



# CRER

## An integrated methodology for the incubation of business ideas in rural communities in Portugal

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### Abstract

**Purpose** – The purpose of this paper is to present a methodology for incubating business ideas in rural communities in Portugal. The work provides an example of a bottom-up approach to rural entrepreneurship.

**Design/methodology/approach** – The paper analyses case study of an entrepreneurial support organisation conceived and used in rural European regions and aiming at local development through entrepreneurial boost.

**Findings** – Although the methodology for incubating business ideas was adapted from a similar situation in France, its originality comes from the description of how the awareness of local specificities requires a calibration of the framework.

**Research limitations/implications** – The case study is the outcome of a pioneering study of incubation of business ideas in rural areas. Further research needs to be taken in order to claim generalisability of these findings to other less favoured target groups.

**Practical implications** – The incubation of business ideas can be used to encourage local development in declining rural regions. It is important to calibrate the framework used to the local/regional reality.

**Originality/value** – Apart from being innovative in providing a supportive entrepreneurial infrastructure with mentoring people-based support in the creation of new firms in rural areas, it is also a nation-wide entrepreneurial service innovation.

**Keywords** Entrepreneurship, Portugal, Rural areas, Business formation

**Paper type** Case study

### Introduction

Entrepreneurs perceive and pursue opportunities and create new business around them. They help to create new jobs and wealth for them as well as for others. In sum, entrepreneurs are crucial for the development and success of any economy.

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In rural and other less-favoured areas with weak infrastructural facilities, relative remoteness to main markets, disadvantaged populations, relatively low income and a fragile economic fabric, new ventures are even more needed in order to diversify the economy and to increase welfare. Rural entrepreneurship can play an important role in creating new jobs, income and wealth and thus combating the main economic and environmental weaknesses of rural communities. Consequently, the creation of new ventures seems mandatory for an integrated development to happen.

In order to enable entrepreneurship, rural communities must overcome a significant obstacle to new firms creation and socio-economic growth: the limited support of adequate entrepreneurial service infrastructures. There are several types of those infrastructures with different mission and aims, and there are differences in the way the regions are served in terms of specialised and flexible instruments supporting entrepreneurship.

Taking this into account, the objective of this paper is to present a case study describing one model of supporting rural entrepreneurship in Portugal: the creation of enterprises in rural areas (CRERs) methodology, which was developed taking into account:

- the conception, realisation and operation phase of the entrepreneurial process; and
- the appropriation of the methodology followed by *couveuses* in France.

The CRER methodology involves, among other things, the incubation of new business ideas, which is new both to the region in which it was implemented as well as to the rest of the country.

After this introduction, the next section of this work reviews the concept of entrepreneurship and its relationship with local development. While the third section addresses the specificities of rural entrepreneurship, the fourth section reviews the contribution of service organisations in fostering entrepreneurship in rural areas. The fifth section characterises Association for the Rural Development of Montemuro's (ADRMAG) region and its entrepreneurial profile. The sixth section defines *couveuses* in France and mentions the appropriation of *couveuses* in Portuguese territory and in particular in ADRMAG's area. The next section provides the CRER methodology that intends to foster entrepreneurship in ADRMAG's region in Portugal. The concluding section included initial policy recommendations and areas for further research.

### **Local development and entrepreneurship**

Entrepreneurship has always been the outcome of an intrepid, innovative project of a committed person, called entrepreneur. The study of the entrepreneur is well documented (Cantillon, 1755; Schumpeter, 1912; Veciana, 1999) as founder and manager of firms and his/her capacity to assume risks and make things happen.

The concept of entrepreneurship is still an open issue and business practice tends to debate who real entrepreneurs are (Drucker, 1985). As the Organization for Economic Co-operation and Development, OECD (1998) contends that entrepreneurship is crucial to reconcile economic success and social cohesion we will follow the concept put forward by Zacharis *et al.* (2000) that defend that entrepreneurship is any attempt to create a new business enterprise or to expand an existing business by an individual or team of individuals.

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The OECD (2004) considers that entrepreneurship and the creation of enterprises play a structural and dynamic role in terms of job creation, innovation and economic growth, poverty alleviation, creation of social opportunities and empowerment of the less favoured and marginalised social groups.

Entrepreneurship has various territorial dimensions relevant for policy and it is strongly affected by local and regional, economic, social and institutional conditions (OECD, 1998). Specific factors at local level can encourage entrepreneurship through local entrepreneurial support organisations (ESOs) measures and programmes designed and implemented by local authorities and institutions such as: business incubators, advisory and information services, business networks, loan guarantee consortia, information brokerages for informal venture capitalists, training schemes and entrepreneurship awareness programmes.

Entrepreneurial activity is not alike in all countries, regions and cities: entrepreneurship is conditioned by various factors, settled in the behaviour, motivations and knowledge of the individual, but it is dependent on the opportunities and available resources and on the conditions of environment (Stathopoulou *et al.*, 2004).

The existence of a favourable economic environment is not going, by itself, to provide an entrepreneurial activity – a country must create conditions and facilities for the development of entrepreneurship and entrepreneurs (Busch and Juska, 1997). For entrepreneurship to flourish a number of conditions must be in place, such as financial resources, strong educational and training facilities, efficient infrastructures, uniform commercial law and limited regulations, equal opportunity, low taxes and tax incentives free trade, support from large corporations, research facilities, industrial zones, public-private partnership and encouragement and support from society (Velasco, 2003).

The process of economic development is complex and involves many actors, including small and big enterprises, several levels of governments and a combination of all this actors (Malecki, 1997). The elements of the local and regional economic structure – labour, industry and social characteristics – explain some geographic variations in innovation and entrepreneurship.

The ideal environment for entrepreneurship is where enterprises can take advantage of the agglomeration and proximity to use sources of information, qualified labour, technology and capital. Rural areas are far from this ideal environment as networks are poorly developed, innovative activities are not part of the local culture and enterprises struggle to become more competitive (Keeble and Tyler, 1995). There is an intimate relation between entrepreneurship and economic and social development (Malecki, 1997): the innovation developed inside local networks supports the existent enterprises and presents new opportunities for entrepreneurs to initiate a new business and to serve new markets.

Recently, practitioners and analysts working on entrepreneurship place considerable importance to the development of social capital and a culture of supportive of entrepreneurial venture. Social capital is understood as:

[...] networks, trust, working through partnership, spatial communities, common culture and norms, transfer of experience and mobilisation. Horizontal cooperation is shown to be more effective and trust more evident between same level institutions or groups of people at horizontal level (Parissaki and Humphreys, 2005, p. 7).

Social capital can contribute to promote employment and social cohesion, to foster equal opportunities between men and women and it is also relevant for enterprise creation, particularly in the social economy. The interaction between individuals

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within formal and informal networks builds trust, communication, participation and a cultural dimension and the involvement in social networks affects positively the economic development: the level of entrepreneurship and consequent economic growth, employment and social inclusion (Mandl *et al.*, 2007).

Thus, the social capital presented in certain areas can provide and contribute for the development of entrepreneurship, employment, social inclusion and economic growth. The partnership and the transfer of experiences between entities from different regions and with distinct competencies and practices are crucial for the regional development and innovation.

### **Specificities of entrepreneurship in rural areas**

Although rurality may be defined using terms as population density, rate of population outflows and inflows, settlement size, local economic structure and landscape (Skuras, 1998), it can be addressed as a set of rules and resources existing in a certain space and drawn upon discursive and non-discursive actions (Halfacree, 1995).

Rural areas across Europe are physically, socially and culturally diverse. This diversity is due to geographic and topographic factors and characteristics of the population (Mandl *et al.*, 2007). Two realities are related to rurality: on the one hand, more developed rural areas, characterised by their relative proximity to main economic markets and on the other hand, remoter areas, characterised by depopulation, infrastructural inadequacies, high dependence on farming and a weak industrial fabric. As a consequence, rurality has obstacles and opportunities for entrepreneurship to occur as well as alter both the entrepreneurial process and outcomes (Stathopoulou *et al.*, 2004).

In this work Wortman's (1990) definition is followed and a rural entrepreneur is someone who creates a new market, or utilises a new technology in a rural setting, which is wide enough to include all entrepreneurs of a rural region and all less-favoured and marginalised social groups.

If launching new firms is a difficult issue in the entrepreneurial process, the problems are highlighted to rural entrepreneurs due to three types of problems related to social and economic structures and to the physical environment.

The low population size/density and remoteness make it difficult for rural entrepreneurs to achieve economies of scale or critical mass (Lichtenstein and Lyons, 1996). The difficulties of remoteness impose a high transaction cost to rural businesses because it limits accessibility to suppliers, customers, new markets and social capital of urban and sub-urban communities. The difficulties of low population size and density are also important in hindering the development of the social capital fabric and the qualitative characteristics of the civil society and activities of other more developed areas, which jeopardises the operation of businesses and their networking activities (Knack and Keefer, 1997).

The social and economic composition of rural areas affect rural entrepreneurship as the rural economy is characterised by a strong focus on agricultural, natural resources extraction and simple manufacturing activities. As a consequence, of this lack of diversified economic activities, under-developed rural areas are becoming embedded in their own culture and traditions, which hinders the entrepreneurial behaviour (Wall *et al.*, 1998).

Another socio-economic obstacle for rural business to overcome is the low skill levels, the lack of skill diversity and the mismatch between available jobs and people of

rural communities *vis-à-vis* to more developed urban milieus. Consequently, there is a strong pressure for skilled people to find better job conditions outside the rural community, which lessens the probability of socio-economic interaction with other regions. On the other hand, public and support institutions need to recruit skilled labour from outside the milieu, which is normally not very attractive for skilled people and thus makes public and civic assistance less plentiful.

Location is a major feature of the physical environment as it is related to main markets, suppliers and partners, which imposes uncompetitive transaction costs to rural businesses as mentioned before. The presence of natural resources is another feature of the physical environment with obstacles and opportunities.

The presence of natural resources is gradually considered as good news for rural economies as they generate jobs and other economic opportunities for the local economy. Nevertheless, these natural resources are often shipped out to other regions for further processing and manufacturing leaving rural areas with low added value opportunities and thus creating economic externalities in other regions.

Finally, the presence of landscapes and other environmental and cultural features are important economic drivers for exploiting rural/local potential (Ray, 1998) as long as a proper marketing plan is implemented exploring the qualities of tradition, craftsmanship, nature, place and culture (Howe *et al.*, 1997).

According to Stathopoulou *et al.* (2004) the rural entrepreneur is influenced by the effects of rurality on the entrepreneurial process in such a way that they propose a three-stage sequential process separating the conception, realisation and operation of new ventures. In the conception stage, the entrepreneur's main concern seems to be with the perception and development of new economic opportunities. In the realisation stage, the entrepreneurial decision is focused on the exercise and execution of the perceived opportunity. Finally, in the operation stage, the entrepreneur is concerned with the market, financial and profit and personal outcomes.

The characteristics and needs of the rural entrepreneur throughout the whole process are not only varied, but also change with time. This dynamic perspective places a heavy burden for entrepreneurs of disadvantaged areas that have to establish a new venture as well as for ESOs that must provide prospective entrepreneurs with expanded specialised offering in order to get entrepreneurs "ready" to start their own businesses.

### **Fostering entrepreneurship in rural areas**

Although the complex web of barriers to rural entrepreneurship is clear, the picture differs from region to region according to the degree of the fragility of the socio-economic fabric of the rural community.

Innovation governance is important to foster innovation and entrepreneurship. Nevertheless, the set of institutions and actors developed by central/regional governments to tackle social and economic issues have their own potential and economic agenda. As a consequence, some rural ESOs play a crucial role in the creation of environments that stimulate and support rural entrepreneurs in their own communities taking into account local rural specificities.

Although the literature is well documented with a diversity of ESOs, their specific rural entrepreneurial role is not well acknowledged or documented. According to Markley and Macke (2003) the key attributes of ESOs are the following ones:

- They are first centred on entrepreneurs and only then on the business activity.
- They build entrepreneurial support systems to help entrepreneurs to develop business ideas, create viable enterprises and grow sustainable businesses within the rural community.
- They help build entrepreneurial environments with the support of public and private sectors.
- They are strategically focused in meeting the needs of rural entrepreneurs.

ESOs are multifaceted and as varied as the local communities they serve. Some ESOs address poverty, economic development, community improvement, social justice and sustainable development. Although ESOs are generally non-profit organisations they may be associated with educational and local government institutions.

If ESOs are to succeed they must enable the creation of enterprises. Thus, the following activities seem to form the practice of high performing ESOs (Markley and Macke, 2003):

- Identification, engagement and support of local entrepreneurs to create successful ventures.
- Networking and mentoring the networking infrastructure.
- Helping entrepreneurs access capital necessary to start and grow their businesses.
- Engagement and support in perceiving and evaluating market opportunities.
- Providing access to technical assistance (training, networking, mentoring, counselling, skills building, etc.).
- Engagement in some form of long-term entrepreneurial facilitation.

### **Entrepreneurship and business creation in “ADRMAG’s area” – Centre/north of Portugal**

ADRMAG is a non-profit rural development association, created in 1991, whose main goal is the promotion of local development. Since 2003 ADRMAG has been developing projects in the field of entrepreneurship and business creation. The projects are co-financed by EQUAL Community Initiative and are developed in partnership with local and regional entities, depending on the activities that are needed to achieve the objectives and results of the projects.

ADRMAG’s area has seven municipalities (Arouca, Castelo de Paiva, Castro Daire, Cinfães, São Pedro do Sul, Sever do Vouga and Vale de Cambra) and is located between Douro and Vouga Rivers, as shown in Figure 1. ADRMAG’s region integrates the massifs of Montemuro, Arada and Gralheira.

This territory is located in the Centre/North of Portugal and it is a mountainous and agricultural area with 1,688 km<sup>2</sup>, with beautiful landscapes and high environmental quality, used often for adventure and radical sports. The area has a rich historic and cultural patrimony, regional products and typical gastronomy with strong potential for tourism development (Moreira, 2006).

ADRMAG’s territory has municipalities with rural characteristics and it is a debilitated and disfavoured economic area, according to Programme for Recuperation of Disfavoured Areas and Sectors, promoted by the Ministry of Economy in 2004. All the municipalities that belong to ADRMAG’s territory are integrated in the



**Figure 1.**  
ADRMAG's area

“less-favoured Portugal”, with a per capita gross domestic product below 75 per cent of the national rate (Ministério da Economia, 2004).

Although the distance to main cities and to highways is short, the intermunicipal access is poor due to sinuous and mountainous roads, which complicate the access between municipalities and main roads. There is no integrated transportation system, which makes it difficult for travellers to cut across the region as the main means of transportation is the personal car.

In what concerns population, this region presents a negative growth rate (–1.7 per cent) though with some disparities between municipalities. This negative growth rate is more notable in the villages located in the inner part of the region and with difficult accessibilities (ADRMAG, 2004).

The region has an ageing index 6.1 per cent larger than the national index, the level of education is lower than the national level and the unemployment rate is larger than the national average (ADRMAG, 2004).

Besides, the demographic aspects that contribute to rural and disfavoured characteristics of this region, there are also other barriers that need to be surmounted in order to promote innovation, entrepreneurship and business creation in the region.

The region suffers from the typical risk aversion of individuals with low social capital, as defined by Whiteley (1998), and is steeped in cultural traditions in which trust and reciprocity is not rewarded (ADRMAG, 2004). The lack of alternative ways to finance and support the creation and development of new enterprises does not enable the diffusion of innovative and entrepreneurial initiatives: there is a lack of training and personalised support to give and promote competencies in the field of business creation. As a consequence, of this portrait there is a strong need to foster entrepreneurship and innovation.

The economic backbone of ADRMAG's region is composed of micro, small and medium-sized firms (Moreira, 2006). While entrepreneurship is discussed at national

policy level, few rural areas have been able to address entrepreneurs at the centre of the strategic development of rural milieus.

ADRIMAG's region has a very poor set of ESOs operating throughout the community. For example, business and innovation centres, technology development centres and incubating centres are quite scarce or non-existing hindering the entrepreneurial process. The available centres supporting entrepreneurial activities are understaffed and underbudgeted and lack a dynamic, entrepreneurial flavour.

In questionnaires developed among prospective entrepreneurs the following obstacles were identified (ADRIMAG, 2004):

- poor access to capital;
- lack of industrial space;
- poor business logistics;
- lack of institutional support;
- heavy administrative and bureaucratic burdens; and
- lack of information about support and programmes for business creation.

In order to overcome the identified barriers of entrepreneurship and business creation, ADRIMAG, in partnership with local and regional institutions, decided to promote a project named CRER[1] with the following main objectives:

- The creation, in rural areas, of a structure to test business ideas, through the adaptation and incorporation of methodologies and instruments developed abroad, namely the *couveuses* and *Boutiques de Gestion* in France.
- The identification of business opportunities in ADRIMAG's area, linked to the resources and potentialities of the territory: tourism, agriculture and handicraft.
- The selection of people with entrepreneurial and professional profiles to develop business ideas.
- The training of development agents with the promotion of sessions and thematic workshops to exchange experiences and information with partners.
- The organisation and definition of the methodology that will be implemented in the structure.
- The support, advice and training to entrepreneurs based in a mentoring methodology developed by the partnership of the project.

### **Appropriation of *couveuses* to Portuguese context**

#### *Couveuses in France*

The *couveuses* emerged in 1995, in France, due to:

- the entrepreneurs' need of support and follow up; and
- the lack of entrepreneurial culture and financial support to create new enterprises.

They give a juridical and legal framework to entrepreneurs which allows them to have their economic activity: the *couveuses* organise a real test of business activity, giving entrepreneurs the necessary conditions to analyse the pertinence and economic viability of their projects, with the support of partners and finance, and giving them the

opportunity of evaluating their capacities to develop their projects and decide about the creation or not of the enterprise (Martins, 2007b).

A *couveuse* is a structure that allows the reduction of risk and protects the initial phase of a business activity. On the one hand, it optimises the success possibilities of an entrepreneurial project, giving the promoters the learning about the “entrepreneur’s profession”: the entrepreneurs get used to the emission of invoices, the manipulation of information and studying the market. On the other hand, it gives entrepreneurs the possibility of testing the commercial viability of their project. The added value of the *couveuses* is to permit, before the formal creation of the firm, the test of a business in real context, giving the entrepreneur:

- a legal and secure framework;
- the possibility of learning about her/his business; and
- a network of new contacts.

Although the *couveuses* in France exist since 1995, their legal experimentation started in 2000, which was given by the French Ministry of Employment and Solidarity, through a circular letter from General Delegation of Employment and Professional Training, in 26 June 2000. The *couveuses* concept has the support of a law, created in 2003 which started to be implemented in July 2005, after the publication of an edict on May 2005 for appliance of the “CAPE” – support contract to the creation of an enterprise (Martins, 2007b).

A *couveuse* is an ESO that allows the test and experimentation of a business idea, without the need of a formal creation of an enterprise. The beneficiaries of this social economy structure are, mainly, unemployed people, young people, disabled people, woman and individuals without entrepreneurial spirit. Besides, the test of a business activity, the *couveuses* also foster the promotion of the entrepreneurial culture of their target groups, because they give a global follow up support oriented to the needs of their beneficiaries. Being an instrument that allows the social and professional insertion and training of disfavoured groups, it becomes indispensable for local development, the creation of new enterprises and promoting new wealth (Martins, 2007b).

#### *Appropriation methodology*

Initially, the objective of the CRER project was to transfer, to the Portuguese territory, the *couveuses* methodology, in order to create an ESO to allow the test and experimentation of new business ideas.

The representatives of the CRER development partnership (DP) made several study visits in order to get acquainted and to see *in loco* the development and activities of *couveuses* and *Boutiques de Gestion* in France. As the *couveuses* and the *Boutiques de Gestion* have different missions and aims – whilst *couveuses* support entrepreneurs in the testing and experimentation of business ideas, the *Boutique de Gestion* is oriented to support entrepreneurs with the elaboration and finalisation of the business – the DP concluded that the transference and incorporation of the *couveuses* methodology to the Portuguese environment was not sufficient because the intertwined actions of both institutions were missing in ADRIMAG’s territory. Owing to the lack of ESOs in the region, the partnership decided that the version of the Portuguese *couveuse* would need to integrate as well a support methodology to help all potential rural entrepreneurs with the definition and development of the new business.

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It is important to mention that CRER methodology also combines the entrepreneurial profile used by ENTRE partner Syntra Flandres which identifies seven competencies for an entrepreneurial profile: commitment, strategy, organisation, networking, opportunity development, training and sustainable development. With the definition of the competencies were created screening instruments to identify the entrepreneurial competencies of CRER beneficiaries, in order to recognise and validate their competencies.

The appropriation of the methodology was implemented with the help of study visits and taking part in workgroups (Martins, 2007a), during the activities of an ENTRE project – the transnational component of CRER project – developed in partnership with entities from Belgium, the Czech Republic and France.

### *Difficulties and obstacles*

The appropriation of the methodology was a difficult and long process. The innovation and complexity of the *couveuses* methodology demanded a very hard work, in order to adapt and to create all the instruments needed for the development of the methodology. The adaptation of the business creation process in order to integrate the new phase of test and experimentation of business ideas was crucial.

Despite that, the DP found some obstacles concerning legislation about the structure and the status of the entrepreneur during the phase of test and experimentation (Martins, 2007a).

Regarding legislation, there were two kinds of problems: one concerned with the institutions and other concerned with the potential entrepreneur. Institutionally, prior to this project, there was no legislation regarding ESO providing services of testing and experimentation of business ideas. Regarding the entrepreneur, the Portuguese legislation does not allow an unemployed person to receive social benefits while exercising a new business venture, even in the test and experimentation phase of the new firm creation process.

### *Solutions*

During the phase of experimentation of the methodology, it has been very difficult to explain to entrepreneurs the methodology during the phase of test and experimentation because of the innovation of the methodology in Portugal. The status of the entrepreneur during the test was also difficult to define due to the specificity of the test and the support legislation (that already exists on France).

In order to overcome these two difficulties the DP decided to create a non-for-profit association to help entrepreneurs in the test and experimentation phase, namely, substituting the entrepreneurs in the case of invoices and receipts.

The solution found taking in account the status of the entrepreneur was that the entrepreneur would be a trainee during the test and experimentation phase of the business idea. This allowed circumventing the gap of the Portuguese legislation that encourages all unemployed to receive training during their unemployment period.

Concerning the legal status of the Portuguese *couveuse* the decision of the DP was to create an association because it could do all the activities and promote all the services of an ESO. In France, the *couveuses* also have the juridical form of an association (Martins, 2007a).

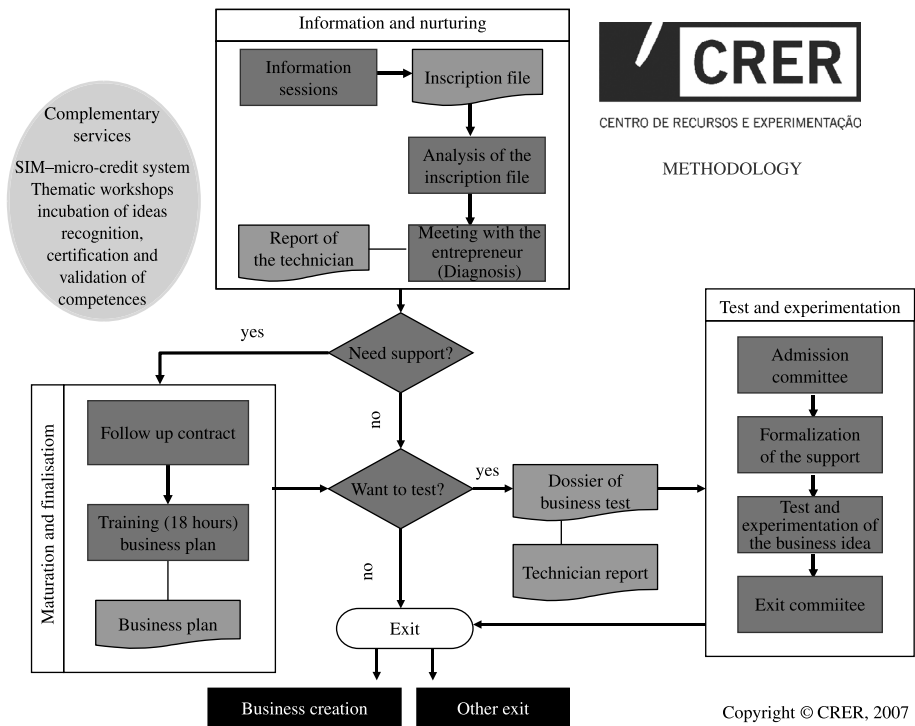
**CRER methodology**

The main result of the *couveuses* appropriation was CRER methodology that integrates then a support mechanism for both the elaboration of a business plan and the test and experimentation of businesses before the creation of the new enterprise, which is a blend of several methodologies used both in France (*couveuses* and *Boutiques de Gestion*) and in Portugal (ANJE and BICs). The Portuguese DP also incorporated some contributions of an integrated system to support entrepreneurs (SISE), developed by the GLOCAL Portuguese EQUAL project, which incorporates a micro credit system (SIM) in order to support entrepreneurs in financing the creation of their enterprises.

The CRER methodology was developed to support rural entrepreneurs in an integrative way throughout the following three different phases, as shown in Figure 2:

- (1) Information and nurturing entrepreneurship and business creation.
- (2) Maturation and finalisation of a business plan.
- (3) Test and experimentation of business ideas.

Each phase involves different actions with several tasks. Each action has instruments and procedures in order to help the CRER development agent in supporting the potential entrepreneur throughout this phase. All the instruments were adapted from the existent instruments of the abovementioned methodologies and institutions.



**Figure 2.**  
CRER methodology

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As it is clear from Figure 2, the only compulsory phase in which the prospective entrepreneur must participate is the phase of information and nurturing and according to the diagnosis of the entrepreneur/idea/project the entrepreneur can proceed either to other phases or to create his/her own business elsewhere.

The entrepreneur's support is given by the CRER project technicians/tutors that have produced all the CRER project instruments and methodology. They have participated in a training course, named FACE – train the tutors/trainers for the creation of enterprises and entrepreneurship – planned and promoted by one of the project partners, according to the competencies and abilities that are required to give the entrepreneur all the support.

All the methodology was designed to facilitate the entrepreneur's work and adapted to the entrepreneur's needs and motivation.

### *Information and nurturing*

The phase of Information and Nurturing is the initial phase of the process of rural entrepreneurial support. In this phase the entrepreneur is interviewed and her/his business ideas are assessed. A file is prepared with the entrepreneur's personal motivations, his/her business ideas and an analysis of his/her needs in terms of support or resources.

The objective of the interview is to analyse the entrepreneur profile, his/her technical and personal competencies, the business idea, the business viability and the possibility of supporting the entrepreneur in the next phases. This action is the most important in the whole follow up process as it ends with a business check-up about the entrepreneur/idea/project concerning the type of support the prospective entrepreneur will be given (or not) during the following phases of the process.

Clearly, all entrepreneurs must go through this stage as the diagnosis, as well as other instruments, will reveal the potentialities of the entrepreneur/idea/project.

### *Maturation and finalisation*

The phase of maturation and finalisation is the phase of elaboration of the business plan. This phase begins with the establishment of a contract between the entrepreneur and the CRER institution, in order to define the duration and the terms of the support and training.

The training/support is composed by nine sessions of training and individual support, in which the technician/tutor supports the entrepreneur in the elaboration of the business plan. This support methodology was based on the methodologies followed by *Boutiques de Gestion* and GLOCAL/SISE project.

The sessions are supposed to last for three months (four months maximum), according to the available time of the entrepreneur and the tutor. This amount of time allows the entrepreneur to prepare the business research and to collect the necessary information to develop the business plan. The tutor helps the entrepreneur with the search and collection of information, and the training received by the entrepreneur is expected to help him/her with the preparation of the business plan.

By the end of this phase, the entrepreneur must have a business plan, an investment plan and a financial plan and must understand, explain and defend its contents to third parties.

*Test and experimentation*

The experimentation and test is the most innovative phase of all the process: it allows the entrepreneur to test the business idea, before the formal creation of the enterprise. This phase is the adaptation of the *couveuses* methodology to the Portuguese territory. It can be considered a radical innovation as it was not legally possible in Portugal to incubate business ideas before the beginning of this project.

The entrepreneur will have the support of the CRER structure and his/her tutor in all main business areas: accounting, finance, marketing, communication, image, infrastructures, etc.

Before the formal admittance to the CRER structure for incubating the business idea all the documentation prepared during the previous phase needs to be approved by the CRER Admission Committee. The entrepreneur, with the help of a tutor, must define the objectives the new venture is to achieve during the test and book a file with the business plan for the Admission Committee to approve. The tutor must analyse this file and check that all procedures and criteria of entry are fulfilled to incubating the new business idea. The admission criteria are based both on the potentiality of the entrepreneur and on his/her business plan.

The Admission Committee is composed by all members of the CRER board of directors. Some CRER partners and other invited entities can also participate in the Admission Committee, which has the final call in the admission of the entrepreneur to the test phase.

After the approval a contract must be signed by CRER representatives and by the entrepreneur and must contain the objectives that the entrepreneur wants to achieve, as well as the competencies, duties and rights of the members.

During the test and experimentation, the entrepreneur has the opportunity to test his/her business without the formal creation of the firm. The entrepreneur will have administrative support from the CRER structure, which will be responsible for the emission of invoices and receipts during this phase.

Regular meetings are expected to take place between the tutor and the entrepreneur throughout this phase. Regarding accountancy, the entrepreneur must analyse all accounting incoming and outgoing documents, expenses, sheet balances, funds, etc. Regarding commercial issues, the entrepreneur receives support in the preparation of all communication and image instruments, the promotion of the activity and in the assessment of the monthly sales.

A balance of the entrepreneur's competencies is going to be prepared regularly in order to assess the activities developed and the results obtained during this phase.

Taking into account both the business idea and the entrepreneur's evolution, the committee will make some suggestions about the entrepreneur, the business idea and the project in order to a successful new venture can be formally created.

Table I shows some figures of the achievements obtained by the CRER project. During the project there were 38 potential entrepreneurs attending the CRER project facilities, 18 males and 20 females. In total there were six new firms created by nine entrepreneurs.

**Table I.**  
Main results of CRER  
project

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Information and nurturing	38
Maturation and finalisation	11
Test and experimentation	1
No. of firms created	6

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Only one individual has been through the phase of the test and experimentation phase, which is the incubation of new ideas.

Clearly, the figures obtained were larger than originally expected. Unfortunately, as it was the first experience in Portugal it is difficult to comment such results. Regretfully, it is not possible to compare the results with the *cowveuses* in France because:

- the target groups in France and in Portugal were different; and
- in France there are more than 50 *cowveuses*[2].

With 106 places for the reception and follow up of potential entrepreneurs, whereas in Portugal there is a single structure similar to *cowveuses*.

### Conclusions and challenges for the future

The CRER partnership, a non-profit ESO promoted by private and public institutions, developed the CRER methodology. Its innovation is related with:

- the integration of different phases in the support of business creation and entrepreneurship that rural entrepreneurs can use according to their needs and goals; and
- the possibility to test and experiment a business without the formal creation of an enterprise.

In short, it is a business ideas incubator with a hands-on approach to training prospective entrepreneurs, which is an action oriented to supporting prospective entrepreneurs before the actual creation of the new business.

The combination of different actions contributes to overcome the obstacles identified by potential entrepreneurs in the preparation of the project: poor access to capital; lack of institutional support; heavy administrative and bureaucratic burdens; lack of information about support and programmes for business creation. The specificities of the CRER methodology and the incorporation of a micro-credit system also contributes to the creation of a “real” ESO in the region, with all the activities mentioned by Markley and Macke (2003), that are needed to be the a high performing ESO.

It is also important to mention that the methodology is focused on the needs of rural entrepreneurs, not only those related to competencies but also those related to conciliation and proximity to entrepreneurs. This support is just the first step of future challenges that stretch out ahead of the entrepreneurial development path. Among those challenges the following ones are the most pertinent:

- *Increased funding.* In order to provide high-quality oriented results additional resources are needed to expand the service offerings as well as to enhance the service to other entrepreneurs in neighbouring localities and regions. New resources are also mandatory in order to provide small grants to entrepreneurs for the step ahead of the new venture: the formal (legal) creation of the new firm, which for all purposes is the final objective of the entrepreneurial process.
- *Increased training.* In order to create an entrepreneurial mentality rural leaders must consider the expansion of education offering for the following segments: youngsters and adults. Vocational schools and adult training institutions should add entrepreneurship training to their curricula in order to foster a brand new mentality.

- *Networking*. Essential to attract a strong base of regional entrepreneurs and to expand the concept throughout the whole region. Networking is also important to attract entrepreneurs from vocational schools and to involve other service providers as business incubators, funding institutions and business associations. Those networking activities can provide entrepreneurs with expanded offering opportunities as well as with opportunities to explore other markets.
- *Credibility*. In order to deal with rural entrepreneurs and to create a sense of belonging a “no wrong door” programme should be deployed to avoid the inconveniences of sending prospective entrepreneurs to other service providers without providing proper assistance. This credibility certainly requires a robust networking relationship with other service providers in the region.
- *Diversification*. Although the concept was developed taking into account rural entrepreneurs its application to minority groups – as Portuguese speaking African immigrants, Ukrainian immigrants – less favoured communities – women entrepreneurs – as well as to incubation of business ideas in universities and research institutions can easily be deployed.
- *Dissemination*. The result of the project in an “EQUAL product[3]” than can be disseminated and transferred to other institutions that give support and training to potential entrepreneurs, due to the explanation of the methodology and existence of instruments that can be easily used and/or adapted by their technicians.

As mentioned before, this methodology was developed taking into account rural entrepreneurs. Consequently, the adaptation of the methodology to other regions and target groups should be done taking into account different specificities and realities.

### Notes

1. In Portuguese the word *crer* means to believe. It has an homophonous word, *querer*, that means to want, to desire.
2. More information available at: [www.uniondescouveuses.com/intranet/document/section129/Rapport\\_socital\\_2007.pdf](http://www.uniondescouveuses.com/intranet/document/section129/Rapport_socital_2007.pdf)
3. “Products are visible outputs of EQUAL projects that add value and function as means of support or solutions for problems facing Development Partnerships or intermediate or final beneficiaries. They are essentially technical and pedagogical resources or tools that support the action that materialize and systematize strategies, processes, methodologies, etc.” [http://ec.europa.eu/employment\\_social/equal/data/document/0706-msf-pt-leaf\\_en.pdf](http://ec.europa.eu/employment_social/equal/data/document/0706-msf-pt-leaf_en.pdf)

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