ENTREPRENEURSHIP AND INNOVATION IN RURAL AREAS

STRATEGIES AND PROCESSES

OECD 8th Rural Development Policy Conference
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The rural context...

“Rural” → Complex definition → Behavioural, Functional, Ecological

Diversity of Rural areas:

- In the neighbourhood of urban areas
- Areas that face economic and social decline
- More distant and peripheral areas

Most part of rural zones in Portugal
Rural areas in Portugal

- Heavy height of agricultural/florestal activities
- Traditionalism
- Aging population
- Lower levels of education
- Depopulation

Low densities
Isolation
The several dimensions of low density and isolation/exclusion

Low densities

- Demographic
- Institucional
- Relacional
- Ocupacional
- Economical

exclusion

- physical
- Economical
- Social
- Psychological
Population densities in Portugal
Rural areas in Portugal: a two fold periphery

Population Living in European Cities in 2015
(in % of the total population of each country)

The key to sustainable development of rural regions is to develop an independent perspective and discovery of endogenous potential.

ESDP, European Commission 1999

Endogenous Development of regions

- Ability to generate their own business projects
- New firms; New activities (Entrepreneurship)
- Generate employment, wealth, development for regions
How firms emerge in rural and peripheral regions and how do these firms managed to be successful even within an adverse local environment?
Quinta do Espinho/Bucha & Pinga: Barriosa

Fonte: http://www.barriosa.serradaestrela.com
A Quinta do Espinho tem o prazer de apresentar uma Aguardente de Medronho Velha. Mantendo o nome comercial “Obras do Carvalho” dá continuação à excepcional qualidade desta peculiar aguardente que vem já sendo feita há algum tempo. Esta Aguardente Velha distingue-se pelo facto de ser de Medronho. O seu aroma é frutado-intenso e ao mesmo tempo suave-macio. Característica que lhe advém da própria fruta e do tempo passado ao longo de décadas dentro de barricas de carvalho nacional.
O seu paladar é perfumado, fino e aveludado. Única e particular, esta Aguardente de Medronho Velha congrega à tradição serrana com as exigências e o rigor das destilarias da Quinta do Espinho, Lda.
Bucha & Pinga

Vinagre

Este vinagre seleciona uma extraordinária variedade de produtos naturais cultivados nos campos deu natureza para que, além da riqueza do sabor, sejam mantidos os benefícios nutricionais naturais que a natureza nos oferece.

Consulte as nossas garrafas e escolha o vinagre que melhor se adapta às suas necessidades.

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Factors Affecting Innovation and Success of Small Firms

What theory says…

Entrepreneur → Strategic choice and marketing orientation → Innovation → Competitive advantage → Success

Environment
Factors Affecting Innovation and Success of Small Firms

Entrepreneur

Strategic choice and marketing orientation

Environment

Innovation

Competitive advantage

Success
Marketing Strategies and Innovation

Resources (Strengths)
- Natural resources
- Tradition and culture
- Environment and life’s quality

Market needs (opportunities)
Global market segment with available income, free time, information, knowledge and sensible to historical cultural and natural heritage

Competitive advantage

Speciality products
Niche Marketing Strategy

Innovation

Segment Identification/knowledge
### A Matrix of Niche Goods and Services in Rural Areas

<table>
<thead>
<tr>
<th>Rural Resources</th>
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</thead>
<tbody>
<tr>
<td><strong>Natural resources</strong></td>
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<tr>
<td><strong>Tradition and cultural heritage</strong></td>
</tr>
<tr>
<td><strong>Environment and amenity resources</strong></td>
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<table>
<thead>
<tr>
<th>Goods</th>
<th>Services</th>
</tr>
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<tbody>
<tr>
<td>- High quality vegetables and fruits</td>
<td>Toolmakers, outfitters and guides for hunting, fishing, camping and skiing</td>
</tr>
<tr>
<td>- Traditionally made cheeses</td>
<td>Hotels and inns</td>
</tr>
<tr>
<td>- Organic production</td>
<td>Restaurants serving local specialities</td>
</tr>
<tr>
<td>- Medical plants</td>
<td>farms</td>
</tr>
<tr>
<td>- Local Pickles</td>
<td>Ecological museums</td>
</tr>
<tr>
<td>- Dried Flowers</td>
<td>Natural Parks.</td>
</tr>
<tr>
<td>- Fish paste and dried fish</td>
<td><strong>Historical monuments</strong></td>
</tr>
<tr>
<td>- Mineral waters</td>
<td><strong>Traditional architectures</strong></td>
</tr>
<tr>
<td>- Dried fruits</td>
<td><strong>Local museums</strong></td>
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<tbody>
<tr>
<td>- Crafts such as ceramic and pottery</td>
<td>Historical monuments</td>
<td></td>
</tr>
<tr>
<td>- Jewellery</td>
<td>Traditional architectures</td>
<td></td>
</tr>
<tr>
<td>- Embroidery</td>
<td>Local museums</td>
<td></td>
</tr>
<tr>
<td>- Rugs</td>
<td>Local festival and folk dances</td>
<td></td>
</tr>
<tr>
<td>- Wooden toys and bowls</td>
<td>Restaurants serving traditional cuisine</td>
<td></td>
</tr>
<tr>
<td>- Traditional costumes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Flax knits.</td>
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</tbody>
</table>

- Attractive environments, good climate, clean air which may attract research centres and high technology enterprises
- Goods produced using local energy or scarce resources such as pure or mineral water
- Villages and rest -or retirement homes
- Health and fitness centres equipped with accommodation.

Source: Adapted from Lane e Yoshinaga (1994: 16),
Niche marketing Strategies and Innovation

INNOVATION

• Technological
• Image, markets
• Organizational

Marketing-Mix

Value
Creation/ Perception

BENEFITS

COSTS

Networks and favourable Innovation systems

Product
• Preserve and make more attractive rural resources

Distribution
• Facilitation of access

Price
• Lower cost of production

Promotion
• More effective and directed communication
Factors Affecting Innovation and Success of Small Firms

Entrepreneur

- Strategic choice and marketing orientation

Environment

Innovation

- Competitive advantage

Success
Factors related with entrepreneurial vocation in rural and peripheral areas

FIRST ORDER FACTORS

Lack of alternatives

Previous experience in the sector:
• Professional training
• Previous job
• Family business/activity
• Development of an hobby

Life experiences
• Studied in a different place
• Worked abroad
• Native of urban centres/other countries
• Frequent visits to other places
• Access to more developed social networks

Other demographic characteristics:
• Some level of literacy (not necessarily university degrees)
• Relatively young persons

SECOND ORDER FACTORS

Financial resources

Mental frames of reference:
• Global/enlarged vision of reality

Attitudes/behaviours
• Innovative and adventurous
• Pro-active attitude
• Active search of information
• Dynamism
• Achievement orientated
• Ambition

TYPE OF ENTREPRENEUR

OWNER ENTREPRENEUR

Criteria to evaluate success:
• Self-employment
• Supplementary income
• Make good use of endogenous resources
• Preservation of a traditional “know-how”

ENTREPRENEURIAL ENTREPRENEUR

Criteria to evaluate success:
• Creation of new employment opportunities
• Creation of wealth in the region
• Both preservation of a traditional “know-how” and innovation
• Link endogenous resources with exogenous markets
• Quality of the product
• Business growth
Factors Affecting Innovation and Success of Small Firms

- Entrepreneur
- Strategic choice and marketing orientation
- Environment
- Innovation
- Competitive advantage
- Success

Emergent (endogenous)  Induced (exogenous)
The role of institutional support

Barriers to rural entrepreneurship/development

- Scarce or inadequate financing
- Poor infrastructure
- Difficult accessibility
- Shortage of managerial skills
- Lack of entrepreneurial culture
- Difficulty in accessing or understanding information
- Shortage of qualified human resources
- Fragmentation of supply
- Lack of self-confidence

Measures to overcome Barriers

- Financial support
- Creation of infrastructure and improvement of accessibility
- Promote information and training
- Promoting a collective development strategy

Networks
The importance of networks

Success of some economies based on SME networking and access to information

"the key problem for small firms appears not to be that of being small, but of being isolated"

Pyke & Senberger (1990:4)
The role of networks

Networks = set of connections/relationships between actors

- Sources of information and learning
- Sources of new opportunities and potential creators of new ideas and projects (innovation)
- Allows access to various resources
- Build and maintain confidence and willpower promoting action
- Vehicle influence on the environment by promoting socio-political legitimacy and identification with the results
The threshold of interactions critical mass as a threshold between underdevelopment and economic development

- Number of firms/actors
  - Entrepreneurial process in rural and peripheral areas
  - Networking activities
- Auto-organised and auto-generative entrepreneurial process
- Critical mass interactions threshold
From ineffective to effective networks

Number of firms/actors

Auto-organised and auto-generative entrepreneurial process

Entrepreneurial process in rural and peripheral areas

Networking activities

(1) + (2)

Critical mass interactions threshold
Promotion of *local and global* networks

Local networks = spatially concentrated networks

**Clusters**

Social Capital

+ 

Global networks = links with *individuals / institutions* in more central and cosmopolitan regions

Territorial marketing
Governments and other collective stakeholders

Firms/Entrepreneurs

Niche Marketing Strategies

Territorial Marketing Strategies

TERRITORIAL STRATEGIC VISION

Strengths
- Natural resources
- Tradition and cultural heritage
- Environment and resources related with quality of life
- The importance of community ties.

Weaknesses
- Lack of human resources and necessary skills
- Lack of services and physical, social and economic infrastructure
- Higher operating costs
- Difficulties in financing and accessing information
- Seasonality
- Lack of self-confidence

Opportunities
- Global trends in demand
- Increased capacity of specialization and flexibility
- Lower capital requirements

Threats
- Desertification and land abandonment
- Disinvestment in the region due to lack of critical mass

From swot analysis to individual and collective strategy
“Querença” project

- **Aim:** territorial rescue
- **Target:** rural territories in risk of abandonment
- **Instruments:** young graduates available to live in those territories, expert voluntiers, public polices, partnerships between public and private organizations (1st, 2nd and 3rd sector)
“Querença” project

Objectives:
• Develop social and simbolic interaction
• Promote endogenous businesses

Process:
Three phases
- Project phase (9 months)
- Pós-project phase (3-6 months)
Querença activities

Mercado de Querença
tradição & bom gosto

Flores / Flowers
Maio 27 May

Junho 24 June
Chicharo
//WORKSHOP PINTURA EM TECIDO

SINÓPSSE
Inspire-se na temática do Mercado de Querença, as flores, e aprenda a pintar tecidos como o linho. Cada participante será responsável por embelezar uma parcela de tecido, e poderá levar para casa o seu trabalho e aplicá-lo em quadro ou adaptando a peças decorativas interiores.

INSCRIÇÕES
marketing@projectoquerenca.com | 289 422 607

INÍCIO 10h30 FIM 12h00

PONTO DE ENCONTRO 1.ª Igreja Matriz - Querença

PREÇO 5€

MÍNIMO DE INSCRIÇÕES 5
MÁXIMO DE INSCRIÇÕES 10

DATA LIMITE PARA INSCRIÇÕES 26 maio

FORMADORES Maria de Deus Alho
//WORKSHOP FLORES COMESTÍVEIS

SINOPSE
Esta é uma atividade lúdica e pedagógica com o objetivo de facilitar a identificação, cultivo, colheita e preparação de flores comestíveis e instruir os inscritos sobre o seu valor nutritivo e a sua utilização na gastronomia através de uma breve degustação.

INSCRIÇÕES
marketing@projectoquerenca.com | 289 422 607

INÍCIO 11h30m FIM 13h00

PONTO DE ENCONTRO Largo Igreja Matriz - Querença

PREÇO 5€

DATA LIMITE PARA INSCRIÇÕES 26 maio
MÁXIMO DE INSCRIÇÕES 20

FORMADORES Francisco Ferro
//FLORA PROCURA-SE! EDUCAÇÃO AMBIENTAL

SINÓPSE
De árvore em árvore, de flor em flor, de erva em erva, com a ajuda de uma caderneta é pedido que se procurem árvores, flores e ervas de forma a completar a caderneta fornecida. Com esta atividade terão oportunidade de conhecer várias espécies e ter contacto direto com a natureza. A caderneta depois de completa com flores, ervas e folhas de árvores apanhadas no campo será entregue para levarem para casa.

INSCRIÇÕES
ecoturismo@projectoquerenca.com | 289 422 607
INÍCIO 11h00 FIM 12h00
PÚBLICO-ALVO crianças dos 5 aos 12 anos
PONTO DE ENCONTRO Largo Igreja Matriz - Querença
PREÇO 3€
MÁXIMO DE INSCRIÇÕES 20
DATA LIMITE PARA INSCRIÇÕES 26 maio
FORMADORES Cátia Guerreiro e Joana Alho
“Querença project” is a case where we can found simultaneously:

- Social innovation
- Governance innovation
- Business innovation
6. Conclusions

- Sustainable entrepreneurship has a strong potential for the survival of rural areas.
- Most recent societal trends of society are favourable to the development of this sector.
- Still, rural areas have weaknesses and threats from its own status as periphery.
- Major challenges are to develop (endogenous) innovation capabilities and to integrate local economies in global economies.
- The development of effective local and global networks emerges as a central and facilitator issue in the process.
6. Conclusions (Cont.)

• It is important to develop a professional marketing approach together with sustainability concerns.

• The promotion of a successful strategy is dependent on individuals’ (entrepreneurs’) but also collective (represented by the government and other institutions concerned with the development of these territories) choices.
Thank you!

Anabela Dinis

Contact: adinis@ubi.pt