Project INTRA:

Regional State of Affairs report

Algarve

(Portugal)

University of Algarve

February 2018

INDEX

I. EXECUTIVE SUMMARY

INTRA project (PGI01464) is funded within the first call of the INTERREG EUROPE Programme of the European Commission (EC), under the policy topic Competitiveness of SMEs. It focuses on the role of public authorities in creating internationalization services to support the competitiveness of the regional economies and thus contribute to the Europe 2020 strategy. The project duration is five years (from 01.04.2016 to 31.03.2021) and the total grant is 1.640.062 EUR.

INTRA partners are from six different EU28 member states: Maribor Development Agency (Slovenia), Regional Agency for Entrepreneurship and Innovations – Varna (Bulgaria), Foundation FUNDECYT Scientific and Technological Park of Extremadura (Spain), University of Algarve (Portugal), Coventry University Enterprises Limited (United Kingdom), CAPITANK (Italy) are supported by the Managing Authorities for ERDF in their countries/regions and represent the active stakeholders in internationalization.

The objectives of INTRA are to provide comprehensive mapping, evaluation and benchmarking of various internationalisation services available across the regions, highlight good practices/gaps that promote/impede on SMEs at various stages of the internationalisation process. Upon the selection of GP the viable strategies/instruments to enhance good practices and address gaps within the regional development programmes will be elaborated and described in the Policy recommendations and implemented in the regional Action plans as to contribute to the internationalisation policies aligned to the needs of SMEs and gaps not filled by the existing instruments.

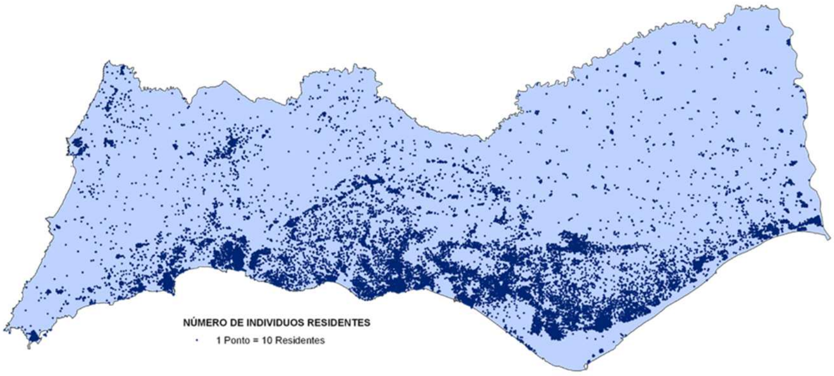
In the following document, an analysis of the current situation in Algarve region is done, highlighting the internationalisation performance of the region and the SMEs, the instruments available and the stakeholders involved in the process. Moreover a survey was conducted in order to further analyse some specific aspects such as the barriers and drivers faced by SMEs. Finally, some conclusions were drawn as a first step of a Policy Recommendations for the improvement of internationalisation policies.

II. PORTRAIT OF THE REGION

1. General information

The Algarve is the southernmost region of Portugal and occupies 4996 Km2 (about 5% of the total national territory). Its total perimeter is 584 km, 142 km east-west and 63 km north-south. The region has a resident population of 444.390 inhabitants (about 4% of the resident population of the country) and has a population density of 88 inhabitants per km2. 52% of the total population of the Algarve region live in 5% of the territory, from which 70% live in urban areas (Figure 1).

Figure 1 – Distribution of Population in Algarve



Source: CCDR Algarve (2017)

Geographically, the Algarve region is located south of the Alentejo region, is bathed to the south and west by the Atlantic Ocean, forming part of the Mediterranean basin, and to the east by the Guadiana River that marks the border with Spain. The highest point is in Serra de Monchique, with a maximum altitude of 902m (Pico da Fóia).

Faro is the capital of the region that is divided into 16 municipalities (Albufeira, Alcoutim, Aljezur, Castro Marim, Faro, Lagoa, Lagos, Loulé, Monchique, Olhão, Portimão, São Brás de Alportel, Silves, Tavira, Vila do Bispo and Vila Real de Santo António). Internally, the region is subdivided into two zones, each with 8 municipalities: to the east “Barlavento” and to the west “Sotavento”. Having in consideration that Portugal does not present regional subdivisions, the regional autonomy is non-existent (exception made for the islands of Madeira and the Azores) and the Algarve is dependent from the national government.

The geographical position of the Algarve region gives it distinctive climatic characteristics: the average annual temperature of the Algarve is highest in mainland Portugal, and one of the highest in the Iberian Peninsula, around 18ºC and the sun shines about 3000 hours per year.

The most important economic sector in the Algarve is the tertiary sector (trade and services), a result of the region's main economic activity - tourism. This subsector of activity assumes such importance in the Algarve that it represents, directly and indirectly, 87% of regional GDP. It should be noted that the Algarve receives about 5 million tourists per year.

The tourist cluster dominates the Algarve regional economy, marking both the economic sector, intensive and strongly tertiary, and the labor market, precarious, seasonal and undemanding in terms of the qualifications of workers. Seasonality, characteristic of regions dependent on tourism products based on the sun and beach, marks deeply the entire economy, influencing its performance and its development. There are numerous territorial and strategic planning instruments with an impact in the Algarve that point to the need to overcome seasonality as a major goal. However, it is a difficult battle, which depends not only on intrinsic factors to the region, but also on external and structural factors.

As the main tourist region of the country, the Algarve stands out in the main indicators of the sector, namely in terms of accommodation capacity, number of guests and overnight stays. As a result of the national and international economic situation, tourism activity was felt in the first years of analysis, with more than 1.8 million overnight stays in hotel establishments between 2007 and 2009. However, in 2010 and in the following years, there is a continuous growth, reaching in 2015 the most significant values of the last decade, about 16.6 million, which represents a growth of more than 20% in relation to 2005. These figures only reflect the nights spent in hotel establishments. The analysis of the new data series on overnight stays in the tourist accommodation, which also includes rural tourism units and local accommodation, which presents retrospective information since 2009, points to a growth of 33.5% between that year and 2015, when recorded 17.3 million overnight stays.

The increase in overnight stays in hotel establishments did not mean, however, a change in their distribution throughout the year, at least until 2013. In fact, the seasonality rate worsened between 2007 and 2012, when 47% of overnight stays concentrated in the months of July to September.

The net occupancy rate has shown a constant positive evolution and is always higher than the national average, both in hotel establishments and in the tourist accommodation as a whole.

In addition to the traditional emitting markets of the United Kingdom, Spain, Germany and the Netherlands, which account for almost 71% of tourists, the growing demand for the Algarve by the Irish and French markets was, respectively, 7% and 5.6%.

The SMEs in Algarve

The business sector and some activities in particular, strongly resented the unfavorable economic and financial situation over several years. Between 2008 and 2014, the number of companies headquartered in the region decreased by 14.5%, and last year was 57,817 companies. In 2008, "wholesale and retail trade and repair of motor vehicles and motorcycles" and "construction" accounted for the largest volume of companies, accounting for around 35% of the total, followed by "housing, catering and similar" and "administrative activities and support services".

In 2014 construction ceased to be the second activity with the largest number of companies, falling to the 5th position, with almost 5 thousand companies than in 2008. "Wholesale and retail and repair of vehicles and motorcycles" lost 3,1 thousand companies, but remained at the summit position. These activities were the ones that registered the biggest break, both absolute and relative. Almost 82% of the companies that disappeared during this period belonged to these two economic activities.

The "agriculture, animal production, hunting, fishing and forestry" sector, which registered 5,807 companies in 2015, almost 1.8 thousand more than in 2008, came to occupy the 4th position. This "return to land" was a response to the lack of employment, and this is confirmed by the support that has been given, through public policy and financial instruments, to the installation of young farmers.

Personnel employed in Algarve-based companies decreased by 21.1% between 2008 and 2015. This figure was well above the 12.9% registered in the country and corresponded to a loss of more than 36 thousand jobs in the region. In the same period, the average wealth created by each worker, reflected in the apparent productivity of work in the companies, kept amounts close to 22 thousand euros, in the case of the country. Among all the Portuguese NUTS II regions, the Algarve recorded the lowest amounts, 14 thousand euros, 13% less than in the base year of the analysis, which led to an increase in the disparity compared to the national average of almost 10 percentage points.

The analysis of business demography highlights the particular impact of the crisis in the Algarve region. Until 2008, the number of births of companies surpassed the deaths, reaching its most significant value in 2007, with the birth of 11,401 companies. In 2009, the trend reversed, and this was the most "fateful" year for the region, which recorded a mortality of 11,599 companies. Since then and until 2012, there has been a continuous decline in both births and deaths of companies. In the following years, the number of deaths and births increased again, with prevalence of mortality.

The relationship between deaths and births has clearly changed over this period. If in 2007 there were only 0.7 deaths per birth, in the following years, during the period of economic recession, especially in 2010 and 2011, that ratio doubled to 1.4, falling to 1.1 in 2013. it should be noted that between 2008 and 2015 the proportion of births of companies in high and medium-high technology sectors in the region remained unchanged, not exceeding 1.6%.

In the period before the crisis, the survival rate of companies created two years earlier was more than the national average. This ratio changed clearly in 2009. In the Algarve, the two-year survival rate was 60% in 2008 (58% in the country). The following year there was an abrupt drop in this indicator, and in 2011 and 2012 only 43 regional companies out of 100 were able to survive two years after their establishment. Since then, there has been some recovery, with the rate set at 50% (52% in the country).

With regard to the investment rate of companies, the Algarve followed the pattern of the other regions, although the decline was more pronounced here. In 2008, the region had the third highest investment rate in the country (36%), 8 percentage points above the national average. In the following years, the contraction in investment was well known, and in 2012, the companies based in the region registered the least favorable performance of NUTS II, with the rate falling to 12% (15% in the country). In 2013 and 2014, in a process of apparent economic recovery, the economic sector of the Algarve responds more expeditiously and that figure rises to 18%, surpassing the national average (17%) and restoring the initial position of the region.

Among the different factors that negatively influenced business activity were the conditionalities on access to credit imposed by banking institutions, as a result of the increase in bad loans and difficulties in obtaining financing in foreign markets, which led to a lack of liquidity, which would have happened in the pre-crisis phase.

2. Internationalisation environment

In the context of economic activities, it is still important to make a brief evaluation of some indicators associated with international trade in goods, although the contribution of exports of goods to the Algarve economy is small.

In this context, there has been an increase in the intensity of exports in the region. The contribution of exports of goods to GDP increased from 1.7% in 2007 to 1.9% in 2015. Although there are slight fluctuations in this period, there is a trend of increasing export intensity.

On the other hand, the rate of import coverage by exports has also increased continuously and steeply. In 2007, it was 43%, in 2010 it grew to 53% and in 2015 it reached 63%. However, the region continues to present one of the least favorable ratios among the various Portuguese NUTS II, a situation that would certainly be different if the “services” sub-sector was included in the equation.

The proportion of exports of high-tech goods, although modest, has also improved favorably, contrary to what has been observed at the national level. In 2007 it represented 2.9% of regional exports of goods and in 2015 it represented 4.5%. In the country, the importance of this type of goods in total exports of goods fell from 6.8% to 3.8%.

The great majority of the exports of the operators based in the Algarve went to the European Union, in particular Spain, which received 43% of the total regional exports of goods in 2014.

In the case of imports, the growth slowed down from 2007 to 2014, even though it was registered three consecutive years in which the variation was negative. By 2015, the data point to a much more intense increase in imports.

Over the past few years, positive developments have been observed in some areas. The decrease of domestic consumption has forced some companies to look at new markets and move towards internationalization. The enlargement to the East and strong growth in countries such as Brazil and Angola have also brought new opportunities for expansion to a number of companies. The public policy measures implemented, including the financial support provided through incentive systems to companies, also contributed to this process.

In this context, the Regional Operational Program CRESC Algarve 2020 highlights the instruments that intend to provide direct support to the internationalization of companies based in the Algarve. Through the Axis 2 aimed at support internationalization and business competitiveness and qualified entrepreneurship, the ROP has the goals of:

- Encourage qualified entrepreneurship as a tool for promoting innovation, and diversification of the regional production base;
- Increase competitiveness and external awareness of products, and companies of regional the sectors identified in the Smart Specialisation Strategy (RIS3), to promote internationalization and export.
- Improve the competitiveness of enterprises and stimulate business investment, particularly in the context of the sectors identified in the Smart Specialisation Strategy (RIS3).

To achieve this goals, companies have available specific calls to internationalization activities (participation in trade fairs abroad, business missions), qualification (marketing investments, modernization, and other), and innovation (investment in productive areas associated with the innovation of the product / service).

Specific Financial Instruments to Internationalisation of SMEs

Through the ROP CRESC Algarve 2020, the region has available three specific financial instruments to foster internationalization of companies and, in consequence, increase the competitiveness of the region.

1. **Incentive System to Internationalization**

The Incentive System to internationalization is targeted to SMEs based in the Algarve that can apply singly or in consortium (at least 10 companies). The ultimate objective of this instrument is to strengthen the competitiveness of enterprises, to promote increased exports of high technology products and to encourage a highest integration of SMEs into international value chains, recognizing their importance in creating more jobs and more wealth. The typology of projects can cover knowledge of external markets; presence on the web, through the digital economy; international development and promotion of trademarks; prospecting and presence in international markets; international marketing; introduction of a new method of organization in commercial practices or external relations; and, specific certifications for external markets.

2. **Internationalisation Vouchers (simplified projects)**

The internationalisation voucher is a specific instrument to support the development and application of new business models for SMEs. In particular, it provided the support to internationalization through simplified internationalization projects aimed at promoting business diagnostics, identifying internationalization opportunities at the level of products/services and associated markets, and appropriate marketing strategies, namely by enabling evolution in the value chain, including technical assistance to enable the immediate implementation of marketing decisions and initial exploration activities in external markets.

3. **Support Incentives to Collective Actions - Internationalisation**

Support Incentives to Collective Actions is complementary to the upstream and downstream of the incentive system that is directly oriented to companies and aims to boost their results and create or improve the surrounding conditions. The target of this measure is non-business entities, presenting individual projects or in consortium, with a maximum funding rate of 80%, in order to contribute to the improvement of the availability of collective or public goods capable of inducing drag effects on the economy. Within this instrument, are susceptible to support projects that integrate prospecting, knowledge and access to new markets, collaborative processes of internationalization, knowledge sharing and training for internationalization, and, integrated international promotion of goods and services.

General Support Instruments to Internationalization – Export Stores

In order to provide technical support to exporting or potentially exporting companies, there are 10 Export Stores in Portugal, part of the IAPMEI Agencies Network and in conjunction with aicep Portugal Global. Export Stores have as their main strategic objective the expansion of the national export base and are part of a policy of decentralization of support services, large urban centers, seeking a closer and attentive monitoring of the national business reality. In this space of relationship with the business fabric, companies can find information and technical clarifications about products and services to support the strategy of approach to international markets.

3. Main National/regional Stakeholders

Entity Name	Scope	Type
CCDR Algarve	Regional	Regional Authority
ANJE Algarve	National with regional delegations	Business Association
NERA	Regional	Business Association
AMAL	Regional	Municipalities Association
University of Algarve	International	University
IAPMEI	National with regional delegations	Intermediate Organisation
Enterprise Europe Network	European with regional delegations	Intermediate Organisation
AICEP	National	Business organisation
Turismo do Algarve	Regional	Regional Entity
Ata	Regional	Business Association

CCDR Algarve

The mission of Regional Development and Coordinating Commission of the Algarve is promoting environmental policies, city and land planning, regional development policies, promoting the coordinated actions of decentralized services at a regional level and provides technical support for local authorities and their associations. CCDR Algarve is also responsible for managing the European Structural and Investment Funds (ERDF and ESF) allocated to Portugal by the European Union, as well other financing instruments intended to promote regional development.

ANJE ALGARVE

The National Association of Young Entrepreneurs main goal is to associate young Portuguese entrepreneurs, with a view to defending common interests and developing their professional activity, namely regarding training and information.

NERA

The main objective of the Algarve Regional Business Association (NERA) is the promotion and support of economic activities in the Algarve Region in the area of technology, research and development, economy, trade and industry.

AMAL

AMAL is an association constituted by the 16 municipalities of the Algarve has as main mission to promote the development of municipalities and strengthen the joint identity of the region, by strengthening the capacity to answer to common needs and increase inter-municipal cohesion.

University of Algarve

Is the only public University in Algarve region and has 3 main roles: Education, Research and Knowledge Transfer. It is an important centre for cultural, scientific and technological development, with strong regional, national and international ties. In the last three decades, the University of Algarve has consolidated the link established with the regional business and with the public and private organisations, encouraging the transfer of knowledge and contributing to sustainable development with an impact across the community.

IAPMEI

IAPMEI is a public institute which aim to promote competitiveness and business growth, ensure support for the design, implementation and evaluation of policies aimed at industrial activity, aiming at strengthening innovation, entrepreneurship and business investment in companies that carry out their activity in the areas under the Ministry of Economy, particularly small and medium-sized enterprises, with the exception of the tourism sector and the follow-up powers attributed to the Directorate-General for Economic Activities.

EEN

The Enterprise European Network (EEN) is formed by nodes across the European countries and even further, over 600 member institutions in more than 60 countries and with 3.000

professionals. Some of their activities are to facilitate the contact among enterprises from different countries for business collaboration, technological offer and demand, technology transfer projects and search of partners for the development of European R&D projects.

AICEP

Aicep Portugal Global, E.P.E., is the Portuguese Agency for Investment and Foreign Trade, a business nature public entity dedicated to the development of a competitive business environment. Through its Customer Managers, Export Stores and its external commercial network - which, in articulation with the diplomatic and consular network, is present in about 80 markets. AICEP provides support and advice services on the best way of addressing foreign markets, identifying international business opportunities and accompanying the development of internationalization processes of Portuguese companies, namely SMEs.

Associação de Turismo do Algarve

The Algarve Tourism Association is a private legal entity that takes the form of a non-profit association whose nature consists in the promotion and dissemination of tourism in the Algarve and its regional products, in all its aspects, through the study, preparation and development of specific actions in external markets and the coordination between public and private regional entities, with a view to defining policies, objectives and strategies to promote tourism in the Algarve abroad.

III. METHODOLOGY

1. General positions

In order to have an overview of the regional dynamics on internationalisation of the SMEs, there were developed two questionnaires to approach regional stakeholders and regional SMEs. This approach was implemented to detect the gaps between the policies and the instruments available to internationalization in the region, and the needs of the SMEs regarding internationalization activities.

2. Methods for collection of the data

The collection of the data which constituted the basis for the elaboration of the State of Affairs in the Algarve was based in two moments. The first moment was the collection of secondary information regarding the region characterization and the internationalization environment. The second moment was dedicated to the implementation of two surveys: one targeted to companies (SMEs) and the other targeted to regional stakeholders. The questionnaires were designed by RAPIV and discussed within INTRA partnership.

As regards to the companies, the questionnaire was divided into 5 main dimensions: details about the organization, level of competitiveness, level of internationalization, barriers for internationalization of SMEs, and, main driving forces for SMEs internationalization. In relation to the regional stakeholders, the questionnaire was divided into 5 main dimensions: details of the organization, type of support for SMEs, support services for SMEs internationalization, collaboration between SMEs and organisations, estimation of policy measures for SMEs support.

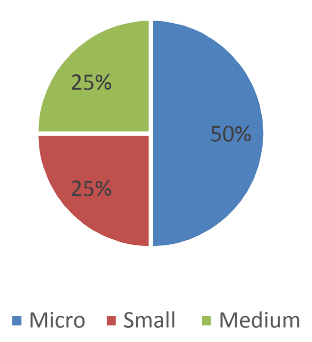
The questionnaire was provided through Google Forms and sent by the Division of Entrepreneurship and Technology Transfer to its contacts database of SMEs and regional stakeholders. The results, that do not produce any statistic value in terms of sample representability, are presented in the following sections.

IV. INTERNATIONALISATION SERVICES DEMAND. BARRIERS AND DRIVERS TO SMES INTERNATIONALISATION.

1. Survey

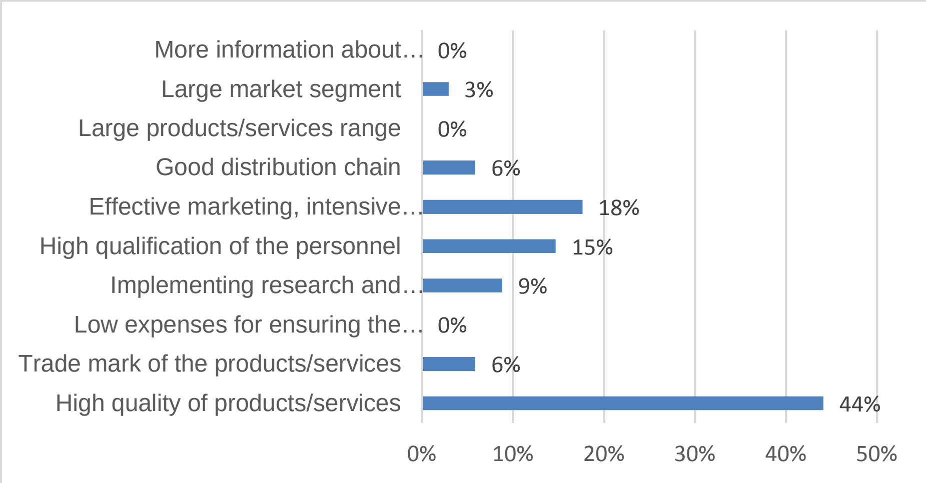
The questionnaire targeted to the Algarve SMEs was answered by 20 companies, from which 50% came from microenterprises, as showed in the Figure 2. Tourism and Food and Beverages/Agrifood had the higher number of answers.

Figure 2 – Type of Company



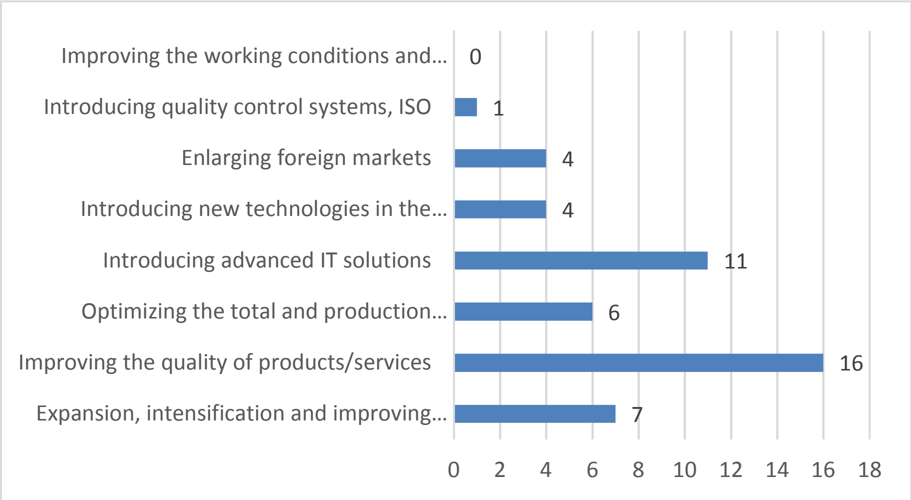
When compared with other companies in the same sector, most of the companies consider that the high quality of products/service is the most important competitive advantage, followed by the effective marketing, intensive advertisement and the high qualification of the companies' personnel (Figure 3). Also the implementation of research and technology-based development activities are considered as a competitive advantage.

Figure 3 – Competitive Advantages



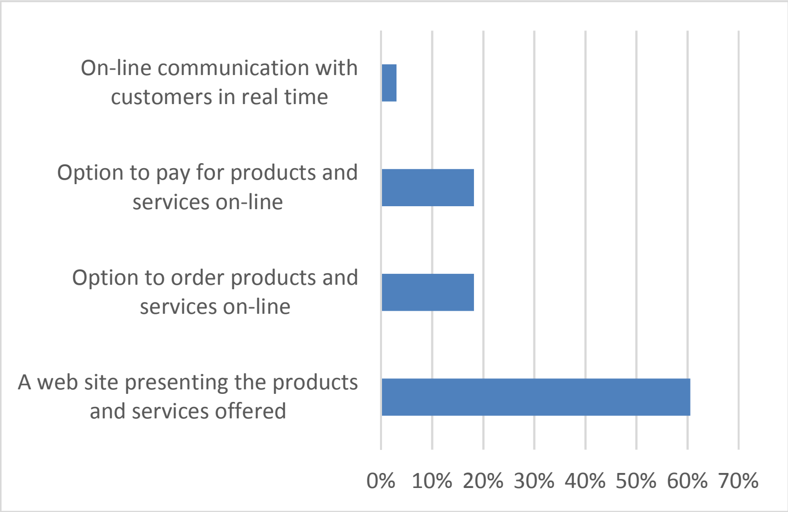
When asked about the most important facts ensuring high competitiveness of the company, the improvement of the quality of products and services was highlighted, as well as the introduction of advanced IT solutions and the expansion, intensification and improvement of advertisement (Figure 4).

Figure 4 – Factors of Importance



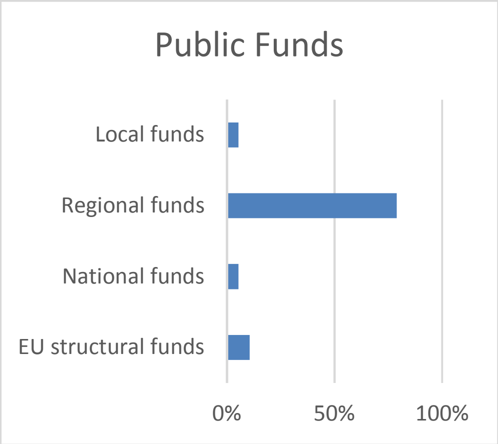
As regards to their projection on the Internet, 60% of the companies present a website with their offer of products and services, but in contrast, the on-line communication with customers in real time almost do not have expression (3%). Another aspect to highlight is that even if companies has websites, most of them do not sell its products online (Figure 5).

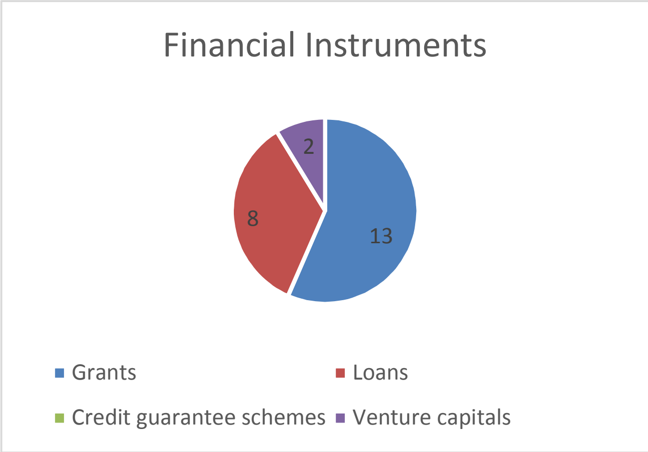
Figure 5 – Online presence



The public funds used by companies is mainly regional and the principal financial instrument used is the grants, followed by loans (Figure 6). These data can be considered an effect of the public funding distribution for internationalisation. As the Algarve is a convergence region, the companies from Algarve do not benefit of national funds, except in some specific sectors (as Sea or Tourism). In this sense, the most used funds for internationalisation is the one offered by the Regional Operational Program.

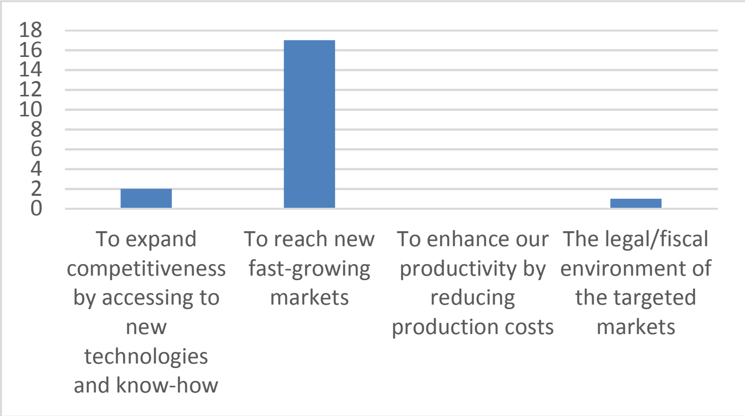
Figure 6 – Funds and Instruments





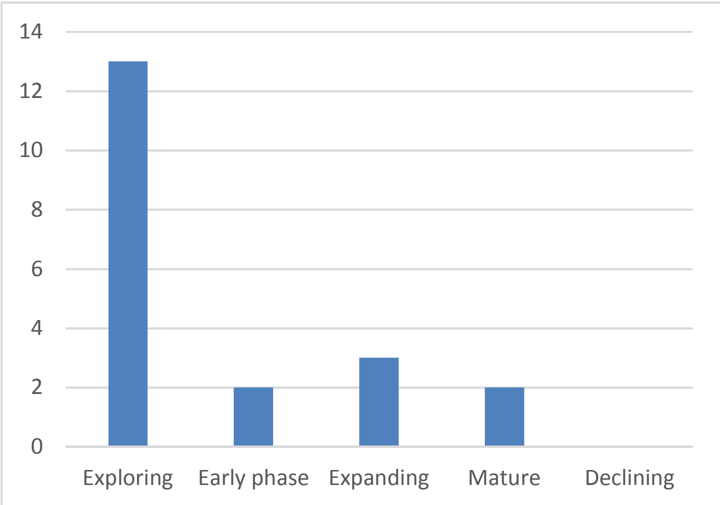
Concerning the strategies for internationalisation, 65% of the answers indicate that companies do not have established strategies for internationalisation. Even so, most of them have clear in mind that the main reason to go international is to reach new fast-growing markets (Figure 7).

Figure 7 – Reasons to go international



As regarding to the degree of maturity of internationalisation, in majority companies evaluate themselves with an exploring degree (Figure 8). An important aspect is that none company indicated a declining degree as regards to its internationalisation.

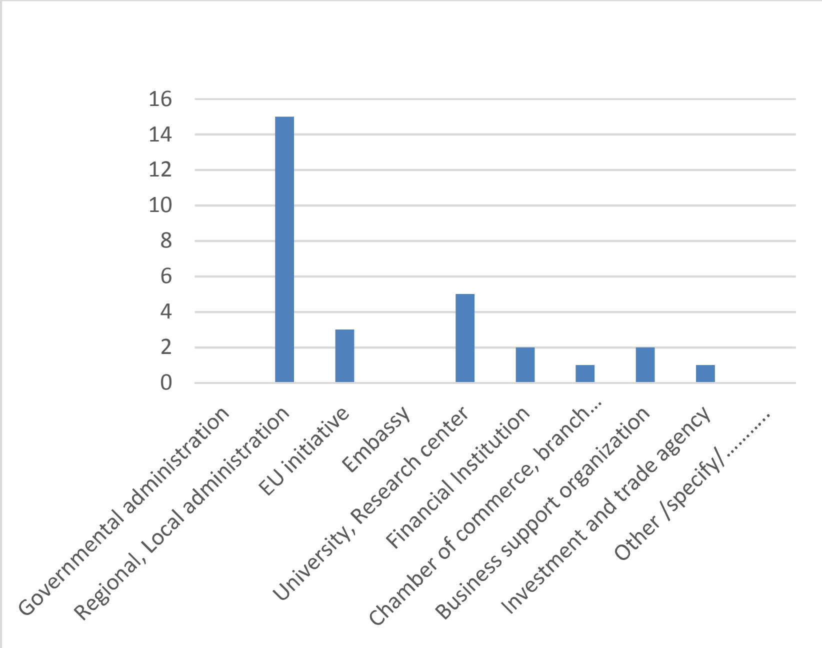
Figure 8 – Degree of Maturity



About the qualification of the management and of the personnel, 75% of the companies inquired say that have qualified personnel to develop international activities. In terms of companies' activities on international markets, 60% affirm to being exporting. Becoming a subcontractor and technological partnership are other activities mentioned.

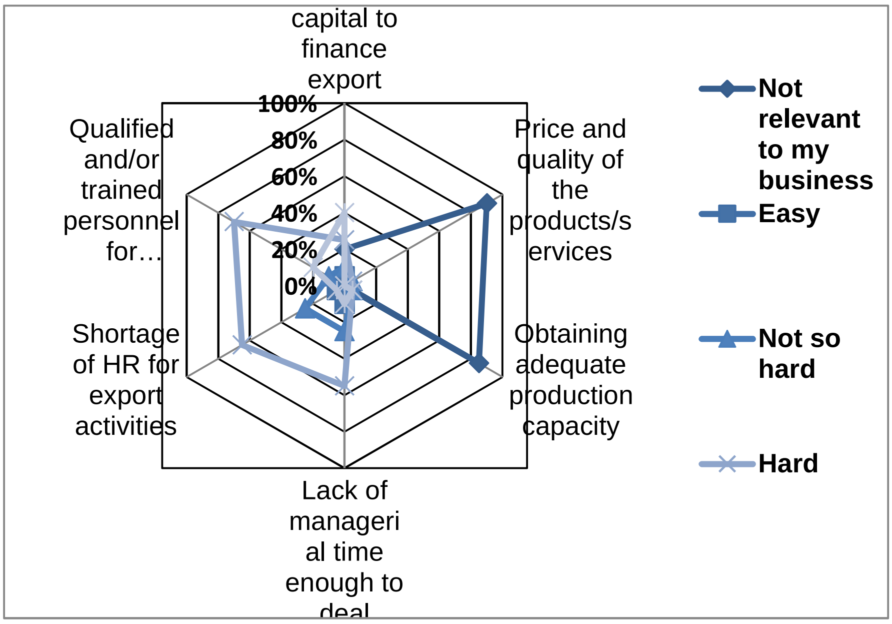
When asked about the collaboration between SMEs and Support Institutions, companies refer to regional administration as the principal institution for internationalization support (Figure 9). These answers are motivated by the fact that, as mentioned before, the companies look for the funding support of the ROP to develop actions to reach new markets.

Figure 9 - Collaboration between SMEs and Support Institutions



The SMEs face internal and external barriers for internationalization. For internal barriers, companies highlight 3 main barriers: the lack of managerial time enough to deal with internationalization, shortage of human resources for export activities and the need of more qualified and/or trained personnel for internationalization (Figure 10).

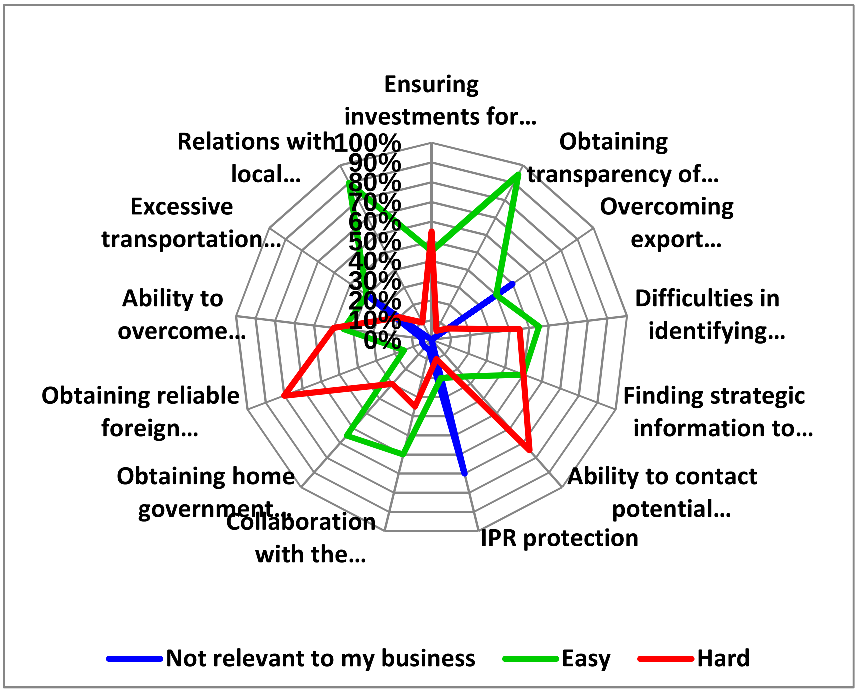
Figure 1 – Internal Barriers



These barriers are mostly connected with the fact that most of the companies are micro enterprises and very often they lack of enough personnel to deal with all the companies' domains.

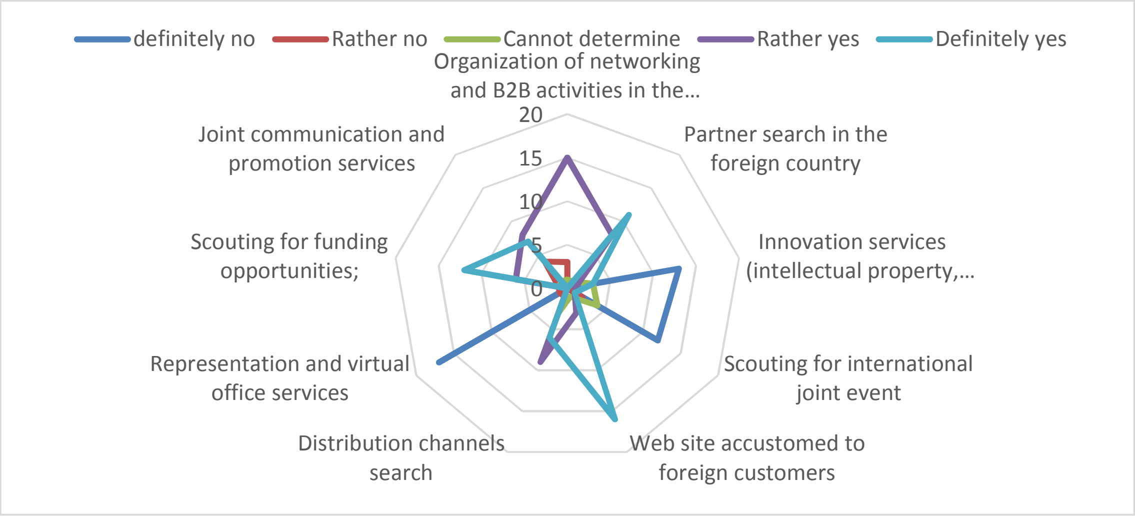
Considering the external barriers, the ability to contact potential overseas customers, obtaining reliable foreign representation and ensuring investments for internationalization are the main barriers identified (Figure 11).

Figure 11 – External Barriers



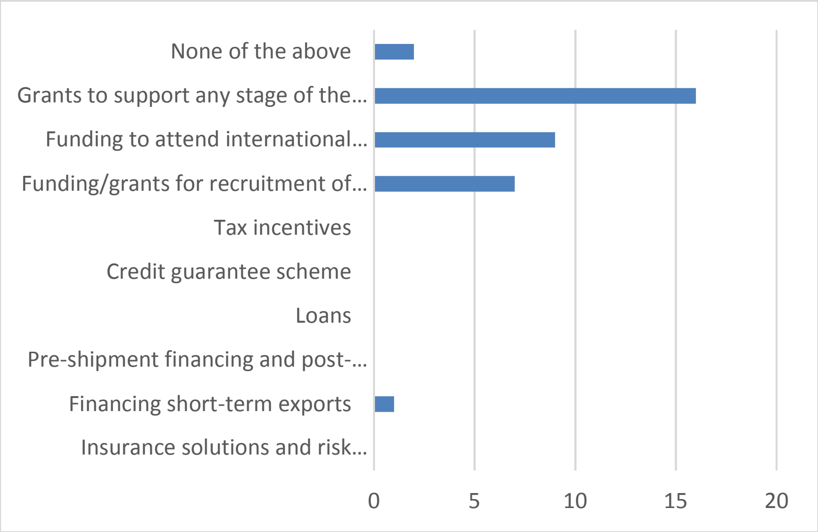
There are some supports crucial to foster the entrance in new markets. As driving forces for internationalization, the companies inquired state that partner search in the foreign country, web site accustomed to foreign customers and scouting for funding opportunities are the supports crucial to internationalisation. In contrast, representation and virtual office services was indicated as the crucial for the companies (Figure 12).

Figure 12 – Crucial Supports



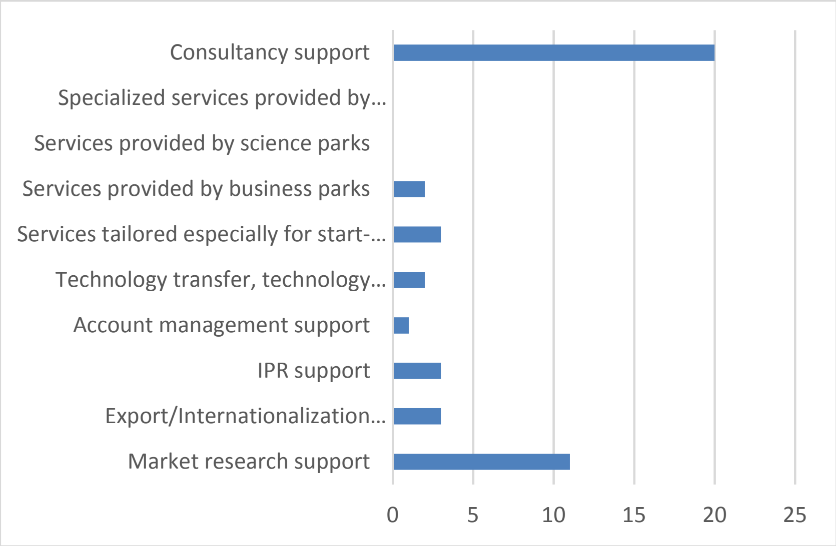
As Figure 13 presents, grants to support any stage of the internationalization activity is the most used financial tool, followed by the funding to attend international trade events and exhibitions and funding/grants for recruitment of advisors, researchers, accountants (Figure 14). As stated before, the funding support is crucial to SMEs in the Algarve region.

Figure 14 – Financial Tools



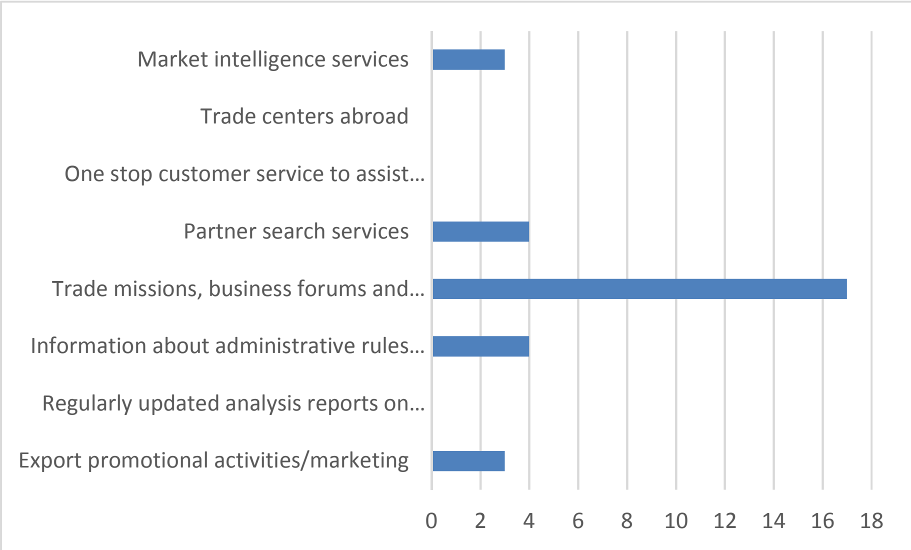
As regards to support infrastructure and services, the answers indicate that consultancy support and the market research support are the most appropriate to the companies inquired (Figure 15).

Figure 15 – Support Infrastructure and Services



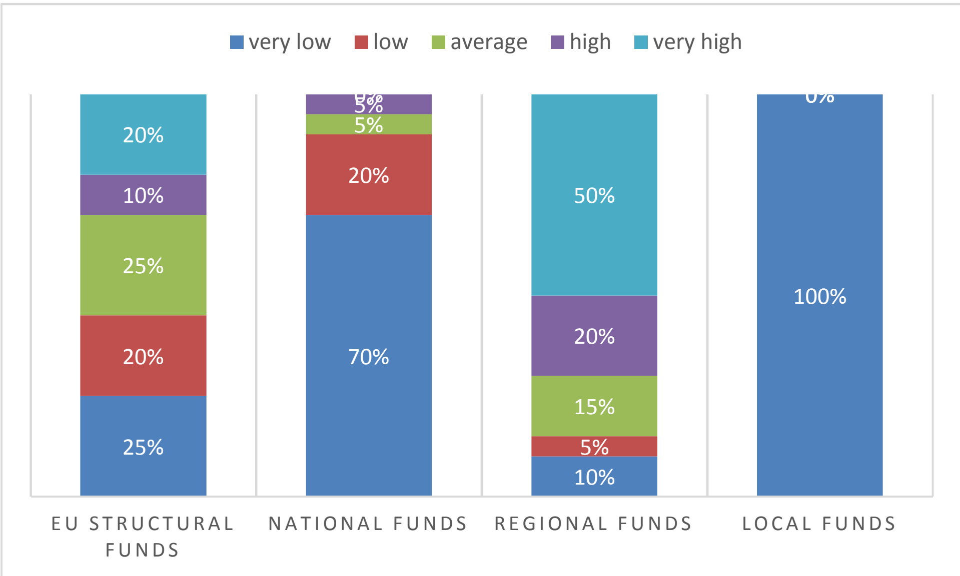
Concerning the services of provision of information regarding internationalisation, the majority of SMEs have used trade missions, business forums and other promotional events (Figure 16).

Figure 16 – Information Provision Services



Finally, when asked by the importance of public funding, companies are consensual in affirming that local funds and national funds have a very low importance, focusing the importance of regional funds (Figure 17).

Figure 17 – Importance of Public Funds



2. Results from the survey

The questionnaire targeted to the Algarve SMEs was answered by 20 companies, from which 50% came from microenterprises. Tourism and Food and Beverages/Agrifood had the higher number of answers.

High quality of products/service is the most important competitive advantage considered by SMEs, followed by the effective marketing, intensive advertisement and the high qualification of the companies' personnel.

Quality of products and services was highlighted as the most important fact ensuring high competitiveness of the company, as well as the introduction of advanced IT solutions and the expansion, intensification and improvement of advertisement. 60% of the companies present a website with their offer of products and services, but in contrast, the on-line communication with customers in real time almost do not have expression (3%).

The public funds used by companies is mainly regional and the principal financial instrument used is the grants, followed by loans. These data can be considered an effect of the public funding distribution for internationalization, being the most used funds for internationalisation the one offered by the Regional Operational Program.

65% of the answers indicate that companies do not have established strategies for internationalization, but they state that the main reason to go international is to reach new fast-growing markets and the majority of them consider to have an exploring degree of maturity of internationalization.

75% of the companies inquired say that have qualified personnel to develop international activities and 60% of them affirm to being exporting.

The lack of managerial time enough to deal with internationalization, shortage of human resources for export activities and the need of more qualified and/or trained personnel for internationalization were the 3 main internal barriers identified. These barriers are mostly connected with the fact that most of the companies are micro enterprises and very often they lack of enough personnel. For the other hand, the ability to contact potential overseas customers, obtaining reliable foreign representation and ensuring investments for internationalization are the main external barriers identified.

As driving forces for internationalization, companies state that partner search in the foreign country, web site accustomed to foreign customers and scouting for funding opportunities are the crucial supports.

Grants to support any stage of the internationalization activity is the most used financial tool, followed by the funding to attend international trade events and exhibitions and funding/grants for recruitment of advisors, researchers, accountants. As stated before, the financial support is crucial to SMEs in the Algarve region.

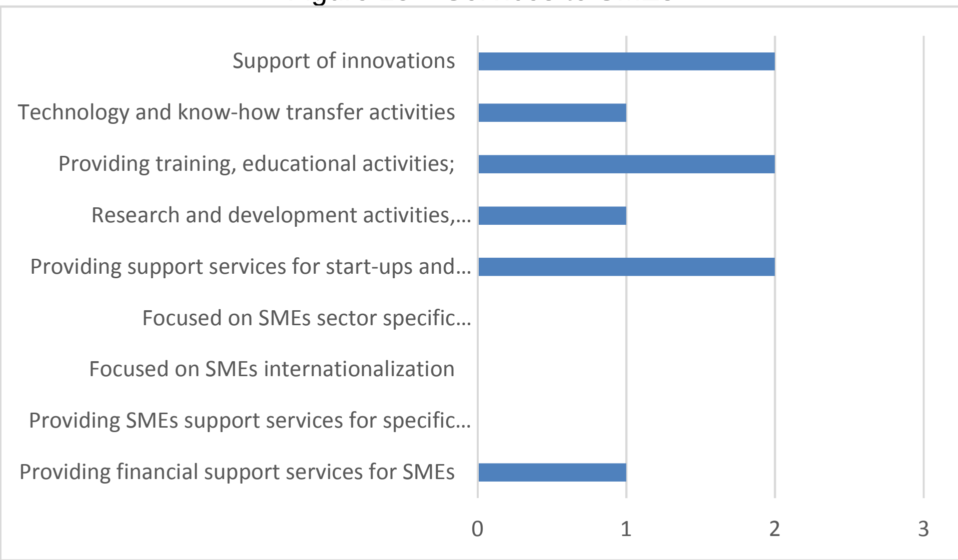
The majority of SMEs have used trade missions, business forums and other promotional events to reach new markets and they are consensual in affirming the importance of regional funds.

V. MEASURES OFFERED BY NATIONAL/REGIONAL STAKEHOLDERS IN THE SPHERE OF SMES INTERNATIONALISATION SUPPORT

1. Survey

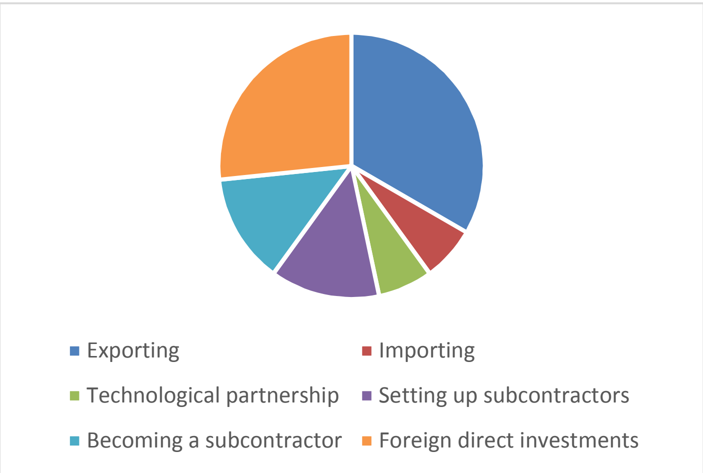
The questionnaire targeted to the Algarve stakeholders was answered by entities focused on SMEs internationalization, from which the majority of them has a regional scope and the focus of the services provided for SMEs are the support of innovations, providing training or educational activities and providing services support services for start-ups and microenterprises (Figure 18).

Figure 18 – Services to SMEs



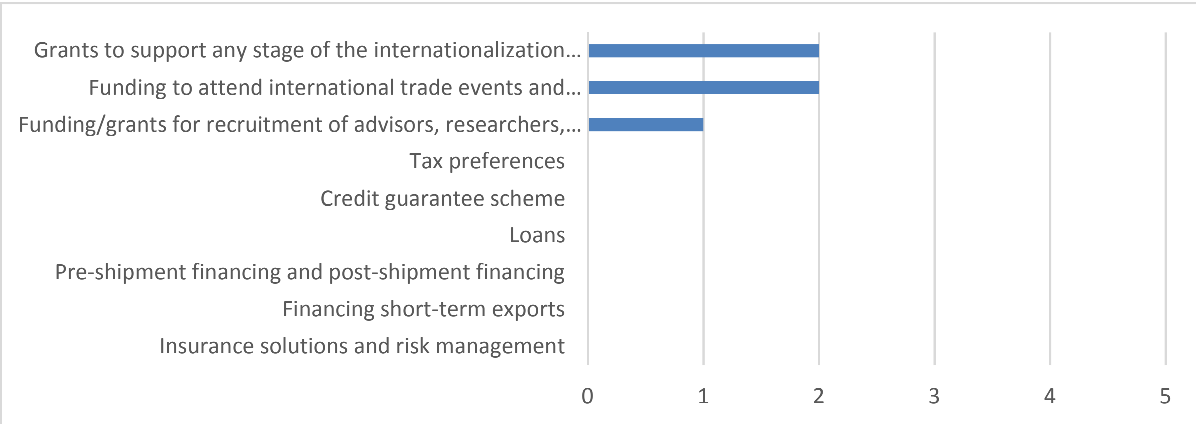
Generally, the stakeholders support is focused in exporting services, followed by the support to foreign direct investments (Figure 19).

Figure 19 – Focus of Services to Internationalisation



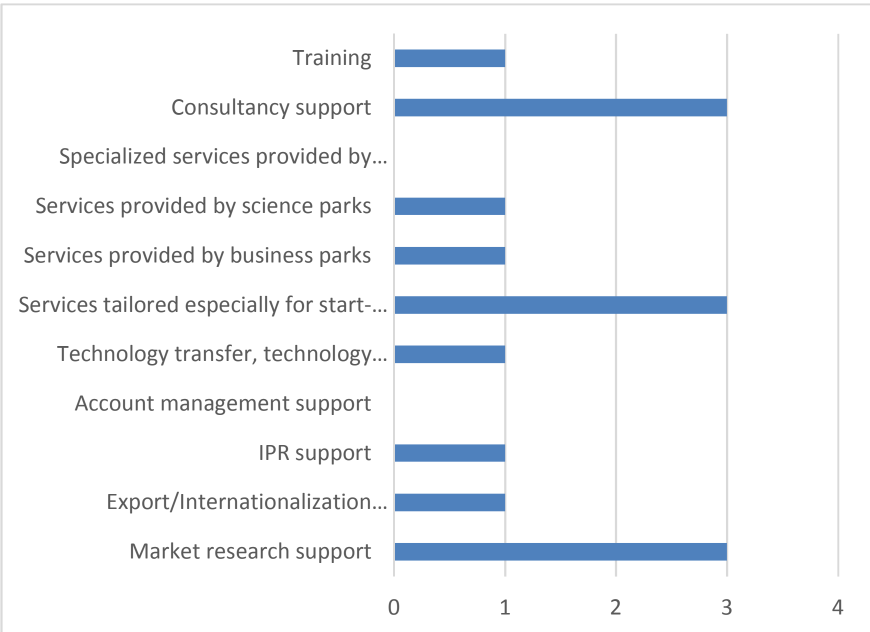
When asked about the type of financial support services offered to SMEs, stakeholders provide grants to support any stage of the internationalisation activity, funding to attend international trade events and exhibitions, and funding or grants for recruitment of advisors, researchers or accountants (Figure 20). These types of services are crucial to SMEs of the Algarve reach new markets and reinforce their capacities to internationalization activities.

Figure 20 – Financial Support Services



As regards to non-financial support services, most of the stakeholders inquired support consultancy services, services tailored especially for start-ups and/or incubating services and market research (Figure 21)

Figure 21 – Non-Financial Support Services

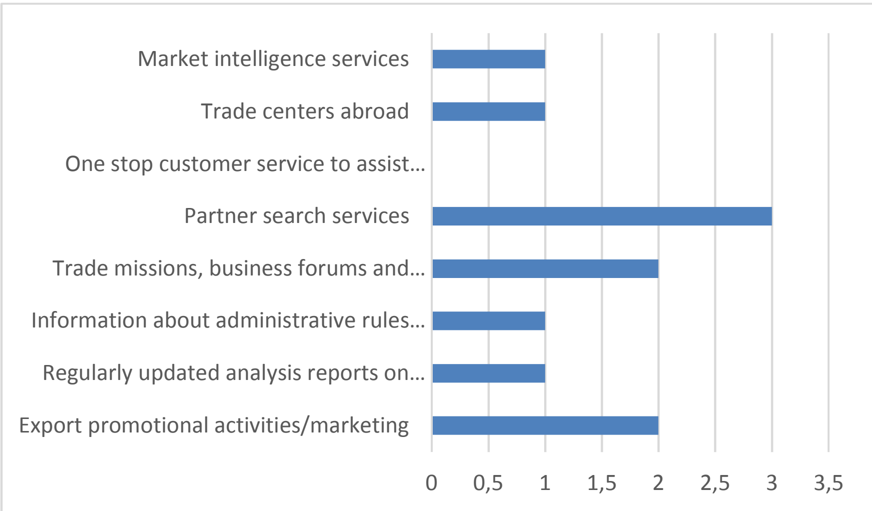


Concerning the services for developing human resources/managerial capacity, export forums are the main service offered to companies, as presented in Figure 22.

Figure 22 - Services for developing human resources/managerial capacity

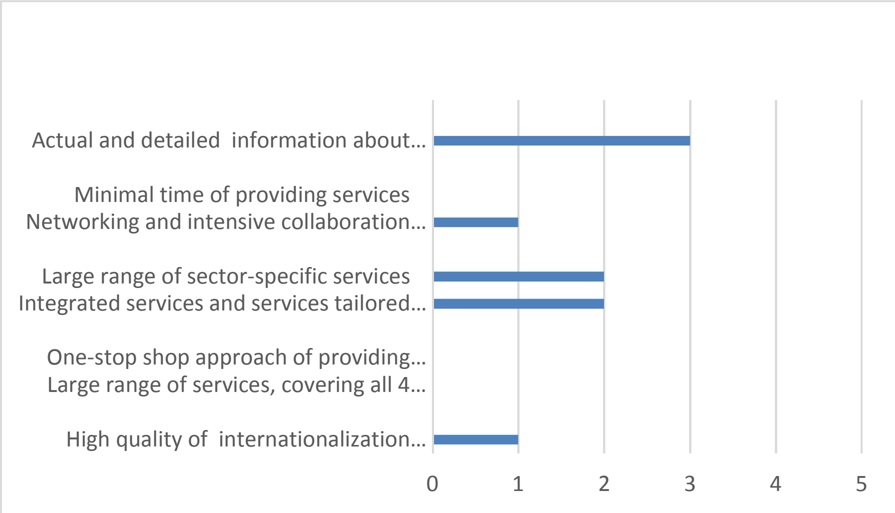
However, when considering the provision of information services, partners search services, trade missions, business forums and other promotional events and the export promotional activities/marketing are the main supports offered to companies in the Algarve (Figure 23).

Figure 23 – Information Provision Services



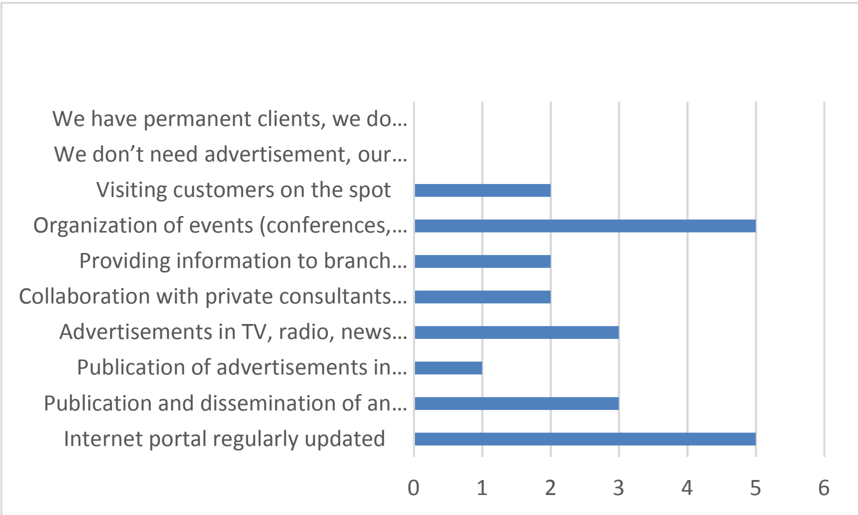
Most of the stakeholders inquired state that the main advantage of the services they provide for SMEs, is the actual and detailed information about technologies, markets, products, the integrated services and services tailored to individual SMEs demands (especially for start-ups and micro enterprises) and the large range of sector-specific services (Figure 24). Only one stakeholder affirms to provide a high quality in internationalization support as the main advantage.

Figure 24 – Main Advantages of the Services Provision



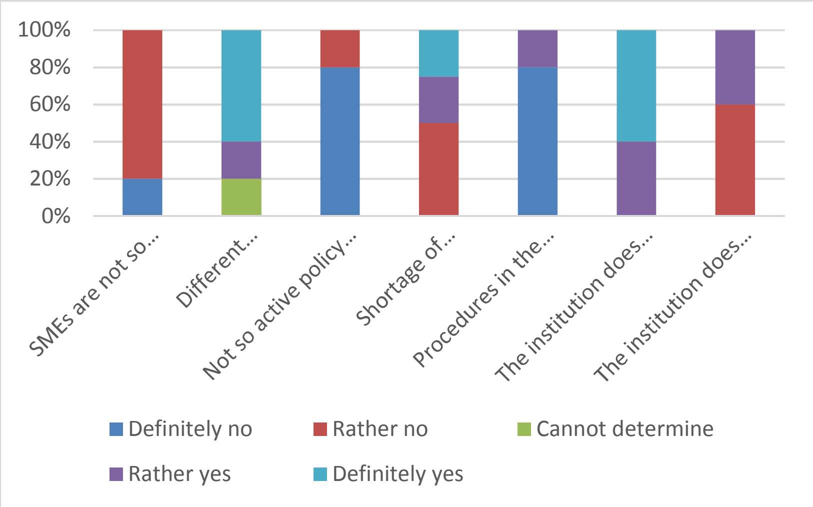
The most used communication channels to provide information to customers or companies are the organization of events, and the internet portal updated regularly (Figure 25). None considered to not needing advertisement or not looking for more companies to support.

Figure 25 – Information Channels



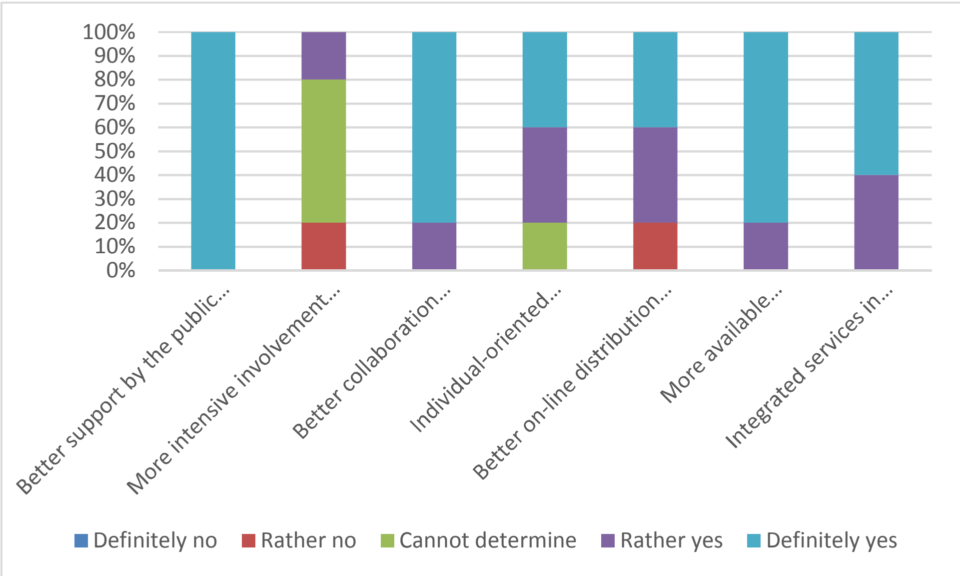
Concerning the difficulties encountered when working to SMEs, stakeholders consider that there exist different expectations of companies from the services providers regarding the available services and those entities does not have the capacity to deal with big number of SMEs (Figure 26).

Figure 26 – Difficulties in working with SMEs



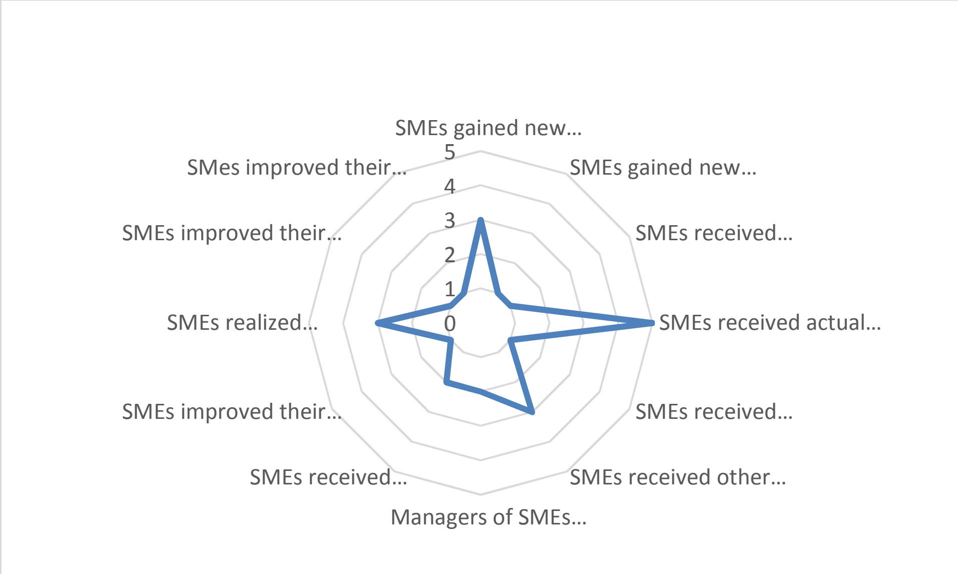
Maybe for these reason, they are consensual in stating that the support could be improved by providing a better support by the public governments, promoting a better collaboration between the institutions (public or private) when providing SMEs support services for internationalization and the need to have more available representation and virtual office services (Figure 27).

Figure 27 - Improvements



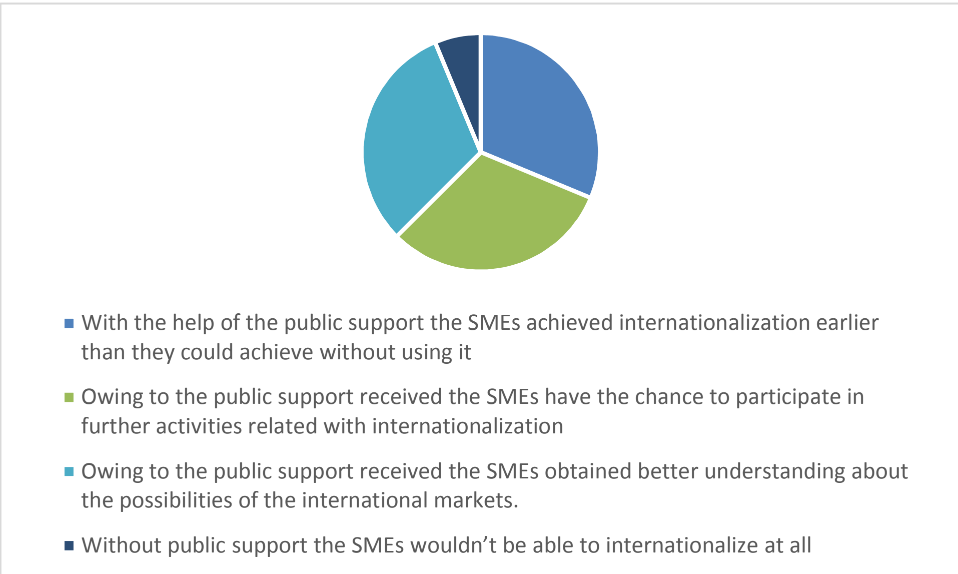
In the opinion of stakeholders, SMEs receiving actual economic and foreign market information was the main effect of the support provided to their internationalization (Figure 28). In addition, the gaining new experience and as a result starting internationalization activities, receiving other business support (accounting, marketing, etc.) and the realization of contacts with foreign partners are the main results from the stakeholder's services.

Figure 28 – Main Results



When considering the importance of the public support for SMEs internationalization, stakeholders are consensual in affirming that with the help of the public support the SMEs achieved internationalization earlier than they could achieve without using it, owing to the public support received the SMEs have the chance to participate in further activities related with internationalization and owing to the public support received the SMEs obtained better understanding about the possibilities of the international markets (Figure 29).

Figure 29 – Importance of Public Support

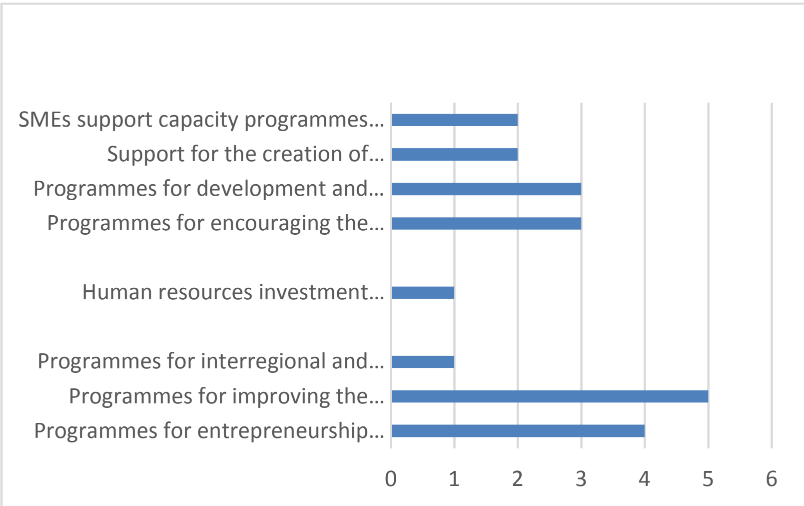


The entities inquired participate or support the participation of SMEs in public programs co-funded through EU Structural Funds (Figure 30), namely:

- Programmes for entrepreneurship development, innovations, competitiveness of SMEs (for example mentoring of entrepreneurs, innovation technologies for

management systems in SMEs, environmental innovations and better using of information and communication technologies);
- Programmes for improving the regional and local environment for SMEs (for example access to funding at an earliest stage and growing stage, business infrastructure and support services, regional and local support for science and technological research, technological development, capacity for innovations and business collaboration in the sphere of innovations);
- Programmes for interregional and transregional cooperation;
- Human resources investment programmes;
- Programmes for encouraging the entrepreneurial spirit, especially trough facilitation the economic realization of new ideas and stimulation of the creation of new enterprises, including through business incubators;
- Programmes for development and application of new business models for SMEs, especially encouraging their internationalization;
- Support for the creation of improved possibilities for development of new products and services;
- SMEs support capacity programmes in the frames of regional, national and international markets and taking part in the process of innovation.

Figure 30 – Participation and/or support to SMEs participation in Public Programmes



As regards to the collaboration or support to the participation of SMEs in EU instruments, contributing to the internationalization of the European enterprises, Enterprise Europe Network is the most mentioned (Figure 21) and the main fund used is the regional.

Figure 21 – EU instruments and Funds

2. Results

The questionnaire was answered by entities focused on SMEs internationalization, from which the majority of them has a regional scope. Their focus is on the provision of services for SMEs as the support of innovations, provision of training or educational activities and provision of services support services for start-ups and microenterprises. Generally, the support is focused in exporting services, followed by the support to foreign direct investments (Figure 19).

Stakeholders provide grants to support any stage of the internationalisation activity, funding to attend international trade events and exhibitions, and funding or grants for recruitment of advisors, researchers or accountants. These types of services are crucial to SMEs of the Algarve reach new markets and reinforce their capacities to internationalization activities.

As regards to non-financial support services, most of the stakeholders inquired support consultancy services, services tailored especially for start-ups and/or incubating services and market research. Concerning the services for developing human resources/managerial capacity, export forums are the main service offered to companies. However, when considering the provision of information services, partners search services, trade missions, business forums and other promotional events and the export promotional activities/marketing are the main supports offered to companies in the Algarve.

Stakeholders state that the main advantage of the services they provide is the actual and detailed information about technologies, markets, products, the integrated services and services tailored to individual SMEs demands (especially for start-ups and micro enterprises) and the large range of sector-specific services.

The most used communication channels to provide information to customers or companies are the organization of events, and the internet portal updated regularly.

Stakeholders consider that there exist different expectations of companies from the services providers regarding the available services. Maybe for these reason, they are consensual in stating that the support could be improved by providing a better support by the public governments, promoting a better collaboration between the institutions (public or private) when providing SMEs support services for internationalization. They are consensual in affirming that with the help of the public support, the SMEs achieve internationalization earlier than without using it, have the chance to participate in further activities related with internationalization and obtain better understanding about the possibilities of the international markets.

Enterprise Europe Network was the most EU instrument mentioned and the main fund used by SMEs is the regional fund.

VI. SWOT ANALYSIS

STRENGHTS	WEAKNESSES
• Existence of a regional policy for the internationalisation of SMEs • Existence of funding available to internationalisation of SMEs • SMEs focused in the quality of products/services	• Strong dependence on Tourism sector • Economic structure composed mainly by small and microenterprises • Lack of training to SMEs • Lack of time to deal with internationalisation • Scarcity of human resources for internationalisation activities • Reduced investment capacity • Weak structure of market networks associated with regional producers
OPPORTUNITIES	**THREATS**
• Funding available to internationalisation • Existence of instruments to support internationalisation • Potential of tourism as a vehicle for external promotion of the region and regional products • Available R&D support at regional level • Existence of market for regional products and products of biological origin • Existence of online tools for opening new markets	• High dependence in public funds • High dependence in the ROP instruments to internationalisation • Lack of human resources for internationalisation activities • Availability of specific training for human resources • Competition from other markets

VII. MAIN CONCLUSIONS AND RECOMMENDATIONS

The State of Affairs of the Algarve is based on the answers collected through surveys submitted to SMEs and regional stakeholders. This exercise do not intend to be representative of the region, since the number of collected answers do not have statistic value. However, the surveys underlines some aspects that highlight the main framework in which internationalisation of companies occur. Within this framework, it is possible to highlight the following aspects:

- Algarve is characterised by an economic structure constituted mostly by small and micro enterprises;
- The economic sector with more expression within the region is Tourism, and it is this sector that mostly contributed to the exports of the region (services);
- The Regional Operational Program of the region considers SMEs internationalisation of major importance and the financial resources allocated to increase exports and competitiveness of the companies is in line with this importance;
- The proximity with the University of Algarve foster the emergence of new products and services and SMEs are focused in selling high quality products or services, which can increase SMEs in being more competitive in relation with international markets;
- Although there exists several entities supporting internationalisation with a broad range of tools to support SMES, the internationalisation support to SMEs is still very incipient and can be improved in a tailored approach;
- The region lacks offers of specific training to improve internationalisation activities and to increase the success in foreign markets;
- SMEs develop internationalisation activities without a well-defined strategy;
- The lack of time to deal with internationalisation is mentioned as the main internal barrier when SMEs approach internationalisation;
- SMEs use online dissemination (website), but most of them do not sell online. Tourism and ICT sector are the main exceptions.
- The regional SMEs are very dependent on public funds to implement internationalisation actions, in particular the funding instruments available through Regional Operational Program.