

Warm-up Case

# AN OPPORTUNITY TO THRIVE

Scaling up the *Old, Very Noble,  
Always Loyal and Undefeated*  
City through talent acquisition

FEP U.PORTO iCC  
2016





## AN OPPORTUNITY TO THRIVE

### Scaling up the *Old, Very Noble, Always Loyal and Undefeated City*<sup>1</sup> through talent acquisition

Entrepreneurship is a hyped word in today's business world. Forced by the economic downturn or prompted by recent technological developments, the truth is that it seems to be a trend in most countries.

The United States of America is one of the countries that is most recognized by its entrepreneurial activity but Europe has also been showing significant changes in this domain. There is a clear change in paradigm towards entrepreneurship and innovation in many European cities, supported by governments, municipalities and also by venture capital firms and business angels that provide the needed funds. Porto is no exception. Today, the city offers a vibrant entrepreneurial environment, which has strong support from Universities, companies and other institutions such as Porto municipality.

In recent years, several startups, mostly tech-based, were created in the city and many of them managed to scale up and to become international references in their field of action.

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<sup>1</sup> Famous epithet which depicts the brave actions of the city's inhabitants throughout the centuries. We highlight the resistance given to Miguelist troops' siege during the Civil War of 1832-1834 that led the queen, D. Maria II, to give Porto the title of Invicta [The Undefeated], a unique honor among the cities of Portugal.

*“A ‘scaleup’ is an enterprise with average annualized growth in employees or turnover greater than 20 per cent per annum over a three year period, and with more than 10 employees at the beginning of the observation period.” – Sherry Coutu on the OECD’s definition of a scaleup or high-growth firm (HGF)<sup>2</sup>*

Two great examples of these companies are Farfetch<sup>3</sup> and Veniam<sup>4</sup>. The former, one of the few Portuguese unicorns<sup>5</sup>, has an online marketplace for high-end boutiques and fashion brands as its core business. Its 600+ employees collaborate with more than 400 independent stores throughout the world and operate the luxury online retail website in English, Portuguese, Spanish, French, German, Russian, Korean, Mandarin and Japanese. The latter has a University of Porto professor as one of its co-founders and was incubated in UPTEC – Science and Technology Park of University of Porto<sup>6</sup>. Veniam develops products that allow for vehicle P2P connectivity and data storage and for Internet access or, as they call it, for “an Internet of moving things”. Its mobile WIFI network turned every bus in the city of Oporto into a big wifi router, supported by a technology that can be applied in any city in the world. Veniam was also selected by CNBC in 2016 as #28 most disruptive companies already worth millions, ranking higher than renowned startups such as SpaceX (#30), SurveyMonkey (#32), Dropbox (#42) and Pinterest (#46).<sup>7</sup> Given their recent success Farfetch and Veniam have received a lot of attention from the Media.

But they are not alone in this Porto startup/scaleup landscape.

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<sup>2</sup> Sherry Coutu (2014) *The scale-up report on UK economic growth*

<sup>3</sup> Check their website on <http://www.farfetch.com/uk/>

<sup>4</sup> Check their website on <https://veniam.com/>

<sup>5</sup> Startups with a valuation higher than 1 Billion US\$

<sup>6</sup> Check their website on <http://uptec.up.pt/en>

<sup>7</sup> 2016 CNBC Disruptor 50 Companies <http://www.cnbc.com/2016/06/07/2016-cnbc-disruptor-50.html>

Abyssal<sup>8</sup> developed the world most advanced 3D technology, augmented reality and precise navigation systems for subsea operations. It has the giant Oceaneering as its main client and was awarded in 2015 by GE and Chevron as one of the top 10 startup companies in Oil and Gas Technology.

Movvo<sup>9</sup> is an international reference that aims at providing retailers, mall owners and marketing professionals with a detailed insight of consumer behavior *that could be modeled for any city in the world*.

AddVolt<sup>10</sup> is running over costs of consumption in heavy vehicles. Its WeTruck product produces energy through photovoltaic panels installed on top of the truck and recovers energy during the vehicle's braking and decelerations. It then uses the energy generated to supply the refrigeration unit in electric mode.

Inovretail<sup>11</sup> is a retail innovation company, fully invested to R&D of new and advanced technological solutions designed to improve the customer store experience. Inovretail was incubated at UPTEC and is now partially owned by SONAE Investment Management<sup>12</sup> (SONAE IM).

Hypelabs<sup>13</sup> is a startup that built a technology that allows any app or device to communicate even offline, was selected for Angel Pad accelerator – #1 U.S. Accelerator by MIT's U.S Seed Accelerator Rankings.

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<sup>8</sup> Check them on <https://abyssal.eu/>

<sup>9</sup> Check them on <http://www.sonaeim.com/en/portfolio/inovretail/>

<sup>10</sup> Check them on <http://www.addvolt.com/pt/> (Portuguese-only website)

<sup>11</sup> Check them on <http://www.sonaeim.com/en/portfolio/inovretail/>

<sup>12</sup> Check them on <http://www.sonaeim.com/en/>

<sup>13</sup> Check them on <https://hypelabs.io/>

*“Why we are bullish about Portugal*

*40 ICT [Information and Communication Technologies] Portuguese startups broke the early-stage level in the last five years and raised over \$166M. Numbers may be perceived as modest, but we need to factor the relative newness of the Portuguese startup ecosystem. 65% of the Portuguese scaleups had a funding event in the last two years, of which the majority was raised this year. 75% of Portuguese scaleups have been founded after 2010 (and 48% after 2012). This data tells you how recent and strong is the growth of the Portuguese startup ecosystem. Apart from these 40 scaleups, 24 other companies were able to secure funding in the range of \$0.5-\$1M. These startups are scaleup candidates for the immediate future. We are going to keep an eye on them.” – Startup Europe Partnership<sup>14</sup>*

Nevertheless, Porto startup scene is more than just tech-based. Porto has become a sexy destination<sup>15</sup>. Two-time Europe Best Destination, holding an enviable position in Trivago Best Value City and Reputation Indexes<sup>16</sup>, Porto is in the spotlight of international media that makes it an even more fashionable city. Tourism attracted international real estate investors that are massively buying old buildings in the city and adapting them to tourism. As a sign of the sector dynamics, in 2014, Porto Vivo-SRU<sup>17</sup> had issued almost 200 licenses for renewal projects, many of them for new hotels. The city is now bursting with activity and new small tourism related business seem to pop-up everyday. But again, there is more to new Porto scene than tourism and tech companies. Fashion, agriculture, services, environmentally friendly tourism, sports and automotive industries are also sectors in which new companies are blooming and disrupting the sectors' *status quo*.

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<sup>14</sup> Startup Europe Partnership (2015) *Portugal Rising: Mapping ICT Scaleups*

<sup>15</sup> Check it on [http://economico.sapo.pt/noticias/o-porto-abriu-as-portas-ao-mundo\\_212612.html](http://economico.sapo.pt/noticias/o-porto-abriu-as-portas-ao-mundo_212612.html) (article in Portuguese)

<sup>16</sup> Check the full rank here

<http://imgec.trivago.com/contentimages/press/texts/2016BestValue100.pdf>

<sup>17</sup> Porto Vivo, SRU - Sociedade de Reabilitação Urbana da Baixa Portuense S.A. is a public owned company, whose mission is to promote the urban regeneration of Porto's historic city center. Among other powers, it approves and issues pre-licenses renewal projects for this area of the city.

A recent Bloomberg article highlighted Porto as the new European shopping capital for design and fashion:

*“Move Over, Paris - Porto Is Europe's Hot New Shopping Capital*

*For all the popularity Lisbon has amassed over the past few years as a sought-after travel destination, Porto is still overlooked. But it shouldn't be: Portugal's “second city” is the country's real standard setter when it comes to design, thanks to its heritage as a manufacturing hub through most of the 19th and 20th centuries. Now it's gaining traction as a shopping mecca, too, filled with locally made items by emerging designers who can't be found elsewhere.*

*“Even the Lisbon designers normally come to the Porto area to produce their designs because all the industry is here,” says Andre Ramos, founder of Scar ID, a lifestyle boutique that specializes in Portuguese fashions, accessories, decorative items, and more. In fact, so many producers have set up shop in formerly blighted production studios that Porto's artisans are now sprawling beyond the city limits.” [...] - Bloomberg<sup>18</sup>*

This city's transformation isn't a mere coincidence. There is a true network that is operating together and creating new and interesting opportunities to companies and to people that will, ultimately, enable a scaleup environment to be established in Porto as it is already being done in some other European cities and, at an even faster pace, in some cities in the United States of America.

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<sup>18</sup> Move Over, Paris - Porto Is Europe's Hot New Shopping Capital  
<http://www.bloomberg.com/news/articles/2016-09-15/travel-guide-to-porto-portugal-europe-s-hot-new-shopping-capital>

In fact, incubators, organizations, investors and co-working spaces are knitting a tight web that will support the scale-up environment programmed to happen<sup>19</sup>.

The University of Porto is an important anchor of the city's entrepreneurial ecosystem. UPTEC – Science and Technology Park of University of Porto is Porto's main startup incubator and accelerator for the sustained growth of many of the city's startup success stories. It also connects startups with the university faculties and R&D centers enabling access to cutting-edge scientific production and talented and high-skilled people. Within the University of Porto innovation ecosystem, UPIN<sup>20</sup> (the university's Technology Transfer Office) and the Center for Business Innovation (hosting large corporations like the Portuguese Sonae and Unicer or international ones like Microsoft and Google) provide multiple interfaces with the industry and investors and nurture startups growth. The University of Porto also supports the creation of an entrepreneurial-prone environment through different training and educational programs that aim to give guidance to potential startup founders (a good example of them is *School of Startups*<sup>21</sup>).

Business angels and venture capitalists based in Porto, such as Pathena<sup>22</sup>, Vallis<sup>23</sup> or Change Partners<sup>24</sup>, and based in Lisbon, such as FNABA – Federação Nacional de Associações de Business Angels<sup>25</sup>, Portugal Ventures<sup>26</sup>, BetaCapital<sup>27</sup> and Critical Ventures<sup>28</sup>, ensure the needed funds for Porto's startups and scaleups.

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<sup>19</sup> A more comprehensive list can be found on *The Porto Tech Startup Guide* by StartupTour and Startup X <http://portugalstartups.com/2014/10/the-porto-tech-startup-guide/>

<sup>20</sup> Check them on <http://upin.up.pt/en>

<sup>21</sup> Check it on <http://escoladestartups.org/?lang=en>

<sup>22</sup> Check them on <http://www.pathena.com/>

<sup>23</sup> Check them on <https://www.vallis.pt/changeLanguage.do?language=en>

<sup>24</sup> Check them on <http://www.changepartners.pt/en/>

<sup>25</sup> Check them on <http://www.fnaba.org/> (Portuguese-only website)

<sup>26</sup> Check them on <http://www.portugalventures.pt/>

<sup>27</sup> Check them on <http://www.betacapital.pt/?sec=home>

<sup>28</sup> Check them on <http://www.critical-ventures.com/en/home>

The increase of organizations teaching the basics of how to start a company also has its merits in the proliferation of start-ups in the city and in Portugal. Amongst the most relevant programs are Cohitec, the technology commercialization program run by the Business Association COTEC together with North Carolina State, Brown and Rutgers Universities in the US. Cohitec helps assessing the commercial viability of the products or services that can be obtained from the science / technology proposed by participant researchers / technologists while inducing entrepreneurial and technology commercialization skills in the participants. Management schools like FEP-School of Economics and Management created several entrepreneurship courses with the intent of fostering the entrepreneurial skills of its students. Other organizations such as Startup Pirates<sup>29</sup>, also gives aspiring entrepreneurs intensive courses and mentoring.

There are many initiatives entrepreneurial related, either at a university level or at a corporate level. StartUp Buzz<sup>30</sup>, FEP-U.Porto based entrepreneurship club which promotes events and competitions like 3DS – 3 Day Startup Porto, UPIN is responsible for iUP25k<sup>31</sup>, a University based ideas competition with a total prize distribution of 25.000€, and CEdUP – Clube de Empreendedorismo da Universidade do Porto<sup>32</sup>, responsible for the StartUP Fest<sup>33</sup>, an entrepreneurship festival located on downtown Porto and open to the community, are contributing as well. Companies are also keen on launching innovation challenges.

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<sup>29</sup> Check them on <http://startuppirates.org/>

<sup>30</sup> Check them on <http://startupbuzz.up.pt/en/>

<sup>31</sup> Check it on <https://iup25k.opencloud.pro/> (Portuguese-only website)

<sup>32</sup> Check them on <http://www.cedup.up.pt/> (Portuguese-only website)

<sup>33</sup> Check it on <http://www.startupfest.pt/> (Portuguese-only website)



From an infrastructure point of view we emphasize the likes of co-working spaces like Porto i/o<sup>34</sup> and Cool. Office<sup>35</sup> for their role on helping startups from day one (or even from before their legal creation) and for bridging teams from different startups through partnerships or through laidback events like talks and coffee-breaks, effectively creating valuable synergies from the process.

Porto Municipality is also playing an important role. In 2010, Porto launched a strategic plan to position the city as a reference on knowledge and innovation. Several measures have been adopted since then, covering a broad scope. Citizen centered sustainability, energetic efficiency, R&D and economic growth are the focus of many current projects. This plan enabled the creation of the project ScaleUp Porto, launched in 2015.

*“ScaleUp Porto aims at becoming a catalyst for the creation of an innovation ecosystem and a network of individuals and organizations that share the vision of a scaleup program.*

*More than a declaration that presents strategic orientations, ScaleUp Porto Manifesto is also a contribution from Porto to the ScaleUp For Europe movement, enhancing the importance cities can have in the ecosystem growth.”*

*– Intro to ScaleUp Porto Manifesto<sup>36</sup>*

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<sup>34</sup> Check it on <http://porto.io/>

<sup>35</sup> Check it on <http://www.cooloffice.pt/>

<sup>36</sup> ScaleUp Porto (2016) *Manifesto* <http://www.scaleupporto.pt/>

Additionally, Porto's municipality has been implemented several events aimed at fostering innovation and entrepreneurship. One of those events is 'Desafios Porto'<sup>37</sup>, a competition that challenges citizens and entrepreneurs (or planning to create one) to solve everyday problems of the city. The current challenges intake the dimensions of Health & Wellbeing, of Energy, of Digitalization and of Environment & Mobility.

Porto Municipality has also created an organism dedicated to capturing foreign direct investment, InvestPorto<sup>38</sup>. InvestPorto, created in 2015, already brought to the city more than 7000 jobs through 40 "big operations" finding 154 new locations for several national and international companies.

The city's current predisposition towards entrepreneurship and value-creation has already attracted other companies, regardless of their size. It has lead to the creation of companies such as Venture Catalysts which core business is to team up with science-based entrepreneurs, projects and startups to help them translating their research into viable products, as well as helping them on aspects ranging from their organizational issues up to their connections with labs, passing through financing and revenue model development. Abyssal is one of the companies in their portfolio. Corporate entrepreneurship has also been rising as bigger firms realize that they may lack the advantages of a startup. A great example of this corporate entrepreneurship is SONAE IM<sup>39</sup>, a branch of SONAE<sup>40</sup>, one of the biggest Portuguese conglomerates. They are looking to innovate in the telecommunications and in the retail sectors and already count with WeDo Technologies<sup>41</sup>, InovRetail and Movvo in their portfolio for that. Another example is Amorim Cork Ventures<sup>42</sup>, the incubator of Corticeira Amorim, the once traditional world leader of cork industry. Currently,

<sup>37</sup> Check it on <http://www.desafiosporto.pt/> (Portuguese-only website)

<sup>38</sup> Watch the city's promotional video for foreign investors  
<https://www.youtube.com/watch?v=c9nJJbawi-c>

<sup>39</sup> Check them on <http://www.sonaeim.com/en/>

<sup>40</sup> Check them on <http://www.sonae.pt/en/>

<sup>41</sup> Check them on <http://www.wedotechnologies.com/en/>

<sup>42</sup> Check them on <http://www.amorim.com/en/>

Amorim develops cutting-edge products used in a wide variety of industries ranging from health, to defense, architecture or space (NASA is one of their customers). Amorim Cork Ventures purpose is to support entrepreneurial projects that explore innovative ideas and uses for cork, mainly targeting foreign markets.

All players in this network do an irreplaceable work. The secular University of Porto, considered an important center for research and science, provides knowledge and scientific advances. The connection between this knowledge to public and private partners is then fundamental to allow technologies to be translated into new ventures. This network cooperates to transform Porto in a vibrant innovation and tech hub. Because of the intertwine of institutions and companies, Porto is becoming a national and international reference in the entrepreneurial landscape.

## The Challenge

While much desirable, the current scenario raises many challenges to the city and to companies that are scaling up. At a city level there is a strong will to transform Porto into an innovation hub and to a major attractor of innovative companies. A lot of ideas have already been put in place but much more has to follow. At a company level there is the need to address the challenges faced by scaling up. As startups grow, so does their need for resources, especially for talented, high-skilled and motivated workers who can help the company lever their own strengths and maintain their expansion rhythm. These companies also need to optimize how they find those professionals by selecting the most suitable channels to communicate and to redefine both their target groups and their marketing strategy for better attraction.

*Attracting talent is not an easy task. Startups are popping all around the world and the chase for talent is global. Porto is undoubtedly gone a long way in revamping itself as a desirable city to visit, invest and live in. Still, the city is probably viewed as a newcomer in the startup/scale-up world and may not be the obvious choice for talented and high-skill people to create or scale-up their business ventures or just to work. Porto Municipality is debating how to change this situation and calls for FEP UPORTO ICC 2016 participants' expert advice.*



## Your challenge is to:

1) Benchmark Porto with the most entrepreneurial cities in the world, identify the critical success factors of those cities and develop creative ideas of what the Municipality of Porto can do to foster this startup/scale environment.

2) How can we ensure additional flow of talent to Porto? Help the Portuguese startups/scaleups to reach specific targets of talented people in your country. Identify those targets and design a communication plan voicing Porto's new positioning and the many professional opportunities the city has to offer.

...

Your team was successful in devising a comprehensive strategy and in presenting it to some of the city's most influential people in a historically-rich venue.

Your plan was fully implemented in cooperation with Porto's institutions and municipality and received excellent feedback from companies which are now reputable scaleups in the startup ecosystem and benefited from some of the actions you proposed to establish.

...

Your day-dreaming is suddenly halted by a slight clicking sound which precedes an unfamiliar voice declaring: *“This is the boarding announcement for flight ...bzt...crk [do the speakers ever work while transmitting important information?] to Porto. Please have your boarding pass and identification ready. Regular boarding will begin in approximately two minutes time. Thank you.”*

It’s time for you to go. You close your laptop and remove your headphones; a sincere smile appears on your face. You know you’re only one flight away from starting your dream job at one of Porto’s numerous scaleups... Scaleups which mere existence is owed to your creative and thorough thinking while solving this business case.

**Show us how this story came to be.**

*We welcome you to our beautiful city of Porto and hope you enjoy FEP UPORTO ICC’16*

*- André Flório; Catarina Roseira; Renata Blanc*

Case developed by FICT *Alumnus* André Flórido and by FICT *Advisors* Prof. Catarina Roseira and Prof. Renata Blanc from School of Economics and Management, University of Porto (FEP) to be used in the FEP University of Porto International Case Competition 2016.

# FEP U.PORTO iCC 2016

Special thanks to Câmara Municipal do Porto and to Porto Digital for their support.



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