

Tourism related entrepreneurship in rural areas: strategies for facilitation

Silva, G.*¹, Edwards JR**, Vaughan DR**

* Instituto Politécnico de Viana do Castelo

**Bournemouth University, England

Abstract

Rural societies in European Union countries are, in the majority of cases, going through a process of irreversible change, due in part to population exodus and economic depression, associated with the decline of traditional activities. In these areas, tourism is frequently advocated as a route for economic diversification. However, small scale, family owned and operating at a local level, rural tourism related SME's appear to be at a disadvantage when facing the challenges of the global tourism industry. Consequently, over the last decades a diverse range and complex structure of policies have been developed both at the EU and national level, which, in some way or another, are concerned with stimulating and supporting tourism related entrepreneurship in rural areas. This paper reports on results of an EU funded research project², "Opportunities For and Barriers To Tourism-Led Integrated Development Within Rural Regions of Selected European States" (OPTOUR), and will reflect the views of two groups of stakeholders - rural tourism enterprises and the facilitators (governmental and non-governmental organisations) - concerning the existing strategies and their associated frameworks in relation to the process of tourism and regional development, as well as the range of elements that represent both the opportunities and barriers to the development of tourism in selected Portuguese rural areas.

Keywords: Rural Tourism, Entrepreneurship, SME's, strategies for facilitation

Introduction

A wide range of studies and commentaries put in evidence the fact that rural areas in Europe are changing, where family farmers continue to leave the land and are not being replaced by younger successors (Symes and Jansen, 1994; Clout, 2001; Opperman, 1996; Slee *et al.* 1997). "In most of the OECD countries the agricultural labour force is 5% or less of the total labour force, and is declining each year" (Buttel, 1994:16). As the role of agricultural production diminishes, the social function of rural space is being

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Corresponding author:

Goretti Silva
Escola Superior de Tecnologia e Gestão
Instituto Politécnico de Viana do Castelo
goretti@estg.ipv.pt
Tel.: 258 819 700 /770 ext. 1215

Co-authors contacts:

Jon Edwards
jonedwards@bournemouth.ac.uk
Roger Vaughan
rvaughan@bournemouth.ac.uk

redefined to encompass other production and consumption roles (such as residence, recreation and leisure activities) (Marsden *et al.* 1990).

The changes in the economies of rural areas has in part been due to the increasingly strong pressures to restructure in the face of increased competition, consequent upon globalization and the gradual weakening of state intervention (Symes and Jensen, 1994). In Europe the expansion from a community of six countries to one of fifteen in the last twenty years of the 20th Century and to twenty-five in the early years of the 21st Century has and will continue to be a major driver of change. These changes are in part embodied in the evolution of agricultural and rural policy that has attempted to reflect and harness the increasingly efficient technologies of production and to balance these with broader environmental and social objectives (Punya and Weber, 2000). This has resulted in rural areas in consequences not only for farming but also for the associated manufacturing sectors and producer and consumer services that are dependent on farm and farm household expenditures.

Although more developed rural areas, characterised by relative proximity to the markets and a diversified economic base cannot really be associated with a potential dramatic adjustment process, remoter, “lagging” (Stathopoulou *et al.*, 2004; Terluin, 2003), rural areas of the periphery, including mountainous and less favoured areas, still characterised by depopulation, infrastructure inadequacies and high dependence on farming with fragile socio-economic fabrics are revealing more difficulty in the adjustment process (Assembly of European Regions, 2004; Stathopoulou *et al.* 2004).

In recent years, due to shifts in the economic profile of rural communities, there has, in Europe and elsewhere, been considerable attention paid to identifying alternative economic activities that can stimulate the revitalisation, development and expansion of rural economies. The opportunities for diversifying into rural tourism practice have been undertaken as a viable alternative to traditional practices. It is now an accepted economic activity on many farms. Tourism and is often seen as a panacea for the economic ills of rural areas (Sharpley, 2002). Throughout Europe, in particular, tourism has been widely promoted and relied upon as a means of addressing the social and

economic challenges facing **peripheral rural areas**, primarily those associated with the decline of traditional agrarian industries (Sharpley, 2002; WTO, 1997).

Rural areas have a special appeal to tourists because of the mystique associated with rural areas and their distinct cultural, historic and geographic characteristics. Tourism in rural areas is said to be a growth industry within the industrialised world (Alexander and Mckenna, 1998). Current estimates are that in Europe rural tourism accounts for 10-20% of the tourism activity and that 23% of European holidaymakers select countryside locations as destinations on a yearly basis (Roberts and Hall, 2001).

On the other hand Tourism has been seen as less costly and easier to establish than other sectors. It can be developed locally and is not necessarily dependent on external factors (firms or organizations). However some authors have a less optimistic perspective (Dahles, 1997; Morrison and Thomas, 1999). Most tourism businesses are micro and small businesses³, and like any other business is dependent on a range of situational and contextual factors that might work as barriers to growth and success, particularly in the start-up process. The establishment of tourism related businesses in rural areas is subject to most of the constraints other sectors have to face: Although rural and remote are not synonymous many of the issues are similar: lack of infrastructures, training, capital and entrepreneurship hinders development (Getz and Carlsen, 2005).

Therefore, there seems to be growing recognition that the market economy on its own will not produce sustainable tourism. Like other development strategies, rural tourism requires several components to be successful and facilitating interventions are necessary. This intervention can be both from public or private organisations, and consist of encouragement initiatives and incentives to investment.

Based upon these beliefs, several schemes have been launched both by EU and by national governments mostly concerning agricultural reforms, trying to ensure an

³ Research undertaken with tourism and hospitality related businesses resulted in much smaller employment size categories compared to EU's definition (Thomas, 1998: 3). Studies conducted by different researchers and at different times and places, have put in evidence the fact that about half tourism businesses have no full time employees or have just one full-time worker in addition to the owner. The vast majority has up to 5 people working and hardly can be distinguishable from family businesses (Getz and Carlsen, 2005).

economically efficient and environmentally sustainable agriculture (Buttel, 1994; Tovey, 1994), to stimulate the economic diversification and the integrated rural development (Lowe et al., 2002; Assembly of European Regions, 2004) through the establishment or modernisation of relevant enterprises. (Bramwell, 1998; Bull, 1999; Wanhill, 1993, 1997; Sharpley, 2002).

This paper aims at reflect upon the challenges rural areas are facing, particularly in what concerns the opportunities and barriers to Tourism related entrepreneurship, and the necessary conditions to its development. Results of a research project which aimed at understand the development of tourism in Portuguese rural areas, its facilitating strategies and how effective these have been, will be summarised.

Economic development of rural areas

Attempts have been made to synthesise and simplify the spatial diversity within the rural world, and sought to identify the various types of rural zones, that have resulted in different classifications. A common theme is evident though in most studies: the contrast between peri-urban zones and the remote or peripheral areas. An intermediate or transitional region, displaying some of the trends, potential and problems of both the core area and the peripheral zone, generally separates these two spatial extremes (Copus and Cabtree, 1996).

The work of Ballas et al. (2003) is an example of such approach. They have built a typology of rural areas in Europe, on the basis of their peripherality and rurality and according to European NUTS3. They have identified 3 different types of rural areas: peripheral, semi peripheral and accessible. Although they did not use the word remote, the characteristics of peripheral areas are similar to those identified as being remote by other authors (Keeble and Tyler, 1995; Patterson and Anderson, 2003; North and Smallbone, 1996, 2000)

The terminology commonly used is therefore of remote and accessible, being considered as remote areas the ones with relatively sparse population and relative

remoteness from major urban areas whereas accessible are rural locations closer to the major cities. Brown and Hall (2000) consider peripherality is more than merely a geographic notion and that it is the unequal or distant relationship with centres of power that marks out a periphery in relation to some centre or core. The fact of being marginalised, to lack power and influence, carries social, political and economic implications.

But beyond these objective characteristics, the authors also consider peripherality is a matter of perception. A place that is remote and difficult to reach may be perceived by tourists to have certain qualities that make it attractive. The peripheral area to become a tourist destination may “possess symptoms of peripherality, but relies on the subjective interpretation of these symptoms by the tourist, while simultaneously the tourist will not perceive an area as peripheral without certain symbols of peripherality being present” (Blomgren and Sorensen, 1998:334).

In tourism terms the attributes of peripherality are now seen as opportunities. The fact that there are difficulties for developing or attracting other industries makes tourism an attractive possibility for the creation of jobs and the safeguarding of rural communities. There is a major challenge though which is to develop tourism in Europe’s peripheries in ways to provide benefits to local residents while maintaining and, where possible, enhancing built heritage and environment.

Development in rural regions depends on complex economic, social and political processes, emerging from the interaction of effects produced by global and local forces (Terluin, 2003; Marsden et al., 1990). Global forces originate from current globalization while local forces refers to territorial dynamics, population dynamics, and its responses to the diversification of economic activities and the adjustment to new conditions by local actors. As local responses vary largely among regions, the rural restructuring process is complex and differs among regions (Terluin, 2003).

“The strength of regions derives mainly from their internal economic, social and cultural dynamics. Recognition of the endogenous component in regional development leads on to studies of the multiplicity of regions’ historical backgrounds and, in consequence, to the discovery that there are different local

development models within an increasingly interactive global system” (Ferrão and Lopes, 2004:38).

OECD (1996) has put forward the concept of territorial dynamics as a set of specific regional and local factors, structures and tendencies such as entrepreneurial traditions, public and private networks, work ethics, regional identity, participation and attractiveness of cultural and natural environments.

It is acknowledged that economic growth in peripheral rural areas is closely associated with the entrepreneurial capacity of the local population. “The key question emerging in the context of the changing rural landscape is the extent to which economic agents (namely entrepreneurs, knowledge-based institutions, and policy-makers) in the countryside have the ability to rise to challenges at hand” (Labrianidis 2004:1).

Regional competitiveness is at the core of regional economic development, and this competitiveness can be assumed as referring to the existence and behaviour of regional firms (Terluin, 2003). The creation of competitive small and medium enterprises (SME's), especially in the secondary and tertiary sectors seems a substantiated answer to the problems induced by the expected agricultural adjustment. However the supply of potential entrepreneurs confronting the threats and exploiting the opportunities available in the countryside is by no means guaranteed. This is because those who could reasonably have been expected to perform the entrepreneurial function may well have been the first to seek to out-migrate to more inviting urban areas. More recently, rural areas in some European countries have also experienced a wave of in-migration as the result of search for more desirable residential environments (Stockdale et al., 2000)

Remote rural regions will suffer from economic underdevelopment in comparison to accessible rural and urban regions because of the lower density and more dispersed distribution of the business population, the relative lack of opportunities for local trading and subcontracting linkages (Smallbone et al., 1993) the absence of higher education and research institutions, and the relative lack of local business support agencies.

Although Copus and Cabtree (1996) have found little evidence of any relationship between remoteness and levels of economic activity⁴, they acknowledge that structural weaknesses and poor performance may be to some extent masked by a variety of both transparent and hidden assistance to the remote rural zone, both in the UK and elsewhere, given the growing contribution from European Structural Funds. The authors alert that when attempting to assess the socio-economic sustainability of a region, it is necessary to “take full account of the dependence dimension, as well as the more obvious «direct» structure and performance indicators” (p. 53).

Entrepreneurship in rural areas

Stathopoulou et al. (2004) argue that the basic entrepreneurial processes in rural areas are not different to those found in urban areas, however, rurality reveals diverse opportunities, imposes different constraints and finally modifies the entrepreneurial process and alters the entrepreneurial outcome. Each stage of the entrepreneurial process is influenced by the geography of the area in which it takes place and thus it is specific as far as territory as well as the individual is concerned.

North and Smallbone, (1996) using some evidence on the development of mature manufacturing SMEs in remoter rural areas during the 1980s, and comparing them with similar urban based firms, found that whilst there was little difference between the rural and urban SMEs, in terms of their growth performance when measured by sales turnover, the rural firms generated significantly more jobs. This indicates a different relationship between SME growth and employment generation in different geographical environments. SMEs in remote rural locations are shown to pursue rather different development paths than their urban counterparts resulting from the way in which they adjust to the opportunities and constraints afforded by their local operating environments.

⁴ Study applied to rural Scotland

Keeble and Tyler (1995) identified significant differences in origin, characteristics and performance between rural and urban businesses. These differences illustrate two main situations: rural settlements are able to attract relatively high proportion of actual or potential entrepreneurs because of their desirable residential environment; companies in accessible rural areas are undertaking a greater amount of enterprising behaviour associated everywhere with business success.

On the other hand, North and Smallbone (2000) concluded that relatively little overall difference is found in the level of innovation between SMEs in remote and accessible areas. A remote rural location is shown to influence positively efforts towards competitiveness namely through investment in innovation. To survive in remote rural areas, SME's need to be adaptable, and this can result in them being more innovative in some respects than firms elsewhere.

As Terluin (2003) has evidenced, local responses, here considered as exploitation of entrepreneurial opportunities, vary largely among regions. Entrepreneurship seems to be a process complex in nature that differs as much among rural regions, as illustrated by different authors' perspectives.

Whilst Patterson and Anderson (2003) claim that competitiveness of rural firms is particularly influenced by the quality of transport infrastructure, the availability of suitably skilled and professionally trained staff, Sthatopoulou et al. (2004) identified three major sets of elements of rurality affecting entrepreneurship: the physical environment (location, natural resources and landscape); the social environment (social capital, governance and cultural heritage) and the economic environment (investments in infrastructures, the existence and operation of business networks and the level of information and communication technologies operating in the area).

Regardless the approach, it seems to be of general acceptance that when dealing with rural areas, it is vital to formulate policies that help to develop and diversify local economy, namely through the improvement local actors capacity (knowledge, skills and attitude) (Terluin, 2003). The degree of success of capacity building will be decisive for the success of the bottom-up approach to development as a whole (Mannion, 1996).

Terluin (2003) argues that in many cases local actors will not or only partially manage to bring about developing opportunities. He stresses that encouragement initiatives from upper administrative levels or from other external actors is required. .

Thus for economic development of many rural areas to be a reality is not only important to promote widespread participation of local actors, local government agencies and services and the private sector (local capacity building) but it is also fundamental to promote a culture of real partnership with national and regional level organisations.

Based upon these beliefs, several schemes have been launched, particularly over the two last decades, both by EU and by national governments. The schemes were mostly concerning agricultural reforms, trying to ensure an economically efficient and environmentally sustainable agriculture (Buttel, 1994; Tovey, 1994), to stimulate the economic diversification and the integrated rural development (Lowe et al., 2002; Assembly of European Regions, 2004) through the establishment or modernisation of relevant enterprises. (Bramwell, 1998; Bull, 1999; Wanhill, 1993, 1997; Sharpley, 2002).

Through its policies, programmes and initiatives, the European Commission has implemented with different Member States measures of a regional and bottom-up dimension which in general propose integrated development of rural societies based on local participation.

In a recent analysis of several European countries, North and Smallbone (2004) point out that the outcome of these efforts has been a diverse range and complex structure of policies that, in some way or another, are concerned with stimulating and supporting enterprise in rural areas in general and in peripheral areas in particular. Such diversity reflects different levels of policies, which are in accord with various levels of governance, ranging from the various EU programs through national and regional institutions. (North and Smallbone, 2004).

The picture of policy support for rural enterprises in any one country is likely to be a complex one, consisting of a range of funding programmes, a plethora of policy tools, and numerous delivery agencies. There is inevitably a danger of overlap and duplication in the provision of services, as well as risk of confusion in the minds of potential recipients of policies. There is also a risk that the

enterprises most in need of assistance do not receive it because they are unaware of what is available (North and Smallbone, 2004:139).

In spite of the acknowledge benefits (Bull, 1999; North and Smallbone, 2004; O'Sullivan et al., 2003) the existing policies reveal some weaknesses or deficiencies the need to be overcome. These deficiencies often relate to the way in which they are delivered and to the relationships with the agencies involved, rather than concerns about the appropriateness of policies to owners and managers of rural enterprises' expressed needs (Bull, 1999; North and Smallbone, 2004; Skuras et al., 2003).

Tourism related entrepreneurship in rural areas

Throughout Europe, tourism has long been considered as representing a serious possibility for economic diversification and regeneration, in particular in those areas associated with the decline of traditional agrarian industries (Opperman 1996; Williams & Shaw, 1998). It is suggested that as a vehicle of economic growth and diversification, tourism can make an important contribution to rural incomes both at the level of the individual farmer/entrepreneur and more widely in the local economy.

Tourism in rural areas, commonly referred to as Rural Tourism, is said to be a growth industry within the industrialised world, the growth being largely attributed to changing consumer trends and behaviour such as the apparent need to get back to nature and experience one's rural roots (Alexander and Mckenna, 1998). The motives for starting tourism enterprises often are predominantly lifestyle or family-related, often associated with a strong motivation to live and work in the countryside (Getz and Carlsen, 2000).

To a certain extent Tourism being seen a viable economic alternative to rural development might be associated with the fact of being widely considered as a low entry barrier sector in terms of physical, financial or human capital, technology and management know-how (Haber and Reichel, 2003; Lerner and Haber, 2000; Peters and Weiermair, 2001; Quinn et al., 1992;...). The accommodation sector is particularly considered as such, given the minimum requirements for the provision of bed and breakfast from the family homes (Shaw and Williams, 1994).

Some authors have a less optimistic perspective though (e.g. Dahles, 1997; Morrison and Thomas, 1999), and their work puts in evidence as main challenges it has to face the fact of being a very fragmented sector, with predominance of small independent units and a few large organizations (Shaw and Williams, 1987; Thomas, 1998). Most tourism businesses are micro and small businesses⁵⁶ (Getz and Carlsen, 2005), and like any other business is dependent on a range of situational and contextual factors, that might work as barriers to growth and success, particularly in the start-up process.

Morrison and Thomas (1999) provide a wide review of what is currently understood about the development and management of small firms in the hospitality industry. According to them there are a series of management challenges that SMEs in the hospitality sector face and need to be addressed in order to avoid problems like failure or constant change of ownership. Negative displacements (forced migration or job loss) may lead to new firm creation. Also firm change of ownership, through selling and buying processes can result from negative displacements like, for instance, lack of heir to keep the business in the family (Getz and Petersen, 2005). Only a small minority of family businesses in tourism are inherited (Getz and Carlsen, 2005).

Other causes may explain small business failure: no formal business or marketing background and no prior experience in the tourism industry; lifestyle and non-profit (not to grow) motivations, as well as cyclical demand, particularly in rural areas (Getz and Carlsen, 2005).

New business owners experience substantial difficulties with financial support, employee recruitment, accessing appropriate training courses, and competing in business environments. Usually main source of financing is family and personal savings whereas formal sources of capital such as loan bank loans, finance companies and

⁵ Research undertaken with tourism and hospitality related businesses resulted in much smaller employment size categories compared to EU's definition (Thomas, 1998: 3). Studies conducted by different researchers and at different times and places, have put in evidence the fact that about half tourism businesses have no full time employees or have just one full-time worker in addition to the owner. The vast majority has up to 5 people working and hardly can be distinguishable from family businesses (Getz and Carlsen, 2005).

⁶ SMEs account for about 99% of all businesses in European tourism. More than 94% of them are micro operators employing less than 10 individuals. Although large organisations (e.g. hotel corporations, airlines or tour operators) dominate the market, at the destination level SMEs have a massive and growing influence over the real tourist experience (Middleton, 1998).

building societies, play minor roles (Dewhurst and Horobin, 1998; Shaw and Williams, 1987;

Edmunds (1999) stresses the relative isolation of Rural Tourism products, which he argues are unlikely to thrive on their own while Kompulla (2002) suggests rural tourism providers must find low-cost but prominent platforms for promotion and marketing. According to these and many other authors the necessity to cooperate is obvious within the tourism industry.

Another problem that small-scale rural tourism related enterprises frequently have to deal with is the lack of professionalism compared with more established tourism sectors. In order to achieve diversification, better training needs to be made available which could encourage more entrepreneurial activity. Training in rural areas can range from collective information, or awareness raising, up to individual professional qualifications leading to a diploma (WTO, 1997).

Facilitating strategies

The development of tourism should be a partnership between the private and public sectors. Where is the line drawn in this partnership depends on the prevailing economic, political and social policies of each country. As a rule, the greater the importance of tourism to a country's economy, the greater is the involvement of the public sector and the stimulus the government is prepared to give (Wanhill, 1998).

Although governmental agencies and institutions are not the only ones acting as facilitators of tourism development, they play an important role. Wanhill (1998:340) argues that "the case for public sector involvement in tourism rests on concepts of market failure...". There is growing recognition that the market economy on its own will not produce sustainable tourism and that government interventions are necessary. The possibilities of achieving sustainable tourism objectives may be greater when government regulation instruments exist (Bramwell, 1998: Wanhill, 1998).

The provision of tourism related facilitating strategies is particularly relevant when acting at local level (Wilson et al. 2001). Failing long-term survival can negatively impact on the economic and social stability of the communities where tourism businesses are established (Getz and Petersen, 2005). Government's intervention can be both by providing a legal framework or incentives to investment. Encouragement to investment can happen through different ways like information, education and persuasion, financial incentives, government expenditure or government regulation (Bramwell, 1998).

Public policy instruments based only on encouragement through information and education perhaps have the least certainty of achieving sustainable outcomes as they depend on people understanding and accepting the information and responding voluntarily (Bramwell, 1998:366)

Wanhill (1998) has classified incentives available to Tourism as: financial incentives, reduction in capital costs, reduction in operating costs, and investment security.

Deciding which instruments are appropriate depends not only on the specific goals but also on the kind of development the government is looking for within a specific context and what role it envisages for the private entrepreneur.

Several schemes have been launched both by EU and by national governments to enable the establishment or modernisation of relevant enterprises. (Bramwell, 1998; Bull, 1999; Wanhill, 1993, 1997; Sharpley, 2002), enabling a significant increase in offer available.

Although privately owned tourism businesses have gained relevance, in order to stimulate community based tourism development it is necessary to provide entrepreneurs with business and management tools. In this context, Echtner (1995) indicates that governments have not given appropriate emphasis to the importance of support to small-scale locally owned tourism businesses, in spite of their contribution to long-range regional economic development.

Middleton (1998) also points the fact that although there are many existing public and private sector networks, consortia, and collaborative processes within EU providing support to Tourism SMEs, at the same time there is a widespread perception that many

of these are bureaucratic in operation and often incapable of delivering the support that command the trust and confidence of SMEs, specially micro-operators.

Middleton (1998) acknowledges that Tourism SMEs have own motivations, perspectives and economic and social rationale characteristics. Therefore being “different types of businesses new mechanisms will be needed to influence their operational practices and to provide and develop relevant support systems.” (p. 29).

Rural areas and entrepreneurship in Portugal

There is little knowledge about rural entrepreneurship in Portugal. It seems that it has not been given the necessary attention both either by academics and or politicians. Although Portugal can be seen as close to most developed European countries according to some economic and social indicators, there are significant internal asymmetries. One of those situations refers to the opposing realities of urban and rural areas (Ferrão and Lopes, 2003).

Rural areas⁷ cover almost 3/4 of the country's territory but account for only 14% of the population. (INE, 2001) and are very diverse and have very distinctive characteristics resulting, particularly, from the oppositions: litoral-interior and north-south (Ferrão and Lopes, 2003, Ferrão et al., 2004). Metropolitan areas of Porto and Lisbon as well as most cities, and therefore population, concentrate in the littoral, against the depopulated and entrepreneurially poor interior. North-south asymmetries can be identified both in the littoral and the interior in different aspects both regarding economic structure and landscape.

Recognizing such diversity, some authors (Ferrão et al., 2003; Madruga, 1991) suggest that regional differences are also evident for entrepreneurial dynamics in rural areas. In this context entrepreneurial dynamics consists of business (enterprise) creation.

⁷ Considering its simple definition as areas with less than 100 inhabitants /km²

According to Madruga (1991) endogenous entrepreneurial dynamics, are strongly dependent upon population density, youth and level of education. In the same direction Ferrão and Lopes (2003) propose a typology of four different kinds of rural areas with different entrepreneurial dynamics/potential:

Type of Rural areas in Portugal

Marginal Rural areas : This type of area is to be found mainly along the Northern border and in the whole of the interior. Its main features are low and very low population density (under 75 inhabitants/km²), marked demographic ageing and, consequently, a decline in population numbers. Family agriculture and public services are the dominant activities, although private and non-profit social services and the local-oriented wholesale and retail trade are also relevant. Employment in the building sector in towns in the region or on the coast, giving rise to temporary displacements, usually acts as a supplement to the local economy. The entrepreneurial fabric is weak, the qualifications of the human resources are low, and access to the main towns of the country is still poor.

Peripheral rural areas: to be found mainly in the coastal part of the country, either on the periphery of the metropolitan regions of Lisbon and Porto, or along the central coastal strip connecting the two. These are areas with medium population density (75 to 150 inhabitants /km²). Their demographic behaviour varies more according to characteristics of nearby towns than as a result of their own dynamics. Agriculture is still significant in these areas, but family sources of income are relatively diversified: building, light industry and repair/maintenance services are of some significance in the local economy and the nearby towns are important labour markets. The entrepreneurial fabric in these areas is better developed and may even have some international contacts here and there. Employee qualifications tend to be close to the national average.

Rural-urban areas or diffuse urban areas: areas with high population density (150 to 600 inhabitants per km²) corresponding to spaces that are in transition between the rural and the urban. They also include areas with a spatial pattern of diffuse urbanization based on medium-sized and small cities. The demographic dynamics here are positive, these areas representing both an alternative location to the congested city with high land prices and its surrounding peripheral and marginal rural areas. The prevalent pattern of rural tertiarization is associated with a small but usually very active entrepreneurial fabric. The level of human resource qualifications tends to vary according to the importance of the state services that are located in them (e.g. universities and high level public services).

For businesses operating in Portuguese rural areas institutional support is of crucial importance, particularly in marginal rural areas. According to Skuras et al. (2003) one out of five businesses has benefited from at least one support instrument. Financial assistance remains by far the predominant and most frequently used support followed by training.

Research studies conducted in Portugal also have demonstrated the need to design policies which support not only the creation, but also the growth and survival of small, innovative, flexible and competitive firms (Ribeiro and Marques, 2002; Correia, 2001)

Most rural areas in Portugal are, definitely, attractive locations for tourism related initiatives, due to the existence of notable natural and cultural resources. Over the two last decades there has also been a significant investment aimed at providing the necessary facilities and infrastructure.

Tourism has been developing in many locations as the result of policies and supportive strategies, particularly through provision of financial incentives. Although too often the context of rural tourism is restricted to the provision of accommodation facilities, there are other activities that take place in rural settlements. It is quite difficult though to gather information about the whole range of activities. Organisations responsible for tourism statistics and analysis (Direcção Geral de Turismo - DGT- and Instituto Nacional de Estatística - INE) have, until recently, only published information about accommodation. Although it is now possible to access information about entertainment related enterprises, most of them are based on urban areas, but is not possible to know the place(s) of operation.

Although Rural Tourism as a lodging facility has long been developed in some European Countries, such as Austria, France, England or Switzerland, it is quite a recent phenomenon in Portugal. Turismo em Espaço Rural (TER), as tourist accommodation in was first recognised in legislation in 1978.

Under this legislation and subsequent regulations, a substantial number of units were created, especially in the North region. The number of units has increased from 200 to more than 1000 over the last 15 years. The majority of the TER accommodation supply is concentrated in the north of Portugal (44%), followed by the Centro (23%) and Alentejo (16%).

Year	Units	Bednights
1990	200	60.970
2005	1.053	452.488

(Source: DGT, 2006⁸).

⁸ www.dgturismo.pt/anexodisplay.aspx?ID=207

A similar growth in demand, both domestic and international, confirms earlier predictions of success and the important role that local and regional associations play in the promotion and commercialisation of the increasing supply of rural accommodation. Equally, European policies for tourism and rural development have enhanced this success creating funding schemes that are supportive of projects, which enrich different aspects of the rural tourism offer.

Facilitating strategies

Strategies to facilitate Tourism in rural areas involve a large number of organisations acting either direct or indirectly and at very different levels of operation. Institutional support has been delivered mainly through the traditional instruments of capital subsidies, training and assistance to financial and technical management. Of particular relevance is the intervention of Leader local action groups, which not only manage Leader's financial incentives but also provide technical support to people investing in rural areas. In the same way, private associations like Turihab play an important role in the promotion and organization of TER units.

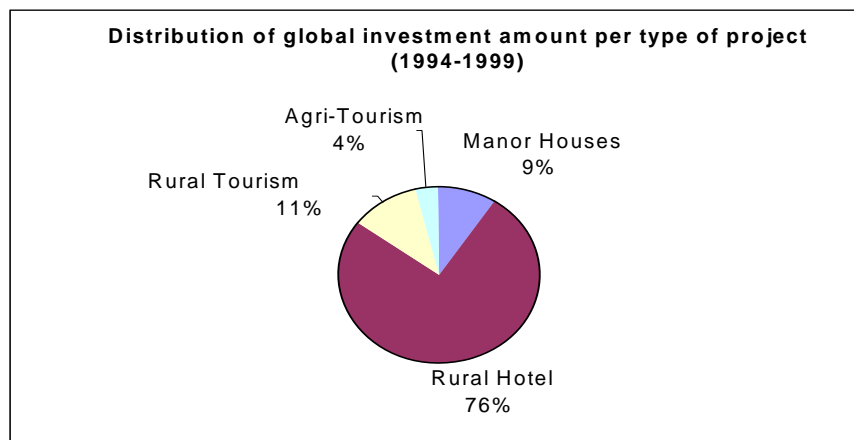
Several universities and professional schools provide one or more Tourism related courses. Although in some cases it might be indirectly these courses are contributing to a higher level of professionalism of the Tourism sector in general. In many rural regions there are even tourism related professional/vocational courses.

Economic Support for Rural Tourism development

Capital subsidies remain the dominant instrument of business support. The number of businesses started and operating is one of the first indicators of successful strategies aiming to promote Tourism development. For that reason we have analysed in greater detail information related to funding programs, introduced by EU structural funds and Portuguese Tourism authorities, which aimed at helping develop rural areas in general and Tourism in particular, over the last 2 decades.

Between 1988 and 1993 (I QCA), 390 tourism related projects have been submitted to ITP⁹, representing about 44 million euro of investment and about 20 million euro of incentives conceded. For the period of 1994-1999 (II QCA) it has been defined the Operational Program as part of a Global Program for Regional Development in Portugal with European Union's support, national support and private investment. This Program defined as primary domains in the Tourism sector (sub-program Tourism and Cultural Heritage) 4 main vectors: Increase of supply quality level; Improvement of professionalism; Diversification of products; and Diversification of markets. It was organised in 6 measures, which included Diversification and Modernisation of Accommodation and Entertainment Supply (measure 1), where TER is specified.

Under this programme TER projects implemented sum a total of about 55 million Euro investment, with incentives of around 24 million Euro (45%). It is evident in the graph a strong investment in Rural Hotels, a quite recent typology at the time but that has quickly gained preference of investors.



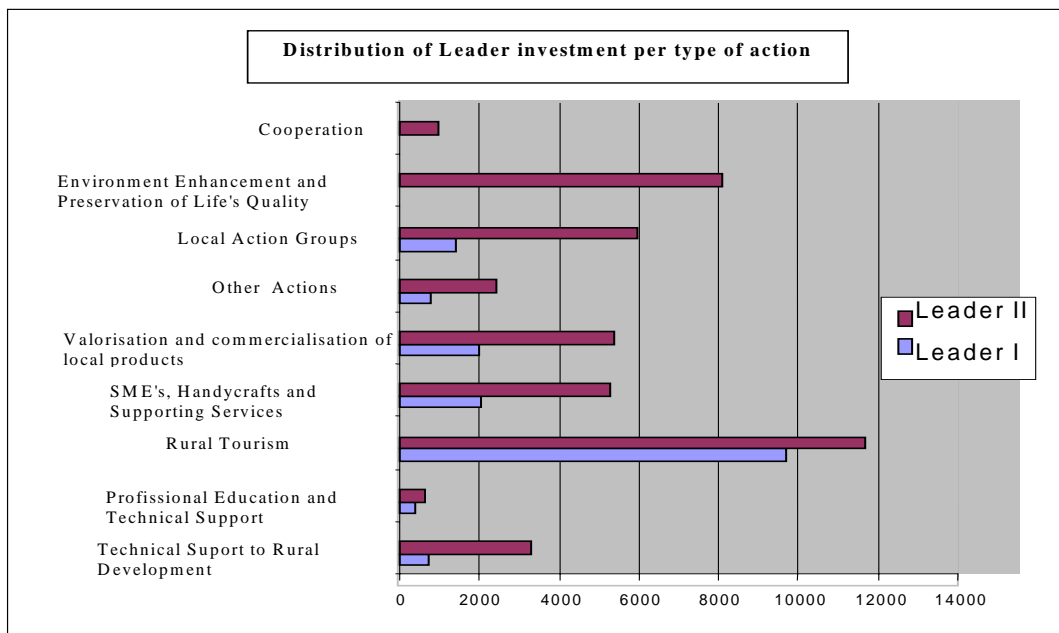
It is worth mention that the investment on TER has only been 5% of the total Tourism investment financed by ITP.

At present is running the III QCA under which tourism related projects have been submitted summing-up 52.641 million euro of investment, and 21.200 million incentive.

⁹ Former IFT – Instituto de Financiamento e Apoio ao Turismo

LEADER program has been an important initiative supporting rural areas development. Until present the Leader programme has had already three phases: Leader I – from 1991 to 1994 and Leader II – from 1995 to 1999; and Leader +- from 2002-2006.

The total amount of investment approved under Leader I and II was about 300 million Euros and the most significant part of the investment has been done during the second phase of the programme (72% of the 300 million Euro). Geographically, the Leader programme is organised according to agricultural regions division. The North region was the one with the biggest amount of investment. The investment of the Leader programme is organised by type of action, that were similar in both phases, with some differences though.



In both moments of Leader program investment in rural tourism (mainly accommodation units) is of particular significance.

Until December 2005 Leader + had already registered a total investment over 123 million euro, including tourism related investment¹⁰.

¹⁰ www.leader.pt/exec-fin_02_05.htm

European funding systems as well as national support incentive programs were implemented in order to facilitate the development of Tourism in rural areas in Portugal. Accommodation facilities seem to have received significant amount of support. How efficient have incentives schemes and supporting programmes been in order to enhance development of rural areas and tourism related entrepreneurship in particular?

Research Framework

In order to illustrate facilitating strategies aiming at develop tourism in Portuguese rural areas we are using data from OPTOUR¹¹ (Opportunities for and barriers to tourism led integrated development within rural regions of selected European States), a research project that involved 6 European countries¹² and took place between 2001 and 2004. The project has a broader framework, therefore for the purpose of this paper information has been selected in order to:

- Identify the strategies proposed by appropriate institutions and agencies (governmental and non-governmental) for facilitating rural tourism development;
- Illustrate the opportunities and barriers (fiscal, environmental, social, and institutional) experienced by tourism entrepreneurs in establishing their businesses;
- The perception of tourism entrepreneurs about the existing facilitating organisations and strategies and how these influence positively or negatively the process of regional/tourism development.

Methodology

Results here presented are part of two workpackages (wp2 and wp3)¹³. For wp2 104 tourism related businesses owners/managers, operating in selected rural areas¹⁴ were interviewed, according to a sampling matrix accorded by all partners involved.

As for wp3 five types of facilitating activities were defined: Physical Tourism development; Promotion, Education and Training, Planning and Control and

¹¹ Key Action 5.5 - Quality of Life and Management of Living Resources

¹² Coordinated by Bourneouth University (UK) includes partners from Portugal, Germany, Spain, Bulgaria and Romania

¹³ Wp2 - Opportunities and barriers to supply; Wp3 - Strategies for facilitation

¹⁴ Minho, Trás-os-Montes, Norte Alentejano e Litoral Alentejano.

Infrastructures provision. According the different groups of facilitators, several types of organisations were identified with different levels of influence (national, regional and local), directly or indirectly connected with tourism activity, that were selected to this project.

The most important ones were interviewed in order to understand their level of intervention, the policies they are working with as well as the way their competencies are benefiting/facilitating the development of Tourism in Portuguese rural areas. As representatives of these 5 types of facilitators 60 organisations have been interviewed:

- 2 Rural Tourism Associations (Minho e Norte Alentejano);
- 14 Local Authorities (in all areas but particularly in remote areas where these are the main facilitators of development process including tourism);
- 9 Local Leader Groups (providers of financing financial support);
- 2 Development Agencies (Minho e Litoral Alentejano);
- 10 Tourism Boards;
- 4 Regional Authorities (in four selected areas);
- 12 educational centres (providing for training and education in tourism);
- 2 Natural Parks (one in Minho and another in Norte Alentejano);
- 5 national organisations: DGT, DGDR, INFTUR, ICEP and IFT¹⁵.

Tourism development in Rural Areas – Strategies for facilitation

The existence of organisations that directly or indirectly facilitate and encourage the emergence of tourism businesses and its integration into the local/regional economy might be seen as an opportunity per se. Although the approaches might differ from industry's expectations, according to different strategies, these organisations are believed to have a great contribution, not only upon the tourism development process, but also upon the entire region's development process.

In most situations involvement in activities relating to tourism started only during the last decade and is not considered as main focus, being just one of many activities

¹⁵ As referred before IFT (together with ICEP) and are former organisations, now both make part of the recently established ITP .- Instituto de Turismo de Portugal

organisations are involved in. The reasons that explain such involvement are related to the opportunity tourism represents for promoting economic welfare of rural communities

Through their involvement in tourism activities in the areas they operate they were mainly expecting to achieve improvement of socio-economic welfare, development of tourism industry and promote awareness of the area. To achieve the proposed outcomes, organisations are trying to improve workforce skills through educational initiatives (more than half of interviewed organisations offer Rural and Environmental Tourism related courses, some organisations offer Hotel industry related courses, Tourism Information, Tourism Management and Planning); organising collective advertisement and promotion; and helping to preserve cultural identity and through tourism development. Most organisations think they are being successful due to the quality of outcomes that resulted from their involvement.

Organisations' perspective

Through planning activities organisations help creating conditions for tourism development, as well to preserve rural areas and its attraction. The cautious attitudes towards environment and built environment definitely affect tourism development in the area. Theoretically the planning permission process is not too long or complicated as long as projects are consistent with legal/policy requirements. The criteria of permission do not act as constraints on tourism development. It encourages development of appropriate tourism and culture/tradition preservation.

According to interviewees there are good opportunities that make rural tourism an attractive area of investment. Regions' natural and cultural heritage and the existence of special interest attractions as well as an increasing demand/interest contribute to the potential of specific areas.

Organisations have still highlighted the existence of Financial Incentives as an opportunity to tourism development. Apparently rural tourism businesses could, and to a certain extent are trying to take advantage at least of some of the existing opportunities. However, organisational interviewees have identified as one of the main

problems the lack of tourism supply as the result of and evident lack of entrepreneurial dynamics in those areas. Endogenous resources are not being valorised.

The problems that existing rural tourism businesses generally face are related to the small size and related problems of profitability, particularly because of the unsteady, low occupancy rates. Lack of association and co-operation as a sign of individualism amongst entrepreneurs, and lack of promotion/information seem to be contributing to that.

Entrepreneurs' perspective

Although most organisations address these problems in different ways: providing advice, developing attractions, providing funding facilitation, promoting the region and the businesses amongst other things, more than half of entrepreneurs said do not feel themselves supported, particularly by national organisations. There are several reasons that explain that feeling, like no support for their specific type of business, no fitting legislation, and no financial support. The entrepreneurs that feel themselves supported, basically mentioned the financial support they got, and the existence of adequate legislation that benefited the establishment of their business.

Entrepreneurs have a different opinion about regional organisations. More than half of them feel these ones are supportive. Entrepreneurs from remote rural areas feel themselves particularly supported. The kind of support most of entrepreneurs get from regional organisations is financial support and advice/consultation.

The majority of entrepreneurs feel themselves supported by local organisations, regardless the fact they consider local organisations do only promotion. Although more than half of entrepreneurs say do not feel themselves supported by political actions of national government, the national organisations had an important role in the management of investment schemes.

Theoretically the steps entrepreneurs have to go through to get support are very simple. Most of organisations do not ask for securities in order to provide financial support. However, in order to obtain financial support for financial support entrepreneurs have to

meet some information requirements, namely business plans, market research, financial information, including cash flow forecast and account of expenditures. These requirements became quite expensive and hard to cope with if we think whose investing in rural areas are small entrepreneurs.

Entrepreneurs are aware of the existing opportunities, and have identified them almost in the same way organisations did. However business' owners/managers identified bureaucracy and the lack of or bad quality of staff professionalism as main problems for the starting and running of businesses. Generally they do not consider rural location as a problem, although in some situations it does affect the running of the businesses, particularly when qualified staff or subcontracting services are required. Road/access Signage and

Although Local Authorities are considered to be doing a good effort providing general infrastructures, it seems that accessibilities and signage still need to be improved, in order to enhance tourism development. Organisations responsible for education are also accused of not being sensitive to trade's educational needs, and of being promoting courses that are not successful. Tourism industry is not committed with course development and course's quality standards.

Discussion

Although these results are only indicative, they point out some important implications for the design and implementation of policies aiming at tourism business support in rural areas, which in fact are in accordance with recommendations identified in the literature.

The existence of organisations that directly or indirectly facilitate and encourage the emergence of tourism businesses in Portuguese rural areas is, to a certain extent, acting and being recognised as an opportunity. However, the organizational framework may not be acting as an opportunity, simple because there are no strategies for the tourism development, or because the ones that exist may be acting as barriers to “progress”,

refraining investment, which may relate to: fiscal, economic, social, institutional, distribution or environmental parameters.

National and regional policy should be developed according to an integrated perspective, and strategies should be context specific when delivered at local level. In most situations, there is not a specific legal document that defines organisations' tourism development long-term strategy/policy. Most organisations base their activities on the "annual plan" or on the government's programme, which might be different every 4 years if not less. This seems to be one of the first identified barriers to tourism development.

Small and Micro businesses support should be decentralized in order to match local attitudes and needs. Although national organisations have an important role in the definition of policies to foster rural development, regional and, especially, local institutions have a much better image as facilitators. Business owners/managers feel themselves better supported by local and regional organisations, which are considered as "closer" to them and more aware of their problems.

Institutional support should become more flexible and selective. National organisations are mainly seen as "bureaucratic". An example of such feeling is illustrated by the number of people who do not applied for financial incentive because the process was too long or too complicated. Improvements need to be done regarding assessment strategies.

One of the main problems rural areas are facing is the generalised lack of initiative and individualism amongst entrepreneurs. Although, according to literature, rural development is better achieved with a mix of endogenous and exogenous intervention, it seems necessary to strengthen the knowledge, skills and attitudes of local people for them to be able to participate and sustain their area's development, namely through entrepreneurship in tourism.

Although entrepreneurship is a complex phenomenon that depends mainly on individual human capital, there are also context dependent conditions (social, cultural and

economic) that affect it. Social and cultural context should be taken into account when developing policy and facilitating strategies, which should be delivered through a wider range of support instruments rather than just financial assistance.

Indirect assistance like, consultation, education and training are important to enhance local participation. Although they are already being delivered in some ways, they seem not to might have to be rethink Strategies– entrepreneurship – through education and technical assistance

European funding systems as well as national incentive programs have been implemented in order to facilitate the development of Tourism in rural areas in Portugal. Accommodation facilities seem to have received significant amount of support. It seems necessary though to enhance the development of complementary services such as recreation and cultural activities.

Although most organisations are public, and therefore their financial resources depend too much on the National Budget availability, a large percentage gets financial support from EU schemes to run their operations. If we consider that EU funds are temporary and very soon will be directed towards other aims, we wonder how these organisations will be able to implement development projects in the future.

We realise the points discussed in this paper are not new, being addressed by a few works refereed in the literature review. However, it seems strategies to facilitate tourism development in Portuguese rural areas still need to be revised and hopefully this and other similar works will help to alert about that.

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