



ENTREPRENEURSHIP, INNOVATION AND LOCAL DEVELOPMENT: MICRO AND SMALL COMPANIES IN THE INTERIOR NORTE DE PORTUGAL

Maria Ribeiro¹
António Fernandes²
Alda Matos³
Paula Cabo⁴

summary

There is a great deal of evidence that establishes a direct relationship between a community's entrepreneurship and local economic development. Countless researchers argue that any economic development process is associated with innovations generated by entrepreneurs. In this way, entrepreneurship is associated, in most cases, with the introduction of innovations in the economy, resulting in the evolution and development of society itself. The objective of this article is to analyze the phenomenon of entrepreneurship and innovation in micro and small businesses from two municipalities in the district of Bragança, Portugal (Bragança and Macedo de Cavaleiros), as well as their contribution to local development. Data collection was carried out through semi-structured interviews based on the questionnaire of a study completed in Barcelona, by the University of Catalonia, in 2006. Data were collected from 65 companies from November 2010 to February 2011. The data results reveal that the majority of entrepreneurs are male (70.8%), have an average of 44.7 years of age, have up to 9 years of schooling (65.4%) and before the creation of their own company, worked for others (83.1%). These entrepreneurs operate in different sectors of activity, with emphasis on commerce and restaurants and civil construction. The companies studied employ, on average, 5 workers and 50.8% achieve a turnover of up to 100,000 euros,

Key words: Entrepreneurship, Innovation, Micro-small companies, Local development.

1. INTRODUCTION

Mazzarol et al. (1999), Kristiansen & Indarti (2004), Acs et al. (2008) and Martens & Freitas (2008), state that any economic development process is associated with innovations generated by entrepreneurs. An entrepreneurial attitude has as a consequence the creation

¹ Polytechnic Institute of Bragança - Escola Superior Agrária

² University of Trás-os-Montes and Alto Douro - Center for Transdisciplinary Studies for Development-toze@ipb.pt

³ Polytechnic Institute of Bragança - Escola Superior Agrária

⁴ Polytechnic Institute of Bragança - Mountain Research Center

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and innovation of businesses (Audretsch, 1995), of new processes, of new services (Wong et al., 2005) that together with a knowledge management can contribute to a development strategy that combines the growth in job opportunities and increased productivity (Castillo et al., 2008). According to Barros & Pereira (2008), small business entrepreneurship is almost unanimously seen as beneficial to the economic and social life of countries and regions. The contribution of entrepreneurship to economic development is fundamentally due to innovation and competition in the market. According to Barros & Pereira (2008), more entries and threats in the market lead to increases in productivity and innovation since the threat of being evicted serves as an incentive for established companies to prevent the entry of competitors. The contribution of entrepreneurship is also important in creating jobs, in economic growth, in improving competitiveness, in harnessing the potential of individuals and in exploiting the interests of society with regard to the protection of the environment, the production of health services, education and social security services (European Commission, 2003). 2006; Degen, 2008). 2006; Degen, 2008).

Gaspar (2009) summarizes the importance of entrepreneurship, in four items. According to this researcher, entrepreneurship is: a) an important source of job creation; b) it plays a fundamental role in the introduction of innovations in the economy and constitutes itself as the mechanism that drives the economy and society itself to evolve and make progress; c) a career option for an important part of the workforce; and, d) it has a very important impact on regional development and the growth of economies. As stated by Silva et al. (2009), the main cause for growth and development is the increase in efficiency and competitiveness of the economy, and at the center of this increase in efficiency and competitiveness is innovation, and at the base of innovation is business initiative, that is, the entrepreneurship. In this context,

2. METHOD

As its name implies, this section is dedicated to presenting the methodology used to carry out this investigation, namely, participants, material and procedure. For this, reference is made to the way the sample was collected, the data collection instrument and the statistical treatment of the same.

Participants

A sample of 65 entrepreneurs was collected, aged between 23 and 67 years old, with an average age of 44.7 years old ($SD \pm 11$). The businesses, located in two Municipalities of the District of Bragança, as shown in table 1, are characterized by being micro (80%) or small (20%).

Most entrepreneurs are male (70.7%) and have compulsory education (55.4%). Before the creation of their own business, they already worked but for others (83.1%) (private companies: 81.7%, parent company: 1.5% and higher education institution: 1.5%) and although having created their own business there is a relevant percentage that continues to have a complementary paid activity (35.4%). Although the difficulties and the economic context are unfavorable to the growth and development of business, 60% of entrepreneurs would like their children to follow their example, that is, to create their own company.

Table 1 - Characterization of the entrepreneur

Groups	Frequencies	
	Absolute (n)	Relative (%)
County		
Bragança	49	75.4
Macedo de Cavaleiros	16	24.6
Company type		
Micro	52	80
Small	13	20
Genre		
Feminine	19	29.2
Male	46	70.8
Instruction level		
1st cycle	10	15.4
2nd cycle	13	20
3rd cycle	13	20
Secondary	14	21.5
University education	15	23
Professional situation before business creation		
Self-employed	5	7.7
Employee	54	83.1
Unemployed	4	6.2

Another	2	3.1
Develops paid complementary activity		
Yes	23	35.4
No	42	64.6
Family in the same business		
Yes	23	35.4
No	42	64.6
Desired professional situation for descendants		
Create your own business	39	60
Worker in family company	15	23.1
Employee	11	16.9

Material

For data collection, a semi-structured interview was used as an instrument that resulted from the adaptation of the questionnaires, by Montes et al. (2006) and Cardoso et al. (2009), on the innovative context of micro-enterprises and local development.

Procedure

Data from 65 companies were collected from November 2010 to February 2011. It is, therefore, a cross-sectional study since, according to Polit & Hungler (1995), this type of studies involves the analysis of phenomena that all take place on a certain date and that have occurred in the past or in the present. All contacts with the participants were made, personally, by an employee of this research, in their business context. It was in a first contact that the participants were informed about the nature and objectives of the investigation, the anonymity and confidentiality of the data was guaranteed and the voluntary interview was scheduled. The total interview time was, on average, 60 minutes.

The software used to edit and process the data was SPSS 18.0 (Statistical Package for Social Sciences). Descriptive statistics were used, namely, the calculation of absolute and relative frequencies whenever the variables were nominal; and, the calculation of measures of central tendency (mean) and measures of dispersion (standard deviation) whenever the variables were ordinal or higher.

3. ANALYSIS AND DISCUSSION OF RESULTS

This section presents and analyzes the results obtained following the treatment of the data collected through the semi-structured interview with entrepreneurs with businesses located in two Municipalities of the District of Bragança, namely, Bragança and Macedo de Cavaleiros.

Characterization of companies

As shown in figure 1, the vast majority of entrepreneurs created their business in the 80s and 90s. It was precisely in the 80s of the last century that Portugal started to recognize the importance of entrepreneurship, a phenomenon that stimulated individuals, especially unemployed, not waiting for a job that might not come, but creating it, making use of the skills gained during their professional life or in other extra-professional activities. Currently, this phenomenon is associated with the individual's ability to take initiatives through the transformation of an idea into a product / service, through a risky and innovative attitude.

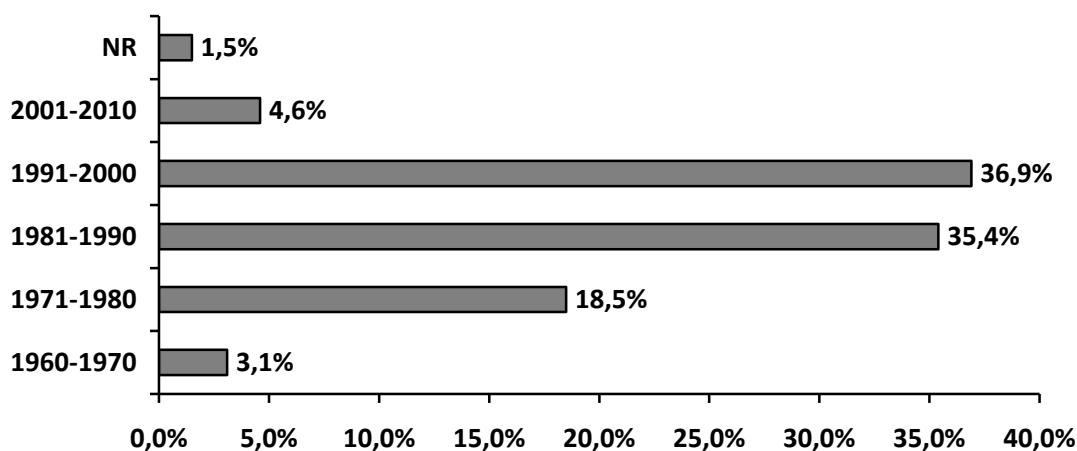


Figure 1 - Year of creation of the company

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Taking into account the creative and current partners, it appears that the number of men is much higher, with an increase in the number of partners, from the creation of the company to the present, by 5.6%. However, this growth was higher in terms of women compared to men (13.9% versus 1.5%) (see table 2).

Table 2 - Creative Partners, Current Partners and Evolution

Number of Members	Men	Women	Total
Creators	66	36	102
Current	67	41	108
Variation (%)	+1.5	+13.9	+5.6

Economic motivation (39.4%) and personal fulfillment (39.4%) were the most important reasons for the creation of a company. The desire for independence is also one of the strong reasons cited by 27.3% of respondents (see figure 2).



Figure 2 - Reasons for creating the business

Taking into account the support received when the company was created and started up, many of the entrepreneurs did not receive any financial or administrative support (53.8%), as can be seen in figure 3.

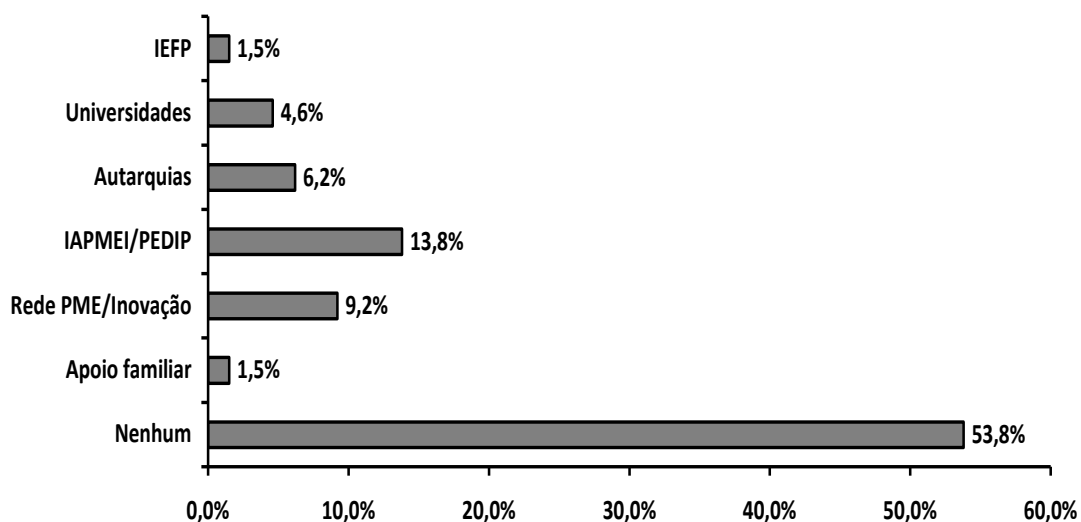


Figure 3 - Support received for the creation of the company

Regarding the activity carried out by the companies, Figure 4 shows that the most representative sectors are, in decreasing order of importance, Catering and Commerce (30.8%) followed by Construction (20%), Other Products and Services (18.5%), Personal Services and Social Activities (9.2%), Industrial Production (9.2%), Transport and Communications (6.2%) and finally, Financial Services, Real Estate and Companies (4.6%).



Figure 4 - Sector of activity of the company

Organization of the company

The companies that are part of this sample consider the majority to be organized by products / services (81.5%), projects (64.6%) and processes (53.8%) (see figure 5).

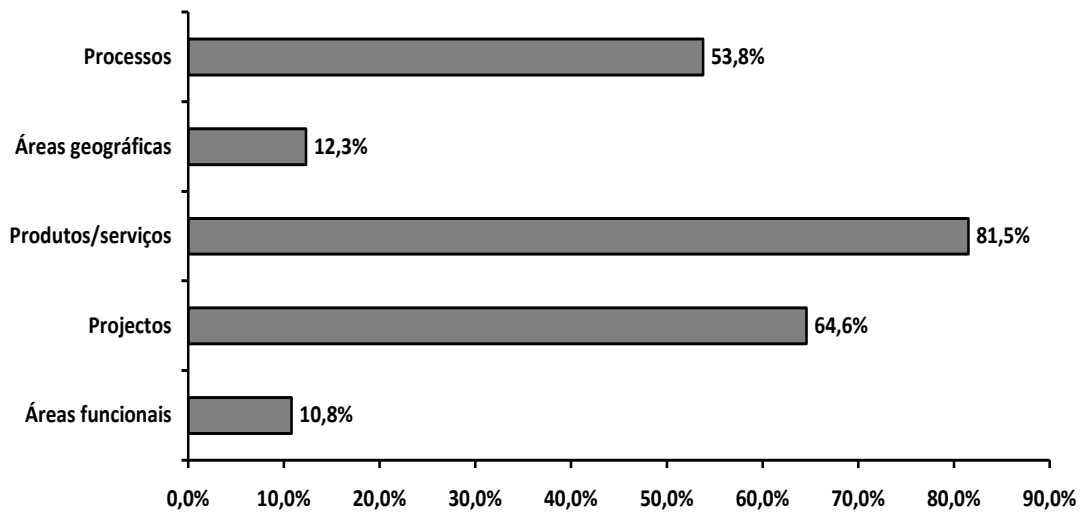


Figure 5 - Organization of the company

In order to respond to the needs of the market and adapt quickly to changes, companies have flexible work teams (35.4%), favor work based on objectives / results (26.2%) and easily adapt technologies according to the demand of the market. market (24.6%).

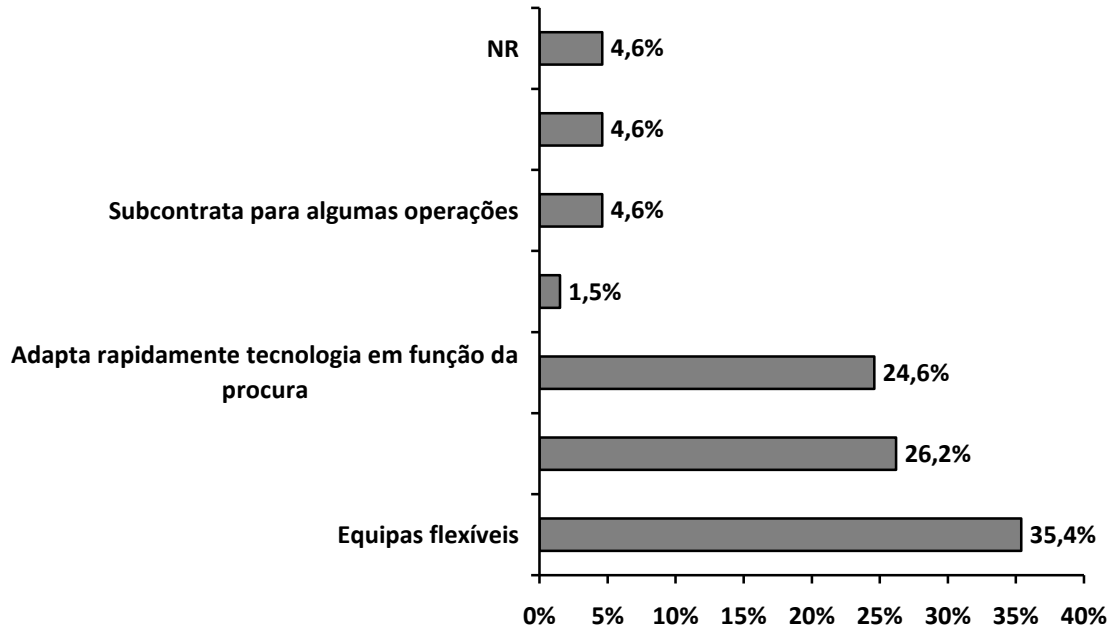


Figure 6 - Organizational characteristics of the Company

In order to maintain a good relationship with their customers, in order to retain their loyalty, the approach followed by the entrepreneurs privileges customer segmentation (67.7%), the development of individual customer relationships (64.6%) and the preparation of market studies (41.5%) to better monitor the needs and tastes of its customers (see figure 7).

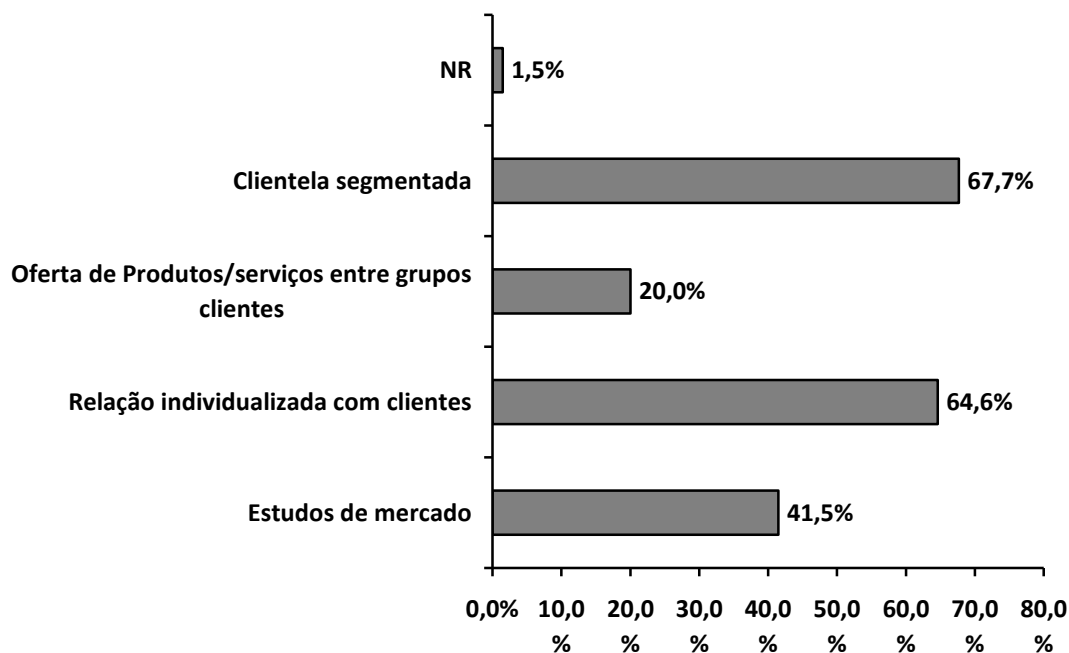
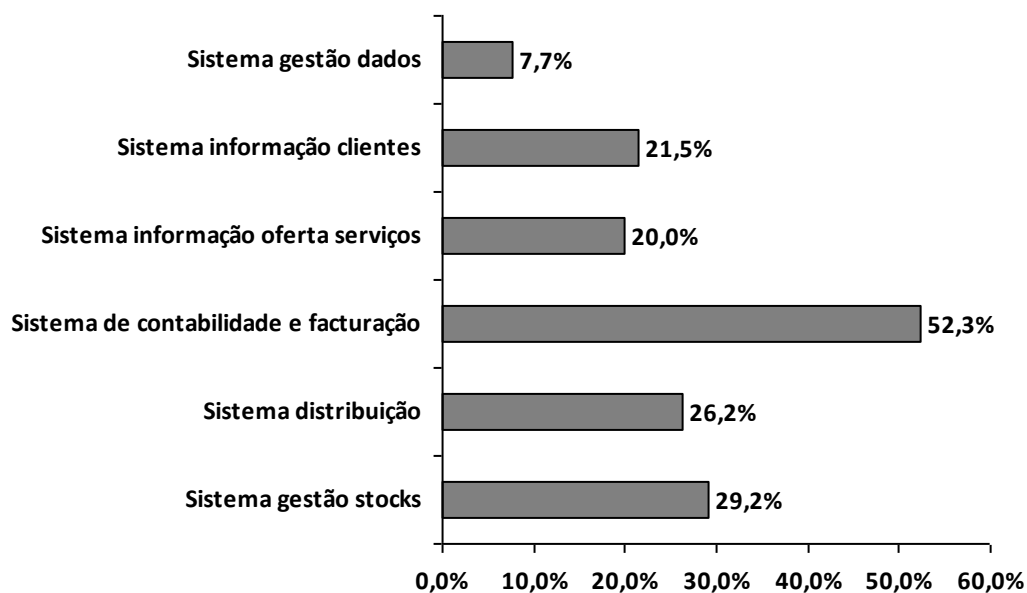


Figure 7 - Customer approach strategies

Taking into account the use of Information and Communication Technologies (ICTs), the computer systems most used by companies are those of accounting and invoicing (52.5%) (see figure 8).



Figure

8 - Information and Communication Technologies used by the company

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As shown in figure 9, the greatest benefits pointed out by companies in view of their location are related to the proximity of suppliers and customers, which allows savings in the costs of distribution of products / services, a more personalized, efficient and effective service to customers. and great availability from suppliers.

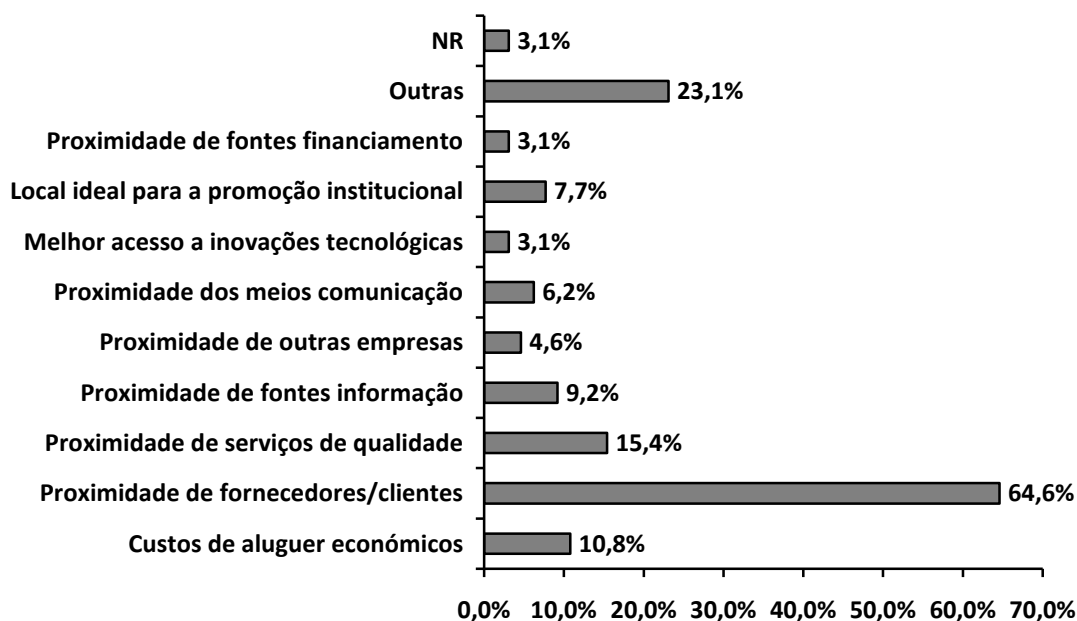


Figure 9 - Advantages of the company's location

Introduced Innovations

Innovation has become a key factor in the process of economic competitiveness, and within the scope of the concept of innovation systems, two complementary aspects can be considered: institutional and technological (Silva et al., 2009).

Of the total companies, 66.2% introduced at least one innovation and, as can be seen in Table 3, innovations were introduced, cooperating with suppliers (47.6%), by specialized companies hired for the purpose (36.9%) and by employees of the company itself (30.8%), had an impact mainly on the speed of response to the demand market and at the organizational level. Only 13.8% of companies have patented these innovations.

Table 3 - ICT innovations

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Groups	Frequencies	
	Absolute (n)	Relative (%)
Cooperation in introducing innovations		
I didn't cooperate with anyone	22	33.8
Non-university innovation centers	2	3.1
Distributors	15	23.1
Technology providers	17	26.1
Other suppliers	14	21.5
Rival companies	2	3.1
SME / Innovation Network Program	7	10.8
ICT innovations introduced		
Law Suit	11	16.9
Products / services	28	43.1
Organizational	29	44.6
none	20	30.8
Results of the innovations introduced		
none	1	1.5
More agile logistics management	14	21.5
Broader product / service offering	14	21.5
More flexible production process	9	13.8
Faster response to market demand	17	26.2
New organizational structure	17	26.2
Automated internal management	13	20
Other benefits	10	29.2
Patent ideas		
Yes	9	13.8
No	56	86.2
Origin of Innovations		
Not applicable	12	18.5
The entrepreneur	1	1.5
The workers	20	30.8
Specialized companies	24	36.9
Company design department	9	13.8
University education	15	23
Importance of R&D investments		
<40%	12	18.5
40-70%	14	21.5
71-90%	1	1.5
≈100%	3	4.6
NR	35	53.9

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With regard to the weight of investments in R&D activities for about 40% of companies, it represents up to 70% of the total investments made. However, the majority did not make any investment in R&D activities (53.9%).

Market and Competitiveness

The market consists of the group of customers or potential customers who have the possibility or the desire to buy certain products or services, to satisfy their needs or desires (Silva et al., 2009).

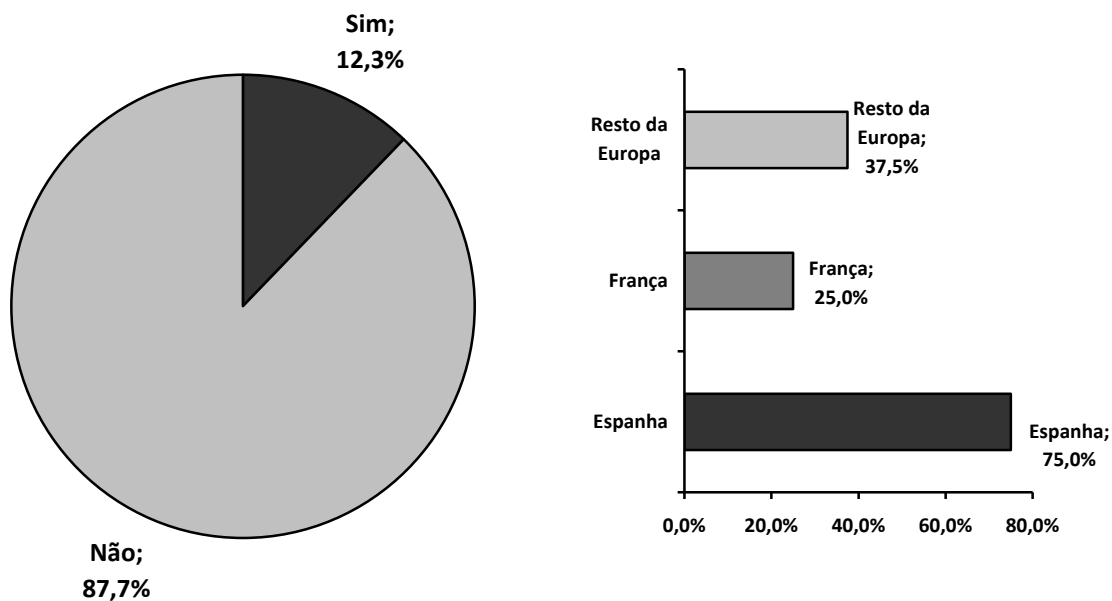


Figure 10 - International markets (n = 8)

The results show (see figure 10) that the proportion of entrepreneurs operating in international markets is reduced, with only 12% of respondents operating simultaneously in national and international markets. The companies are present mainly in the Spanish market, where more than 75% of the companies operate.

The competitiveness analysis looks at a set of companies or other institutions / organizations (in a given sector) that offer certain products or services that are similar or substitutes, close together (Silva et al., 2009).

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The vast majority of entrepreneurs consider facing strong competitive pressure. In fact, more than 50% of respondents consider that the competitive pressure is high (50.8%) and 20% consider it to be very high. However, the percentage of respondents who consider themselves to have weak competitive pressure (27.7%) is significant (see figure 11).

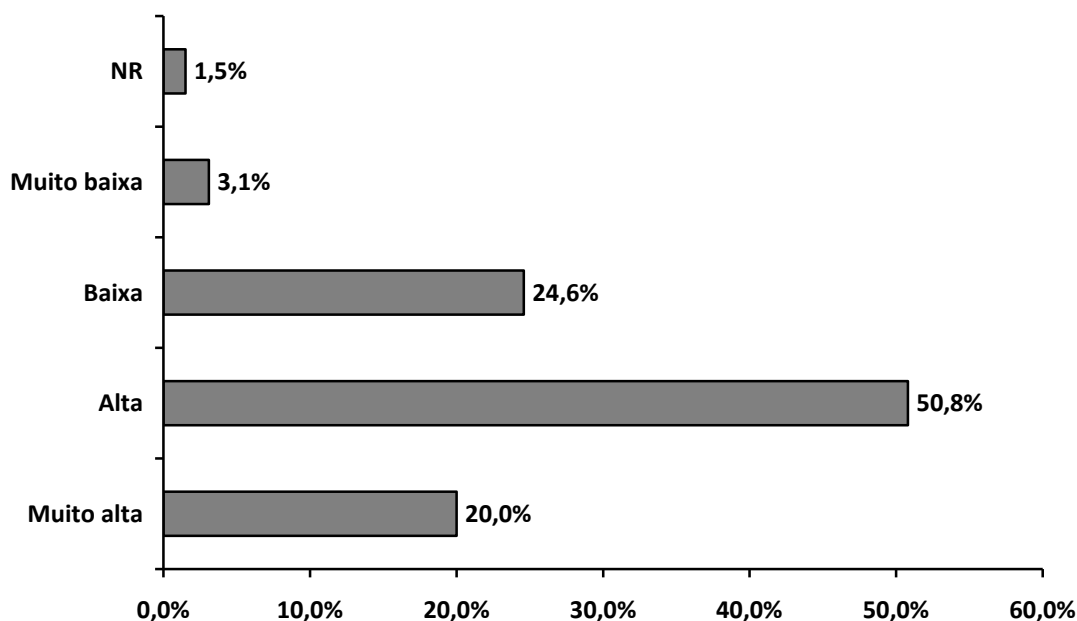


Figure 11 - Perception of competitive pressure

The companies studied employ, on average, 5 workers and 50.8% achieve a turnover of up to 100,000 euros making a positive contribution to the local socio-economic development. Despite the competitive pressure, 84% of companies maintained (80%) or increased (4.6%) the number of workers compared to the previous year. The same was true in relation to the volume of invoicing that was maintained or increased to 80% of the companies. More than 90% of companies expect to reach the end of the economic year and obtain a positive result (see table 4).

Table 4 - Turnover, turnover evolution and number of employees, profit forecast

Groups	Frequencies	
	Absolute (n)	Relative (%)
Turnover (€)		
<30000	21	32.3
30000-100000	12	18.5
100001-250000	6	9.2
> 250000	20	30.8
NR	6	9.2
Evolution in number of workers		
Decreased	9	13.8
It remained	52	80
Increased	3	4.6
NR	1	1.5
Billing evolution		
Decreased	11	16.9
It remained	37	56.9
Increased	15	23.1
NR		3.1
Profit forecast for the current economic year		
Yes	61	93.8
No	4	6.2

A demonstration of how entrepreneurs intend to maintain their competitive advantage in the business was the fact that a large percentage of companies consider that they provide services or offer quality products (67.7%) (see figure 12).

Interestingly, considering that, in the opinion of these entrepreneurs, quality products / services and the Brand being a promise on the characteristics and quality of the product and on its maintenance over time (Mello & Marreiros, 2009), the Brand seems in the case of these entrepreneurs, not having great expression (13.8%), despite the advantages of investing in a brand, namely, customer loyalty achieved through the confidence that the brand conveys (Mello & Marreiros, 2009).

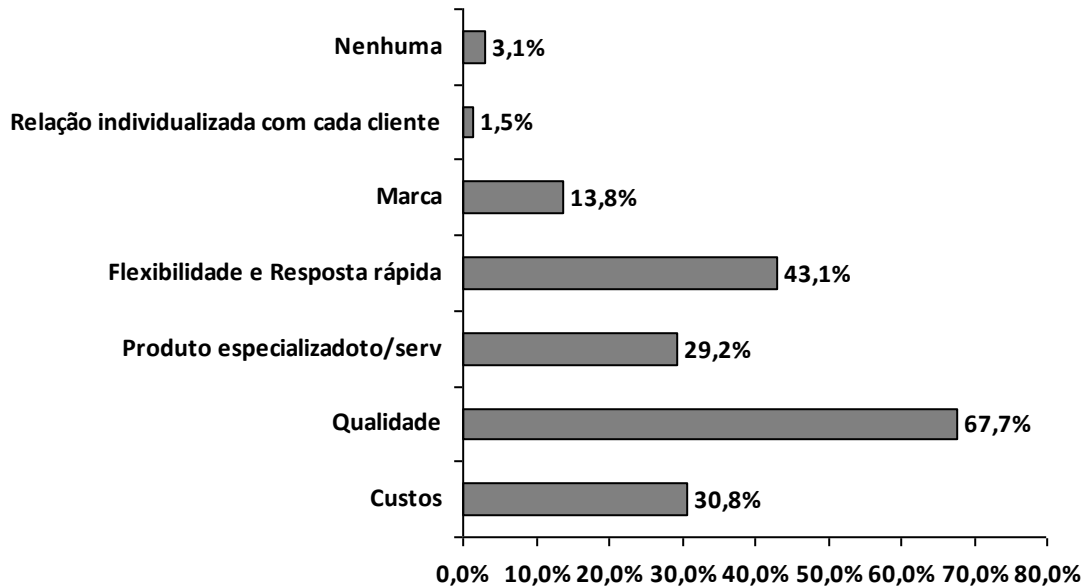


Figure 12 - Predominant strategies in the company

Company growth

Considering the growth strategies, 13.8% of entrepreneurs want to maintain their current position in the market, however, the overwhelming majority intend to grow by adopting strategies such as the development of new products and placing them in the markets where they already operate (64.6 %) or conquer new markets with current products (38.5%) (see figure 13).

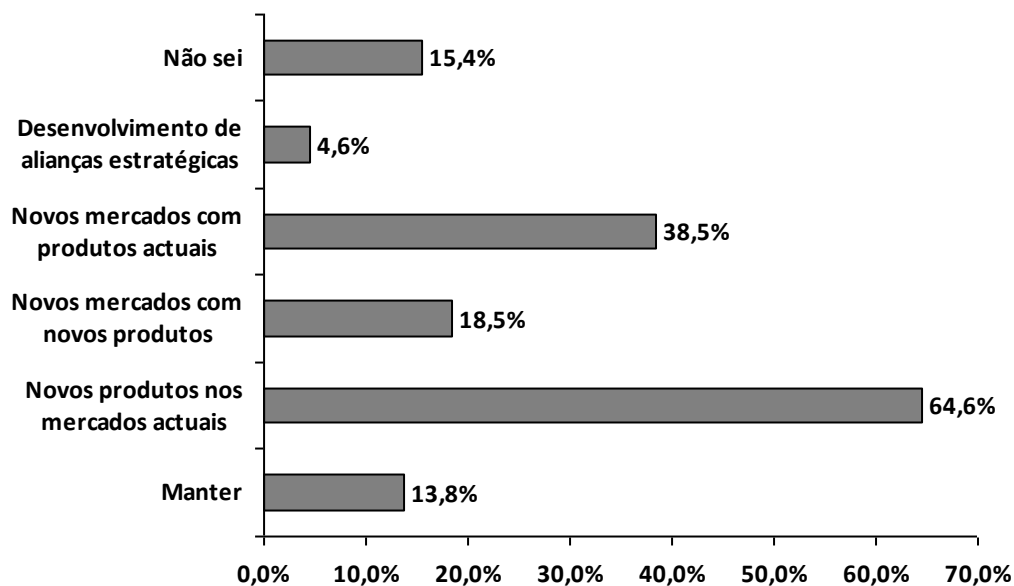


Figure 13 - Growth strategies that you want to adopt

Flexibility is seen by 80% of entrepreneurs, as an important feature to boost the company's growth, since they intend to develop new products and enter new markets with current products. Once again, to finance this growth, most entrepreneurs intend to use equity (see figure 14).

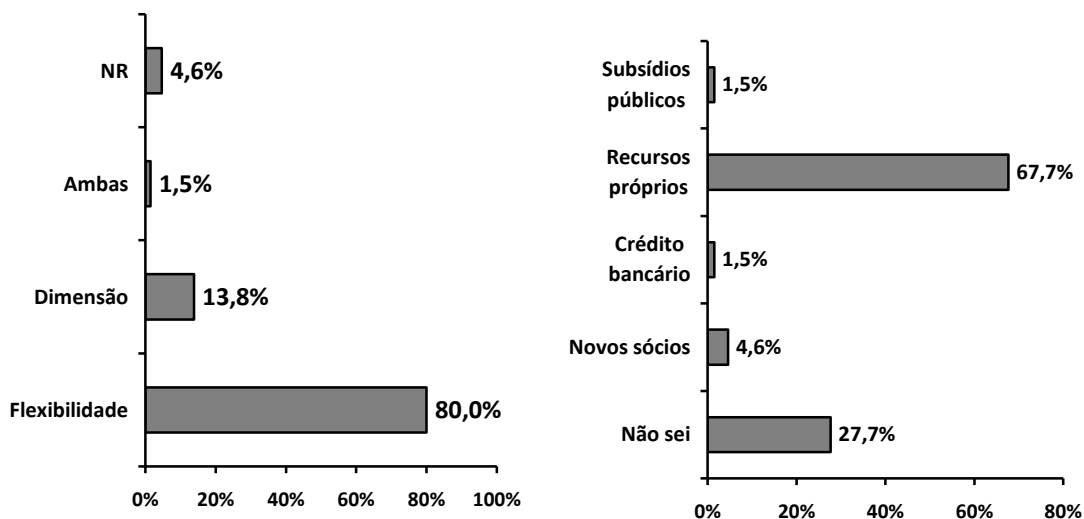
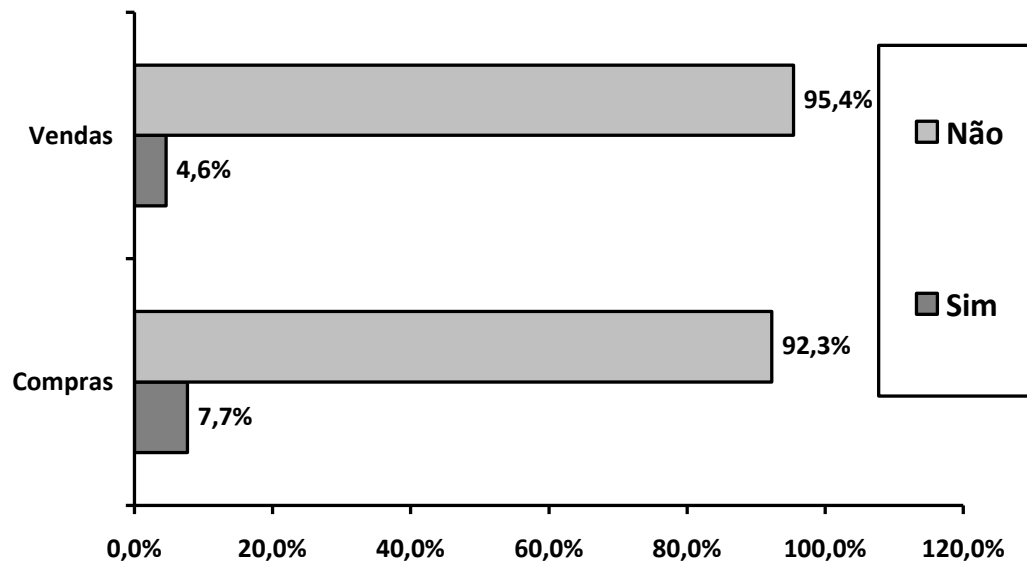


Figure 14 - Ways to boost and finance growth

Use of the Internet, Webpage, Purchases and Sales made via the Internet

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The Internet environment has been an important tool in the search for relevant information for the management of organizations, in the modification of business processes and even in the creation of new business models (Martens & Freitas, 2006). Shipping products via the Internet is an easily accessible form of sales, as short sales / direct sales channels have improved prices at source, increasing company revenues.



Figure

15 - Internet purchases and sales

Although almost all companies have internet (73.8%) and a significant percentage have a website (26.2%), investments in internet advertising represent on average 17% of the total investment in advertising (1111.5 €). On the other hand, commercial activities, whether purchases or sales, made using these technologies are made by a minority, not even reaching 10% (see figure 15). However, purchases are made by a larger number of companies compared to sales. The same results were obtained in a study carried out by Cardoso et al. (2009), which aimed to explore the phenomenon of entrepreneurship and innovation within SMEs in Portugal with 30 companies from the COTEC Portugal SME Innovation Network.

Creating new business

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When asked about whether they intend to create another company in the near future, only 12.3% respond in the affirmative and plan to create it within a period of more than 12 months.

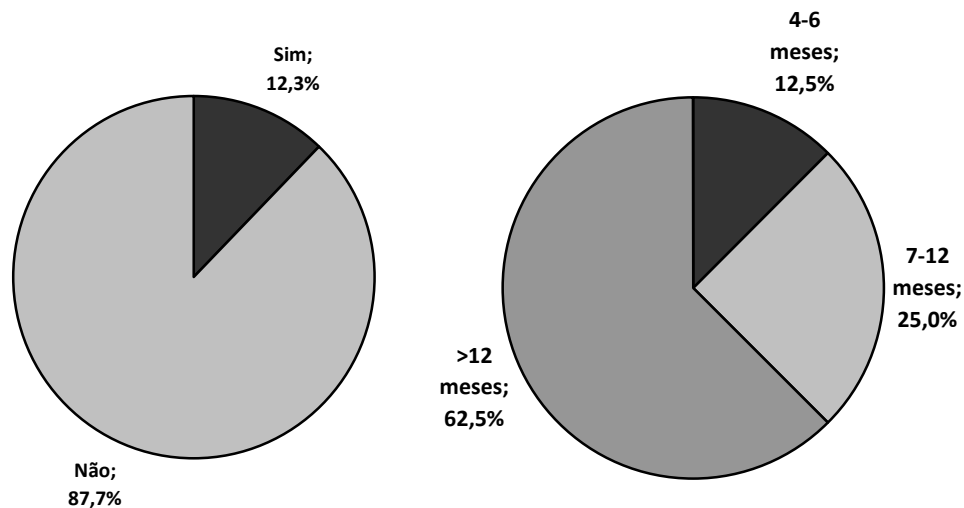


Figure 16 - Create another company in how many months (n = 8)



Figure 17 - Sources of financing for the new company (n = 8)

This new business will be financed using not only equity (75%), but also traditional funding sources such as bank credit and national and international public funding sources.

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4. FINAL CONSIDERATIONS

This communication aimed to analyze the phenomenon of entrepreneurship and innovation in micro and small companies in Bragança and Macedo de Cavaleiros as well as their contribution to local development. The interviewed entrepreneurs are aged between 23 and 67 years old, with an average aged 44.7 years ($SD \pm 11$), they are mostly male (70.7%) and have compulsory education (55.4%). The vast majority of entrepreneurs created their business in the 80s and 90s and before their creation they already worked for others (83.1%). Economic motivation (39.4%) and personal fulfillment (39.4%) were the most important reasons for the decision to create the company.

The companies studied employ, on average, 5 workers and 50.8% achieve a turnover of up to 100,000 euros making a positive contribution to the local socio-economic development. They operated mainly in the national market and despite the small size 12% also operate in the international market. Despite the competitive pressure, 84% of the companies maintained (80%) or increased (4.6%) the number of workers compared to the previous year. The same was true in relation to the volume of invoicing that was maintained or increased to 80% of the companies. More than 90% of companies expect to reach the end of the economic year and obtain a positive result.

Of the total number of companies, 66.2% introduced at least one innovation, for this they mainly resorted to cooperation with suppliers (47.6%), namely, technology suppliers and other suppliers. These innovations had an impact mainly on the speed of response to the demand market and at the organizational level. However, only 13.8% of companies have patented these innovations.

In the near future, 12.3% of entrepreneurs intend to create a new business within a period of more than 12 months. This new business will be financed using mainly equity (75%), as happened in the start-up phase of the current business (53.8%).

THANKS

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