

CREATING LOCAL COMPANIES WITH A GLOBAL FOCUS

As in many parts of Southern Europe, large swathes of the Portuguese interior are rapidly losing population to the faster developing coastal areas. Despite important investments in infrastructure many of these areas are locked into an inward-looking spiral which is still heavily dependent on agriculture and public sector employment. Young people and women are the first to suffer and often the first to leave.

The partners of the GLOCAL EQUAL project realised that they were going to have work on at least two levels if their catchment area in the interior Alto Douro region was going to break out of this blind alley. First of all, they had to tackle the main barriers preventing local people from creating new economic activities. Secondly, they had to find ways of connecting the new enterprises to higher value added opportunities both inside and outside the area. In order to do this they created and tested an integrated kit, made up of four new tools, which are now being taken up in other parts of Portugal

GLOCAL is a small compact partnership of five members, led by a private company committed to local development.. However, this has not prevented GLOCAL from networking extensively with financial institutions, employers, local authorities and learning and training establishments to influence all the key players affecting the development of the area.

By doing this, GLOCAL has shown how even the most remote rural areas can contribute to the Lisbon objective of promoting a “more entrepreneurial culture and create a supportive environment for SMEs”. GLOCAL provides evidence that it is possible to do this in a way that helps the employment guidelines for ‘social and territorial cohesion’ and ‘inclusive labour markets.’¹

TURNING VICIOUS CIRCLES INTO VIRTUOUS SPIRALS

The Alto Douro is one of the poorest areas of Portugal and is a long way from global currents. Tucked away in the most rural part of Vila Real District in the North East of the country, its 120,000 people have just under half the average GDP per person of the country as a whole. Cristina Coelho, the coordinator of GLOCAL, argues that areas like the Alto Douro are “stuck in a vicious circle”. Unemployment is endemic but this is only the tip of the iceberg. In some villages, only one third of the potential labour force is economically active. Twice as many women as men are unemployed and the young find it extremely difficult to enter the labour market at all.

As a result the area continuously “exports” its most precious resource – young, more qualified people - to the coast and cities. There is little entrepreneurial activity and what there is poor quality and locked into traditional, low value markets heavily dependent on declining local incomes. The pessimism generated by this pattern stops local communities from making the most of world-class amenities like the rich wine making culture and landscape of the Douro Valley².

¹ Microeconomic guideline 10 of the Integrated Guidelines for Growth and Jobs refers to the need to ‘promote a more entrepreneurial culture and create a supportive environment for SMEs’. Employment guideline 16 refers strengthening social and territorial cohesion, while employment guideline 18 refers to inclusive labour markets.

² Despite significant improvements in infrastructure and the fact that a large part of the Douro Valley has been accorded UNESCO World Heritage status.

Breaking out of this vicious circle requires an important change in mentalities. This in return requires visible “successes” that turn the vicious circle into an upward spiral.

OPENING UP LOCAL HORIZONS

What distinguishes GLOCAL is not just that it has tried to find solutions to the problems mentioned above – many have done the same thing - but precisely that it has tried to find ways of formalising these solutions very systematically into tools that can be of use to other areas in a similar situation.

The first of these tools is probably one that has had less immediate impact on the area because of the distance between its aims and day to day reality. Nevertheless, this does not detract from its strategic importance. We all know that universities and centres of learning are key drivers of the knowledge economy in the metropolises of Europe. But one has to be brave indeed to suggest that one can drive a direct path of development between a university and the population of one of the most remote rural areas of the continent.

Yet this was precisely the aim of the “Laboratory for Investment Opportunities”, created with a strong contribution from the partner University of Trás-os-Montes and Alto Douro (UTAD). The main part of this “tool” is a computerised scoring system for rating the investment opportunities in the different niches of the main “value chains” in the Alto Douro. This is not just an accountancy tool to assess risk and financial viability: it also incorporates variables specific to the territory itself, such as business sustainability, the existence of exploitable niches in the value-chain, as well as personal factors such as the time available after family care commitments. This allows both advisors and entrepreneurs to take a far more detailed, tailor-made and therefore objective overview of the main opportunities for creating “local companies with a global focus”.

There is clearly still a lot of work to be done for bridging the knowledge gap between remote rural areas and their global opportunities. However, GLOCAL has made an important start. The Universities of Salamanca and Valladolid in Spain and Instituto Politécnico de Bragança and Pólo de Felgueiras do Instituto Politécnico do Porto have all shown interest in the methodology used by Laboratory for Investment Opportunities. The methodology is also being disseminated through regional employment centres and local authorities in the area.

“DEMOCRATISING” BUSINESS FINANCE

True to its name GLOCAL’s approach was again to take a global approach to the problem of accessibility to finance – by setting up another “laboratory” this time of “alternative forms of finance” coordinated by the core partner Superação SPA Consultoria.

The tool they developed in this area was called SIM - standing for “yes” in Portuguese as well as “System of Microcredit for Self-Employment and Business Creation”. It involved GLOCAL engaging with a significant savings bank – the Caixas de Crédito Agrícola (CCAM) da região do Vale do Douro Norte- and thereby bringing a financial institution into the extended “local support network” for the first time.

The SIM created a specific microcredit line of 700,000 euros for start-ups and people entering self employment to be handled by the CCAM and its affiliated regional organisations. The loans are for a maximum of 25,000 euros to be returned within 5 years. Interest is fixed at the euribor rate + a 2% spread. If the bank is satisfied with the project and the entrepreneur has passed through GLOCAL’s training and advice system they do not require any further collateral. Maximiano Correia, President of the Douro Valley CCAM explains that “the best guarantee we can have is to be presented with competent, informed entrepreneurs with viable, well planned businesses that we know are going to be supported by good professional business advisors”.

During the two years of the EQUAL project, GLOCAL was able to negotiate and launch the scheme with the CCAM and test it for 9 months, on 24 entrepreneurs. One of these is Diamantino Amaral who was looking for his first job and has now created an enterprise that sells natural and medicinal products. The SIM allowed him to set up his shop in just three months during which he

developed his business idea, found premises, did some training and finished his business plan: “I was always welcomed, they gave me good information and the procedure was fast”.

Cristina Costa is another example. She is a married woman of over 40, with a family, who had worked as an employee in the medical care sector all her life. She had often dreamed of creating her own company. The opportunity arose when a doctor offered her a partnership in new medical care clinic. But she didn't have the capital to help create the business. So she asked GLOCAL for help and with SIM she not only received a loan but also the entrepreneurial skills required to run a successful business.

Altogether, 13 entrepreneurs created their own business with the help of GLOCAL. The average loan was around 15,000€ with an investment of about 35,000€. Most of the successful businesses were in personal or business services. However, around half the potential entrepreneurs that approached GLOCAL wanted to set up a business in the food and agricultural sector. These tend to be more capital intensive and dependent on grants. Pedro Bizarro (from the partner Alto Fuste) who was responsible for advising these entrepreneurs explains the problems they face: “at this moment, it takes about two years (the full length of the EQUAL project) to go from the original business idea, train, and get the investment project approved by IFADAP³. The process is far too long and bureaucratic.” This is why many prefer to look for alternative and more flexible forms of finance.

Maximiano Correia of CCAM reflects “we obviously had to take part in SIM. It supports rural development in the region and young people without employment opportunities” He also argues that the free business support provided by GLOCAL reduced the transaction costs for the bank. They have continued with SIM after the end of the first round of EQUAL⁴.

PEOPLE – THE START AND THE END OF ENTREPRENEURSHIP

In agreement with other EU projects, GLOCAL strongly recommends that the financial support should go hand in hand with capacity building and advice. So they developed a third integrated package of advice tools collectively known as SISE (Sistema integrado de suporte ao empreendedor - Start-up Integrated Support Service). The message was clearly that SIM would not work without SISE.

One of their first tasks was to raise interest in business creation and establish contact with potential entrepreneurs. GLOCAL used the local radio, property of the partner Cooperativa Cultural Voz do Marão, and held 16 promotional meetings in all the localities of the Alto Douro. Over four hundred potential entrepreneurs were involved.

GLOCAL then used their extended “Local Support Network” to provide advice and act as a first port of call. Altogether, the involved 7 local authorities, the branches of the CCAM savings banks, the official Employment and Training Institute and the Regional Centre Social Security. The university played an important role throughout as a main partner in the Investment Opportunities Laboratory. Civil Society associations also provided information and acted as referral points.

The local support network not only helped to promote the idea of entrepreneurship in local communities but it also gradually increased the capacity of local organisations to provide business advice. Ana Maria Veloso, one of the people who use the service had just lost her job at the factory where she had worked for over ten years. She heard about GLOCAL from the local priest when she was at mass. After completing the support itinerary she went on to create her own company selling and delivering fruit and vegetables directly to people's homes. “*If the Priest*

³ The official organisation that approves subsidies to primary sector.

⁴ GLOCAL has also reached agreements with the Portuguese Society of Mutual Guarantees (SPGM) to reduce the barriers faced by start-ups when asking for guarantees. They signed an agreement with PME Capital in Porto to open a channel between risk capital institutions and local entrepreneurs. Finally, they started to build up a potential network of business angels. This will be developed in the second round of EQUAL.

had not talked about GLOCAL at mass” she says, “I never would have thought of creating my own employment”

Once GLOCAL had established contact with a potential entrepreneur, they drew on another specially designed battery of tools for helping them progress from their original idea to a viable business. The problem is nearly always that the new businesses flow out of the system at an even faster rate than they flow in.

In response to this situation, GLOCAL created a tool, with a major contribution from their partner, the NERVIR Enterprise Association, for allowing entrepreneurs and their advisors to assess the level skills and competences in relation to the task in hand⁵. The approach helps advisors to focus on those who have the personal qualities required for success and allows entrepreneurs to identify their own strong and weak points. GLOCAL used the tool to help select entrepreneurs and provide initial advice. It was also used in training for trainers.



Carla Santos

Sixty four entrepreneurs went through this process. One of them is Carla Santos who has created two jobs in her firm specialised in environmental services.

In parallel, GLOCAL developed an integrated system of one-to-one coaching and advice to help entrepreneurs develop their business plan. This was specially adapted to meet the needs of women and young people in remote rural areas. At the heart of the system was a guide called “Creating and consolidating businesses step by step”. The guide is considered to be a significant improvement on existing publications in that it brings together a lot of dispersed material into a balanced and integrated manual that is easy to use for both business advisors and entrepreneurs.

[Carla Santos says that besides the economic advice, GLOCAL has helped her in terms of the psychology and sociology of the project partners and how they could work together. This kind of advice is often what is missing.]

[Ana Margarida Fontes, who has just set up a rabbit farm says that GLOCAL’s input “was interesting in various ways – from the training to the advice about the steps for creating a company. Even in helping on your business plan. They provide different kinds of support, they advise you where to go, what to do in each phase...”]



Ana Margarida Fontes

IS THERE LIFE AFTER START-UP?

The last of GLOCAL’s battery tools⁶ is called “Netmentor” and was actually developed as a joint output of transnational work by GLOCAL and their Spanish partner “Lumen”. It consists of a web-based system for monitoring company progress after start-up. Once again the tool addresses a dangerous gap in post-start up support in most European countries. There is an Excel application linked to an extranet which allows advisors to have a far more up to date picture of the companies in their port-folio without the need for costly meetings and travel. Obviously this is particularly useful in remote rural areas.

The Portuguese Association of Rural Development Groups has shown great interest in GLOCAL’s SIM-SISE methodology and will be testing it out in six more Portuguese rural areas. GLOCAL’s aim is to create the conditions for their tools to be used independently across the

5 Balanço de competências na óptica do empreendedorismo (Entrepreneurship skills balance)

6 There are other tools but there is no space to mention them here

country. As Cristina Coelho says the logic of GLOCAL is totally contrary to dependency on state grants or benefits. “We do not give people any money we help them to make it”.

A year after she created her own business, Ana Alves confided to her GLOCAL tutor that when she first met the other entrepreneurs she felt that her idea had the least potential and that she was the least skilled of the group. “Now I feel proud to be earning a living through my own company. I was helped to take a series of steps, like getting the microcredit, which I could not have taken on my own”.

The increase in confidence and capacity to take initiative is one of the most important long term benefits of the project - even for those people who finally decided that setting up a business was not for them.



Ana Alves has opened a shiatsu massage centre.

However, despite their rigorous methodology and their prolific output, it is necessary to end on a word of caution. With a relatively small budget, GLOCAL managed to develop and test their tools in the creation of 11 businesses involving 13 entrepreneurs and 19 jobs. But the radical change in mentality they are trying to achieve takes time. Over their period of operation, the severe economic crisis faced by Portugal meant that many more firms went out of business in Douro Norte than were created. In this context, the firms created by GLOCAL are still a drop in a receding tide.

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