

## Chapter 3

# Entrepreneurial Ecosystems in Low-Density Regions: Business Incubation Practices in Alentejo

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### ABSTRACT

*Low density regions face many development challenges. In the Alentejo region of Portugal, and in many other Southern European regions, such challenges have been intensified by the cumulative effects of the financial and economic crises, and the subsequent austerity. In such context, and to promote region catching up and sustainable development, a number of policies designed to promote local entrepreneurial ecosystems have been reinforced. In this study, we focus on one of these policies' instruments – business incubation - and on the region of Alentejo, and describe five incubators implemented by a local regional development association (ADRAL), some municipalities, a national association of young entrepreneurs (ANJE), and a local association of entrepreneurs (NERE). We assess the incubators' distinctive characteristics and those of some incubated projects, aiming at identifying the specificities of this approach and its success determinants.*

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## **INTRODUCTION<sup>1</sup>**

This chapter builds on the work developed by Rego et al. (2016) and enhances this previous analysis of incubation in the Portuguese region of Alentejo. A local regional development association (ADRAL), Évora's municipal government, a national association of young entrepreneurs (ANJE), and a local association of entrepreneurs (NERE), are amongst the institutions implementing incubation facilities, both in Évora and in other Alentejo cities. Two examples promoted by ADRAL were previously analyzed. In what follows, the focus is extended to the facilities located in Évora.

The region of Alentejo is a low-density Portuguese region. As other European Union (EU) territories having so far failed to converge towards the union's average socio-economic standards, it faces the problems resulting from lack of instruments to adjust to the asymmetric effects of common shocks and from increased outflows of human capital. Economic globalization in general, and the process of European economic and monetary integration in particular, have benefited Alentejo. However, the last financial and economic crises have hit the region especially hard, contributing to a partial overturn of its convergence process and aggravating traditional problems of relative underdevelopment, fragile businesses and human desertification.

Even though globalization and integration are promoted under the rationale of contributing to improve peoples' lives and businesses' prospects, research and experience have shown that it may also intensify pre-existing economic and social asymmetries, especially when shocks occur. In fact, increased competition and the free movement of goods, people and capital may be advantageous for well-established firms, capable of thriving in highly competitive environments and having the capacity to conquer new markets, but also contribute to the disappearance of less vigorous, or incipient, entrepreneurial initiatives, which naturally need some support and nurturing before being able to face global competitors. Low density regions are particularly challenged by globalization because, although it offers new opportunities, it also contributes to dilapidate some of their much-needed businesses and facilitates the outflow of their most productive human resources. Thus, without well-structured development strategies and without policies aimed at supporting entrepreneurs, these territories cannot generate the economic dynamics needed for sustainable development.

In the 1980s and 1990s, mostly in North America and Western Europe, the political and economic consensus favored the notion of market supremacy and defended a minimalist government involvement in economies and societies. In the 2000s, abundant evidence of market failures around the world and across sectors of activity has opened the path for public-private partnerships and highlighted the need for the public support of entrepreneurs, especially in relatively under developed regions.

Even if many researchers defend that bottom-up entrepreneurship promotion strategies are more prone to success than top-down government endorsed ones, regional development in low density regions requires the joint efforts of national, regional and local forces. In such areas, the creation of entrepreneurial ecosystems will not occur without plans to support the implementation of entrepreneurs' ideas and the building up of interactions between entrepreneurs, researchers and the already established business community. If well designed and implemented, such efforts may contribute not only to improve the regional stock of human capital, but also to establish a solid body of knowledge and experience capable of supporting existing firms and allowing the creation of new ones.

Business incubation is one way of carrying out such entrepreneurial supporting activities and this chapter presents examples of business incubation practices in Alentejo as a way of encouraging entrepreneurship. It describes a number of incubators and incubation projects, their characteristics and regula-

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