partnerships with key local agents. The degree of engagement and cooperation of technology centres and large companies in local programmes to support innovation and internationalisation. This has also been highlighted by the cluster approach showed by Leeuwarden.
- Connection between innovation and internationalisation. Steinbeis has shown the relevance of research and innovation to boost business creation (Steinbeis companies), and Steinbeis and FSS good practices showed the potential of participation in EU projects to spur innovation and help internationalisation of SMEs. The connection between innovation and internationalisation is incorporated in the Action Plan through the creation of the Innovation and Internationalisation Council as well as through the Strategic Partnerships with local technology centres.
- Business cooperation for internationalisation. The experience of the Dutch Cluster of Water and Environment companies, the actions to support the internationalisation of SMEs in San Sebastian and the experience of the HGC Academy in SMEs mentoring for internationalisation have influenced CIM do Ave to launch a business internationalisation mentoring and cooperation programme, with the double objective of fostering business cooperation (as showed in the Netherlands) and of engaging leading companies to mentor small companies that are beginning innovation and internationalisation processes. In particular, the Hungarian good practice show that the challenges SMEs face for international expansion are quite similar, but at the same time they need individualised support, so mentoring is a good instrument to accommodate to their specific requirements.

2. Nature of the action

1. CIM do Ave will create an **Innovation and Internationalisation Council (Conselho de Inovação e Internacionalização do Ave - CII)**, integrated by public authorities, technology and research centres, representatives of the business community, innovation interfaces and other relevant public and private actors. The CII will:

- improve the governance of local internationalisation and innovation policies, providing effective advice to CIM do Ave and to other organisations in the area,
- bring local actors closer together to strengthen the innovation and internationalisation ecosystem,
- help to evidence the challenges and opportunities for innovation and internationalisation, and to communicate and promote innovation and internationalisation of companies
- communicate the needs and priorities for innovation and internationalisation of Ave companies and stakeholders to the Regional Innovation Council of the Norte Region.

The CII will be built on the experience of Local Stakeholder Group created within the UpGradeSME project. There will be meeting regularly (at least once per quarter).

2. **CIM do Ave will sign Strategic Partnerships** with local technology and research centres (see stakeholders below) and leading companies to become preferred partners in the dissemination of innovation and in other local actions, such as the mentoring of innovative start-ups. The CIM do Ave **Strategic Partners** will provide support, advice and mentoring to SMEs in innovation and internationalisation projects, including the preparation of collaborative applications to be submitted to national and EU funded research and innovation programmes. The Strategic Partnerships will work as levers for more ambitious collaborative projects and for long-term cooperation. The Strategic Partnerships that are planned to be signed during the implementation of the Action Plan will be:

- CITEVE. CITEVE is a Technological Institute in the textile and clothing. The Institute facilities HQ is located in Vila Nova de Famalicão, and has two international locations in Brazil and Tunisia. It is a private non-profit organization, well connected to the public sector, both at national and European level, and influences the definition and implementation of public policies that are relevant for the textile & clothing industry.
- University of Minho. University of Minho has a recognised stance in innovation and knowledge transfer and valorisation, promotion of entrepreneurship culture and creation of spin-offs through partnerships with companies, local and national authorities and agencies. UMinho has an interface unit based in Azurém (Guimarães).
- Local Development Units in Guimaraes (Guimaraes Marca) and Vila Nova de Famalicao (MADE IN). Both municipalities have established local economic development units that provide different services to local SMEs. The Strategic Partnerships will help to strengthen their internationalisation services.
- Leading local companies. The objective for the two years of implementation of the Action Plan will be to sign at least two Strategic Partnership agreements with local companies that are leaders in innovation and internationalisation.

The Strategic Partnerships will help to increase collaboration within the local innovation ecosystem to boost technology transfer and exploitation of research results. Collaboration is particularly critical in an area with limited resources, density of agents and experience, although on the contrary all of these often leads to less cooperation. Collaboration should start by improving mutual understanding and trust, and by generating opportunities for knowledge exchange.

3. Implementation of a business internationalisation mentoring and cooperation programme.

Norte is the most significant Portuguese exporting region, and some areas in the Ave region stand as leading exporters in Portugal. However, there is a large number of small companies, including technology-based start-ups, which are striving to go international and will greatly benefit from the advice that experienced managers can provide. The programme will have two dimensions, first, to facilitate companies to share their international experience and, second, to support collaboration initiatives between local companies to access foreign markets, including the access to grants made available by the Norte 2020 Operational Programme:

- Activity 1. A group of 5 experienced export managers will provide **mentoring services** to assist SMEs in the preparation and implementation of export strategies.
- Activity 2. Strengthening the **SME internationalisation advisory service** to help companies to create joint initiatives, export consortia and other type of partnerships to join forces and reduce the risks and costs of internationalisation.
- Capitalisation and policy transfer. Through the participation of stakeholders in the I&I Council and in the different actions proposed, CIM do Ave will share the results and the lessons learned during the implementation of the Action Plan, encouraging the mainstreaming of the most successful measures.

4. To Promote an Export Consortium and a Shared Services Centre.

Activity 1. Export Consortium for the Ave region territorial base productions

An export consortium is an independent entity comprised of companies and other entities whose intervention is restricted to internationalisation activities, in general, and export activities, in particular. The associate's companies keep their legal identity and maintain their operational and management independence.

The companies constituting an export consortium aim to achieve synergies and increase their competitiveness, as well as reducing internationalisation risks and costs. The constitution of a Consortium may be promoted by companies that wish to access and grow in international markets, but it can also be a public initiative.

In general, export consortiums are created with the intention of concentrating the atomised and disperse offer and perform export operations in a continuous and organised manner. The scale provided by the consortium optimises the management of resources and abilities and increases the operation and penetration potential in international markets. In the case of the Ave region's territorial base producers, the Consortium should focus

on organising export-related functions in a broad sense (including storage and logistics), in analysing markets and potential clients and identifying partners for marketing these productions in international markets.

Activity 2. The Shared Services Centre for the Ave region territorial base productions

A shared services centre is an entity that specialises in providing highly marketable services for different companies and producers, aiming at reducing costs, consolidating administrative and support functions and obtaining synergies. This organisational model contributes to an improvement of process efficiency and control. It also allows each company or producer to focus on their core business and greater added value operations. This way, producers can stay focused on the business aspects that grant them competitive advantages, while a specialised entity is dedicated to the development of less relevant tasks from a strategic point of view.

In the case of the Ave region, the shared services centre should support territorial base producers by providing functions and skills in the areas of: i) Conventional marketing; ii) Digital marketing (e-Business, digital content and social media management, pricing, business analytics and development of multiproduct virtual stores, among others); iii) Funding (identification of opportunities, presentation of tenders and project follow-ups); and, iv) Training and qualification (in sectorial specialisation areas and cross-cutting business domains)

3. **Stakeholders involved** (please indicate the organisations in the region who are involved in the development and implementation of the action and explain their role)

CIM do Ave. CIM do Ave acts as local Innovation and Economic Development Agency. It will be running and co-financing the support programme and will act as catalyser, to identify and recruit the SMEs, to set strategic partnerships with technology centres and large companies that can act as mentors of smaller companies.

Municipios (Local Councils). CIM do Ave works in close coordination with the municipalities of the area. They will be involved in most of the activities proposed in the Action Plan, to avoid any overlapping and to generate synergies with local policy instruments and actions.

CCDR-N (Regional Coordination and Development Commission of the Norte Region). The CCDR-N is the management authority of the Norte 2020 Operational Programme and very likely will be the MA in the future programming period 2021-2027. The CCDR-N chairs the Regional Innovation Council, composed of selected agents of the innovation ecosystem, including the intermunicipal communities. The CIM do Ave will liaise with the CCDR-N to involve key persons in the implementation and the monitoring of the Action Plan.

Research and Technology Centres. CIM do Ave will liaise with the research and technology centres located in the area or in neighbour areas. The Universidade do Minho (Ave Park, Campus de Azurem, Guimaraes) and CITEVE, located in Vila Nova de Famalicao, are the main centres research and technology in the area, but there are other organisations like the Design Institute that would be involved in the development of the measures included in the Action Plan.

Business Community. CIM do Ave will invite local business leaders to actively participate in the implementation and monitoring of the Action Plan. The main goal of the Plan is to spread the message of and raise the awareness of SMEs on innovation and internationalisation, so the organisations representing the business community will be fully involved.

4. **Timeframe (please specify the timing envisaged for action 1)**

The implementation of the Action Plan will kick-off in 2019 with the completion of the preparatory actions and the setting up of the governing and advisory structures, such as the Innovation and Internationalisation Council.

In 2019, CIM do Ave will try to secure the appropriate funding for the implementation of the different measures through:

- Redirection of CIM budget
- Submission of applications for funding to the Norte 2020 Operational Programme
- Sponsorship by private groups and co-financing with other organisations

The Action Plan will be fully operational in 2020. It is expected that by end 2020 the main measures had been implemented:

- Signature of strategic partnerships with most relevant research and technology centres and leading companies.
- Creation of a business internationalisation mentoring and cooperation programme

5. Indicative costs (please estimate the costs related to the implementation of action 1)

The measures proposed in the Action Plan have different financial implications:

- Some measures, such as the creation of the I&I Council and the signature of strategic partnerships will have limited financial requirements, at least in a first stage. Later on, the strategic partnerships may need some funding to be fully developed. Capitalisation

- Some others, such as the setting up of the mentoring programme or the SME internationalisation advisory service may need some minor budgetary arrangements, depending of the management system: mentors will be partly benevolent contribution, and the advisory service will be partly run by CIM staff and by the staff of public and private partners, eventually supported by an external technical assistance. The annual estimated cost will be in the range of €40,000.

6. Indicative funding sources (please describe how action 1 will be financed. Is it through the policy instrument(s) indicated in part II):

CIM will redirect local funding to implement some of the measures, and will seek additional Norte 2020 funding to develop the Action Plan. Local funding will primarily support staff and administrative costs incurred. External funding will be sought to enlarge the local services (the support unit for internationalisation and the mentoring programme).

Date: _____

Signature: _____

Stamp of the organisation (if available): _____