

# Chapter 1

## Entrepreneurship and Innovation in Low– Density Territories: An Overview of the Centro Region of Portugal

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### ABSTRACT

*Due to ongoing and future world challenges, low-density and rural territories (LDTs) are suffering more and more from unequal economic and social development. Those are characterized by several structural weaknesses that affect their economic and social development as in a vicious circle of decline. Both policymakers and scholars recognise the importance of having more systematic support to entrepreneurship and innovation practices in order to foster the local development of these territories. In Portugal, LDTs cover 75% of the territory but only 19% of the Portuguese population. This chapter aims to contribute to the literature on this topic by providing an overview of the entrepreneurship and innovation in Portuguese low-density municipalities through the analysis of existent literature, policies, data, and best practices in this field, through an in-depth analysis of the Portuguese Centro region. Several recommendations for policymakers are made and several clues for future research are provided.*

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## INTRODUCTION

Due to ongoing and future world challenges, low-density and rural territories (LDTs) are suffering more and more from unequal economic and social development. These territories cover 75% of the European surface but correspond only to 25% of the population. These regions are characterized by several structural weaknesses that affect their economic and social development and keeps them trapped in a vicious circle of decline. The increasing ageing population, out-migration and urbanization lead to a reduction of the available human capital and critical mass, which is needed to maintain collective infrastructures and services. Besides, the low qualification and lack of young talent do not encourage investments in innovation and entrepreneurial activities, leading to a decline of opportunities to do business within these territories (Fortunato, 2014; Korsgaard, Ferguson, & Gaddefors, 2015; Organization for Economic Co-Operation and Development (OECD), 2018).

Since the economic fabric in LDTs is mainly composed of self-employment and small businesses, entrepreneurship and innovation play a key role in regional competitiveness and sustainable development (Ács, Autio, & Szerb, 2014; Andersson & Karlsson, 2004; Audretsch & Belitski, 2017; OECD, 2018; Szirmai, Naudé, & Goedhuys, 2011). Both policymakers and scholars recognise the importance of having more systematic support to foster an entrepreneurial culture and innovation practices (Audretsch & Belitski, 2017), as well as, of empowering local communities with skills that enable the identification of entrepreneurial opportunities (Baumgartner, Pütz, & Seidl, 2013; Moreira & Martins, 2009). Nevertheless, entrepreneurial initiatives and innovation contribute not only for the economic and social development of these territories, through jobs and wealth creation, but also through the valorisation of local resources, cultural heritage and quality of life (Sá, Casais, & Silva, 2018).

Despite the interest of policy-makers and academics in low-density and rural territories, there is still a lack of research and theoretical foundation about the link between entrepreneurship, innovation and the development of those territories (Pato & Teixeira, 2013). Usually, studies on entrepreneurship and innovation focus mainly on urban territories, as those territories are understandably more dynamic, with a higher size and impact in national economies (Andersson & Karlsson, 2004). Nevertheless, the few existent studies about LDTs have shown a positive spill-over effect of entrepreneurship and innovation in the community, both at the local and regional level, since it fosters the valorisation of local resources, economic and social development, and quality of life, which makes it possible to overcome the inequalities that affect these territories (Korsgaard & Müller, 2015; Moreira & Martins, 2009; Sá et al., 2018).

In Portugal, LDTs cover 75% of the territory and encompasses 19% of the Portuguese population. Despite its importance, very little is known about entrepreneurship and innovation in these territories (Pato & Teixeira, 2017). This chapter aims to contribute to the literature on this topic by providing an overview of the entrepreneurship and innovation in Portuguese low-density municipalities through the analysis of existent literature, policies, data and best practices in this field, through an in-depth analysis of the Portuguese *Centro* region. The chapter begins with a literature review on low-density and rural territories and the role that entrepreneurship and innovation play in it, with a focus on the Portuguese territory. Then, it is explored the case of the Portuguese *Centro* Region through the characterization of its entrepreneurship and innovation ecosystem. Also, through gathering data from the Portuguese Statistical Institute, it is analysed the dimensions that affect entrepreneurship and innovation in the 100 low-density municipalities of this Region. This allows the comparison between the effect of the entrepreneurship and innovation ecosystems in low-density and medium-high density municipalities, considering the period from 2013 to 2018. Based on those analyses, it was possible to identify the main

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