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***Theme 2***

***RURAL ENTREPRENEURSHIP – A TOOL OF RURAL DEVELOPMENT  
EVIDENCE FROM A PORTUGUESE RURAL COMMUNITY***

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Rural entrepreneurship in Europe is increasingly emphasised as a tool to mobilise the endogenous economic potential of rural territories (Baumgartner, Schulz, & Seidl, 2013). The growing attention of entrepreneurship in rural areas is influenced by a continual decline in its economic and social context, as reflected for example through the decrease and aging of its population, a lower skill base and lower productivity that then reduce the critical mass needed for effective services, infrastructure and business development, thereby creating a vicious circle (OECD, 2006). On the other hand, because rural areas are characterised by a unique cultural, economic and social fabric, an extraordinary patchwork of activities, and a great variety of landscapes (EC, 2015a), several opportunities have emerged in the last years, including increased demand for recreation and tourism and quality products from the food and light manufacturing sectors (Stathopoulou, Psaltopoulos, & Skuras, 2004). It is in this context that, almost everywhere institutions and individuals seem to agree on the urgent need to promote rural entrepreneurship. Development organisations see rural entrepreneurship as an enormous employment potential; politicians see it as a key strategy to prevent rural depopulation; farmers see it as an instrument for improving farm earnings; and women see it as an employment possibility near their homes which provides autonomy, independence and a reduced need for social support (Petrin & Gannon, 1997). The idea of regarding rural entrepreneurship as the key issue of development in rural areas comes from the endogenous

development theory (Akgün, Nijkamp, Baycan-Levent, & Brons, 2010), which considers rational and sustainable exploitation of the local resources of crucial importance (Shucksmith, 2000).

Endogenous development must be conducted at a scale appropriate to local environment and social resources and should ideally lead to increased partnership and synergy by the local people (Saxena, Clark, Oliver, & Ilbery, 2007). Indeed, economic activities need social relations, which in turn have an important role in terms of generating the trust necessary for economic activities to happen (Granovetter, 1985). In light of this, some researchers (e.g. Lyons, 2002; Stathopoulou et al., 2004) point to the importance of social capital in rural areas, that is, the ability of actors to take advantage of their social structures, networks, collaborations and ties (Woolcock & Narayan, 2000). In general terms, this is related with the embeddedness concept.

Despite the importance of rural entrepreneurship, research on the theme is a niche area of study and is often engaged in as secondary research projects by scholars interested in the field (McElwee & Smith, 2014). Moreover, the most researches on rural enterprise appear to be theoretical, with much of the literature framed in a theoretical perspective either through entrepreneurship theory or theories of family business (McElwee & Smith, 2014). Last but not least, a lot of studies stress a particular topic of rural entrepreneurship, such as entrepreneurs' demographic and psychological traits, organisation-related characteristics or policy measures and institutional frameworks (Pato & Teixeira, 2014) and very few investigate the theme using an integrated and multidimensional approach.

In Portugal, for instance, a country predominantly rural, in which 81% of the area is rural and which 33% of the population lives in these areas (EC, 2015b), if rural entrepreneurship is a tool to foster rural development, little research has been done in rural areas of the country, mainly in the peripheral ones. Because of this, through an in-depth and integrated perspective the study focuses on rural entrepreneurship in a peripheral and undeveloped Portuguese's rural community – *Campo Benfeito* (parish of *Gosende* and municipality of *Castro Daire*) in *Montemuro* Region – where familiar agriculture continues to be the main economic activity. Therefore, the present research work aims to explore the impact of entrepreneurial initiatives in the village, mainly their contribution for the welfare of rural population. At the same time it aims to investigate the creation and establishment of networks between different stakeholders, including other regional entrepreneurial initiatives in *Montemuro* Region, local population and local administration.

The work uses a case-study approach. Being qualitative in nature, it allows to investigate the phenomenon more deeply. Moreover, the case study implies the use of diverse information sources. In this case semi-structured interviews toward different stakeholders, specifically local rural entrepreneurs (e.g. women of one local cooperative, men of the regional theatre and promoter of one rural lodging unit), local population and local administration are used. The guidelines for the interviews are based on the literature review, mainly on rural entrepreneurship and endogenous development theory and their concepts – social capital, social ties, role of institutions and culture, local and regional embeddedness, among others – and refined in group discussions amongst the two researchers involved in the study. These interviews are complemented with the use of documental analysis (e.g. electronic documents about rural initiatives in the village and their ties within different stakeholders) and observation in the community studied.

Our findings show that in the community, there are some endogenous entrepreneurial initiatives that seem to foster rural development. For example, the cooperative of women *Capuchinhas do Montemuro* that produce fashion and home textile products, based on local materials and traditions; an internationally well-known company of theatre – *Teatro Regional de Montemuro* – responsible for some annual cultural festivals, such as ‘Altitude festival’; and, a lodging unit of rural tourism that is embedded in local environment.

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