



# ECOPOL

## Extension and implementation of best supply and demand side practices

(WP Lead: LEV)

### D 2.4 & 2.5– Progress and Feedback Report of the pilot action

Name of Pilot Action: **Pilot programme to support the internationalisation of Eco-innovative partnership – *Business Export Partnership Program***

Date: 31<sup>st</sup> December 2013

ECOPOL Partner in charge: AdI

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## Fact Sheet

<b>Pilot name</b>	Pilot programme to support the internationalisation of Eco-innovative partnership - <i>Business Export Partnership Program</i>
<b>Country</b>	Portugal
<b>Planning period</b>	Jan. 2013 - Mar. 2014
<b>Organisation in charge</b>	<i>Portuguese Innovation Agency (AdI)</i>
<b>Partners and cooperations</b>	AdI, AICEP, APA, DGAE, Clusters: <i>Energy IN, Sustainable Habitat Cluster, Portuguese Water Partnership</i>
<b>Best practices</b>	Business Export Partnership Program, FI
<b>Launch of Pilot</b>	Jan 2013
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## 1. Pilot description

This pilot implementation was combined and integrated with the Portuguese implementation of the voucher scheme for the internationalisation of eco-innovative SME's and the planning was based on the findings resulted from the gap analysis previously performed concerning the PT internationalization policies and support schemes. This gap analysis identified two gap dimensions which could be interesting to exploit through an innovative financial instrument (like a voucher) to support the acquisition of services and external competencies in internationalisation business processes, which aim at strengthening inter-companies' cooperation and provide customised consultancy

This program was designed to assist groups of companies that can deliver a Portuguese-branded solution to a problem with a significative international market.

The program objective was the support partnerships of companies that are sufficiently mature to guarantee an effective internationalisation process, by partially covering the costs of the initial approach to a new market.

A voucher scheme was implemented to support the acquisition of services and external competencies in internationalisation business processes.

### *Motivation*

Internationalization processes are complex and expensive, relying on economies of scale that are normally not achievable for individual SMEs. On the other hand Public policies that promote private investment and entrepreneurship do not discriminate positively eco-innovation and do not identify eco-innovative companies as specific targets.

From the study of practices of other countries, it was considered relevant international best practices which illustrate that SMEs can increase their international competitiveness, working in group, by adding competencies, sharing knowledge and splitting costs. The levels of business cooperation are still low in Portugal, therefore cost-efficient and company-tailored policy instruments such as the Finnish "**Business Export Partnership**", which aim at strengthening inter-companies' cooperation and provide customised consultancy was identified as a good reference for the voucher design.



## ***Objectives***

The aim was the acceleration of the internationalisation of Portuguese SMEs by helping participating companies to launch their operations and develop their internationalisation skills. It is expected for the participating companies to be able to establish their own independent operations in target locations in a period of 2-3 years.

## ***Organisations and tasks***

The idea to find a coherent clustering alignment within this population drove the deep involvement of the relevant public bodies with competences in Innovation, Environment, Internationalisation and Economic Affairs. To start the process, a task force was set-up for this purpose between the following **public bodies**:

- **AdI**, The Portuguese Innovation Agency;
- **AICEP**, The Portuguese Investment and Trade Promotion Agency
- **APA**, The Portuguese Environment Agency,
- **DGAE**, The Directorate - General for Economic Activities

This task force recognized and selected three Portuguese associations/clusters who actively pursue eco-innovation as a key target within their activities and who have a proven track record of initiatives or projects that illustrate their engagement with eco-innovation. These **Clusters** were:

### ***- Energy IN***

The activity of the Cluster focuses on 5 priority sub-sectors (offshore energies, solar energy, energy efficiency, smart grids and energies for sustainable mobility), where the promotion of innovative approaches was considered more timely.

### ***- Sustainable Habitat Cluster***

The most important priorities of the Cluster were focused on the development of materials and products for a sustainable construction, the development of sustainable construction and conservation technologies and systems as well as the development of solutions that contribute to minimize the energetic and environmental impact of the built environment.

### ***- Portuguese Water Partnership***

A network of organizations that aim to develop synergies and maximize potential for the development of the water sector in the world, promoting the construction and consolidation of



alliances and partnerships between national institutions and all nations engaged in sustainable water use and enhancement of water resources.

Therefore a first proposal of this instrument prepared by AdI and AICEP was discussed and fine tuned with the contributions of the directors the three clusters. With this approach it was guaranteed that an adequate and manageable target group of different **eco-innovative SME's** would be reached.

## 2. Implementation plan

For the implementation of the sector-specific internationalization vouchers it was decided to develop an approach near a targeted group of eco-innovators following the principle that “eco-innovation occurs in the whole economy: any company adopting a good, service, production process management or business method with environmental benefit is an eco-innovator” (Kemp, R & Pearson, P, Final report MEI project, 2007).

### *Description of the planned steps*

Design of the pilot programme and preparation of documentation for a call: The close articulation with AICEP, the Portuguese Investment and Trade Promotion Agency was crucial to discuss the concept and work on the design of the programme. In this phase a straight collaboration with the three clusters was necessary, to incubate the idea and discuss operational details and anticipate the reaction of candidates.

Launch a call for projects and evaluate the proposals: A public call was prepared and both communication means of AdI and AICEP were used to launch it (see in annex II the call for proposals) in March 2013. Three different project partnerships (from 3 to 6 companies) proposals aiming to contract a consultant with internationalisation competences were granted. A set of criteria of merit were set up by AdI and AICEP to guide the evaluation of proposals which was done by the task force of public bodies.

Discrimination of eco-innovation: Eco-innovation was discriminated through the descriptions of the value proposals (business projects) contents whether they represent innovations on Eco-design and Eco-products, New services and Business models, Energy Production, Pollution Reduction, Resource Efficiency (materials, energy)



Formalisation of contracts: Adl formalised and celebrated the contracts with each of the promoters of the partnerships. The last contract to be celebrated was in 06 June 2013.

In the contracts with Adl it was requested to know the business proposal of the consultant to the partnership and how this shared expense was split among the partnership companies. With this information the respective fraction of the voucher was granted to each of the companies.

Monitoring the execution of the project: The test was designed to allow to each partnership to have a period of 6 months to develop with the consultant a market entrance strategy. After this period it was expected from the consultant a report with this strategy and an acceptance of the service by the partnership.

Throughout the projects both agencies (Adl and AICEP) could make the follow up the work of the consultancy contracted and the outcomes of the projects. Two follow-up meetings were planned to follow the execution of the projects. A first meeting occurred more or less after 3 months the project have started and a final meeting after the end of the project with the report concluded.

Assessment of the voucher test: The results of the test on a new concept of internationalization vouchers were assessed through the discussions and outcomes of the meetings and by a questionnaire constructed for the purpose (see annex III) to collect the inputs and views from the participating companies. These instruments were used in order to support the conclusions and recommendations.

Financial resources: The test on a new concept of internationalization vouchers was financed by the budget allocated in the project which means 12,500 euros for each partnership.

The Gantt graph in figure 1 illustrates these implementation phases over time







### 3. Status-quo

From the testing experience of the voucher, three interesting different models of partnerships emerged (A, B, C) with different characteristics and where the internationalisation competences of the consultant played particular roles which are important to analyse and to consider in the future design of an Internationalisation voucher instrument.

#### **A – The partnership value proposal is set up by the consultant to satisfy a value chain**

The “Eco-parks & Eco-urbes” is a business partnership of four companies with a value proposal for the internationalization in one hand of products and services from conception to management of (eco) industrial parks and enterprise parks in Mozambique.

In this model the consultant had a determinant role on the formation of the partnership. The initiation step for detecting the market opportunity was a role of the consultant. It seems difficult that a consultant can play this role, investing time and resources to detect market opportunities and build up a partnership to export. The model as it was built was possible because the consultant brought a particular technical competence as an added value to the partnership value proposal. In this context, means that the consultant was also interested to take part of the export business.

It was concluded that for the Mozambique market entrance approach it will be required a longer work and a permanent office to support the establishment of the first operations. This was particularly recognised as important by the partnership, therefore one of the partners with a local delegation offered the possibility to pursue the partnership activities from there.

#### **B – The partnership has a well established value proposal**

The “Quickbuild” is a business partnership of three companies with a value proposal for the internationalisation of a modular house, pre-manufactured, sustainable and with low cost throughout its life cycle. Among several possible interesting markets, it was considered the target market of Brazil. This business partnership hired a consultant who had a deep knowledge of the Brazilian market and have conveyed relevant information and exploited with the partnership the business model. The intervention of the consultant and the timing of it was particularly adequate because it gave relevant inputs for the product development project team. Before the work of the consultant, the partnership thought it was possible to transport the house modules and make the assembling work in Brazil. At the end, it was concluded that the the most promising strategy to internationalise the product, will be to invest in Brazil and transfer there part of the manufacture.

#### **C – The partnership is one “champion and his suppliers”**

The “S-Woli cork” is a business partnership of three companies with a value proposal for the internationalization of a modular house oriented to function as an office under the concept of sustainable working & living experience or just to be an extension of the living area outside the house. Constructed with materials 100% natural and 100% recyclable, one of the key elements is the architectural design combining the wood and cork in a single cabin which can be place



outdoor and equipped for the purposes of the client needs. Among several possible interesting markets in Europe, it was chosen U.K as the entrance market for Europe. The focus on the web sales was considered important and incorporation of **augmented reality could be a technology to exploit.**

The leader of this partnership is one company which has developed the concept and led the construction of several prototypes. One of the two other partners is a **carpentry of kitchen furniture** that was engaged since the early beginning of the product development project in the constructing and assembling of the panels of wood and cork. The third partner is a very small company with competences in e-commerce and web sales. The nature of the partnership corresponds to a different segment of companies, in the case, all the three companies have less than 10 employees. Also the model of sharing the interests of internationalisation of an eco-innovative product is different. Although the relation of the leader company with the partners is a client-supplier type, the success of the product relies very much on trust and cooperation engagement. Through this approach, all the companies can benefit from the fact to be involved in the international market with a high level notoriety product.

In this case the work of the consultant was intensively operational and very active to convey the relevant contacts and information about the U.K market. None of the companies would have resources to prepare an internationalisation attempt. It was clear the value for the three companies to enter the U.K market due to the new horizons that might be open with a successful entrance.

It could be concluded that the target market is not an equal priority for all the business partners. For the carpentry and for the e-commerce and web sales supplier it is a chance to open their competencies to higher added value projects. Another important conclusion regarding the entrance in the market is the effort and investment required in the communication of the product and to establish a support service in UK.

## 4. Challenges and Barriers to Implementation

Design and communicate the programme and the involvement of the necessary stakeholders

The creation of coherent partnership with eco-innovative value proposals.

Financial constraints.

The arising of different partnership models requiring different needs was a challenge for the monitoring activities during implementation.



## 5. Lessons learnt

- A model voucher instrument to support the internationalisation of eco-innovative business partnerships of SME's requires an assessment process.
- Positive discrimination of "eco-innovators" is needed;
- The involvement of the implementation agency should be in articulation with the public body entrusted of "Internationalisation affairs".
- Although the limited number of partnerships and companies involved, it was recognised the adequacy of the instrument to address the gaps identified. The model chosen can be easily adapted and complemented with other internationalisation support instruments and policies.
- A business export partnership sharing the costs of hiring a consultant is a way to accelerate eco-innovation and to entering in new markets with a good cost-benefit relation.- Regarding the voucher payment, the general opinion of the companies is that the the consultant should not be directly payed by the implementation agency .
- The amount of the voucher was in the limit of adequacy as well as the time for implementation of 6 months. From the questionnaire responses an extended period of 6-8 months would be closer to the work needs.
- It would be recommendable to introduce in this model of voucher, a guaranty or evidence mechanism of the realisation of the investements associated with the market entrance strategy, ex. linked to a time frame.
- Within the voucher experimentation, different partnership models (A,B,C) emerged during the pilot program.

(A - *The value proposal is set up by the consultant*) This could be a possible scenario although requires a consultant able to combine technical with internationalisation expertise. Taking into account the resources involved in this initiation step it is recommendable and expected that this role shall be played by a public body. The fundamental question is to know if such instrument can work isolated from other preparatory and previous supportive actions from public stakeholders or private organisations, to help SME's to enter into a certain market.

(B - *The partnership has a well established value proposal* ) This is the type of partnership which has more chances to succeed, specially if the work of the consultant can be combined with the product development phase. Many of the inputs from consultant are important to be consolidated in an upgraded version of the product according to the target market specificities.

(C - *The partnership is one "champion and his suppliers"*) This is an interesting model of partnership, which by the nature of the companies type (micro) is more fragile, because after the market entrance strategy is concluded, the needs to continue investing relies on the "Champion" resources. On the other hand for this type of companies an instrument like the one tested could bring immediate results for all the partners within the time of the project.



## Main strengths and weaknesses;

### Strengths:

It can be pointed out the main strengths of the instrument:

- The flexibility and simplicity to contract external competencies in internationalization, which in principle it would not be possible to internalize by any of the business partnership.
- The partnership approach to the market gives the opportunity to perform joint product /services development to fit the market/client needs.
- The sharing of risk between the partnership companies.

### Weaknesses:

- Very much dependent of the quality of the consultant or performance of the public body to identify a business opportunity. This requires the existence of technical skills or concerted actions with other stakeholders.
- The funding through a voucher of 12.500 euros for such work allocation of the consultant might not be enough attractive to SME's.
- The monitoring procedure could be expensive.

## 6. Next steps

Based on the good results of the voucher testing, a national scale-up test of this instrument should be performed. Either considering it's integration within the portfolio of instruments to support the internationalization of SME's to be created in the next National Strategic Reference Framework (Portugal 2020), or as an autonomous instrument, specifically designed for eco-innovative companies, an enlarged voucher scheme can fulfil the purpose of disseminate eco-innovation and introduce new SME in foreign markets.

## 7. Transferability Review

The alternative best-practices assessed were the VIGO program and the Finnish "cleantech" cluster. Considering the amounts available for the pilot and, specially, the fact that these two programs would require an extensive cooperation with third-party entities, it was assessed that the risks were to high to an effective implementation within the timeframe of the global project.

The assessment of the best practice chosen – the BEP Program – included the following key points:

- The Program has been running successfully for a number of years;



- The combined expertise of AdI and AICEP were sufficient to set up, deploy and monitor the Program, reducing the complexities involved and assuring a more effective management;
- Since the program uses external consultants, whose expertise is validated in the selection process, there is a high probability that the results will be useful for the participating companies, thus achieving the objective of the pilot;
- The deployment methodology, involving the clusters to test whether the call would have relevant demand, allows a fine-tuning of the original program to the Portuguese reality and could generate future demand (lobbying of the clusters, upon successful completion of the pilot, to have a specific incentives package designed to continue the process);
- The political momentum exists, derived from the Commission's efforts and legislative framework, and the financial envelope for a large scale deployment (should the pilot be successful) will soon be available under the 2014-2020 EU funding package.

## 8. Feedback

Regarding the objective of the voucher model tested in Portugal, to support the acquisition of services and external competencies in internationalisation business processes, which aim at strengthening inter-companies' cooperation and provide customised consultancy, some feedback can be drawn on the results obtained from the implementation monitoring as well as from the partnerships responses to the questionnaires

The voucher for Internationalisation is a very flexible instrument and very suitable to be adapted for the support of the acquisition of services and external competencies in internationalisation business processes, strengthening inter-companies' cooperation and provide customised consultancy.

This type of instrument is particularly valuable to SME's, once it is able to support an important phase of internationalisation business processes, the development of a market entrance strategy. Therefore contributes to the reducing of the business promoters uncertainty and enhancing the chances of success of the business internationalisation.