

ENRD Thematic Group on Rural Businesses

2nd Thematic Group Meeting

Event's Summary |
30 November 2016

About the Thematic Group

The ENRD Thematic Group on Rural Businesses was set up based on interest expressed by various stakeholder groups in the Rural Networks Steering Group. The first meeting was organised on 13 October 2016 (see Event's Summary, 13 October 2016). The second meeting was held on 30 November 2016 (Brussels), with the participation of 30 representatives from local business support organisations/ advisory services, LEADER Local Action Groups, European and national stakeholder organisations, research institutes, National Rural Networks, Managing Authorities, and European Institutions. Until July 2016 further two thematic group meetings and a larger seminar will be organised on the theme of rural businesses.

The vision of the Thematic Group

"Let's jump to the year 2030. One Finnish man Pekka moves back to Finland after 15 years in China. In 2015 rural areas were losing people and business environment was bad. Pekka is little bit worried, if moving back is a good idea. Pekka's brother Matti is driving him back to home village from airport..."
(Marko Maki-Hakola)

Rural Businesses in 2030

By 2030 our children will become adults. What will rural areas that they live in look like? What kind of businesses will flourish and what is the ideal form of business support that they will receive by then?

Prior to the 2nd Thematic Group meeting, members were asked to provide their vision on 'What should rural businesses and/or rural business support should look like in 2030?'. While the responses were creative and diverse, some common trends become visible across the various visions ...

By 2030 agriculture has become profitable. **There is demand for clean, healthier and local food.** Logistic chain from field to customer is effective. Small businesses operate in cooperation within the rural and urban value chains, based on the valorisation of rural assets for external markets.

Thanks to **web market places**, the whole world is now our customer. We do our major shopping through the internet then we pick up the bag from our local shop. Digitisation allows for direct, individual communication and production based on the needs of the clients and customers.



By Aron (to be 24 in 2030)

Healthy local food from the field to customer

New business models and regional specialisation

Farms in 2030 will be “**all inclusive**” like in the past. They will be organic and self-sufficient, covering demands of the owners and the nearby community.

In Farm Ltd 2.0¹ **farmers work together** in different product divisions (cheese, vegetables, beef, fruits, etc.) and provide integrated support services (such as marketing, sales and logistics). Farm Ltd 2.0 also has **integrated farm supermarket and e-commerce**. Farmers can take their product-development and sales in their own hands, making the chain smaller and making synergy possible, resulting in the cutting of costs.

“**Close to the city we find market gardening and milk production**, as people want (fresh) food from short food supply chains (even raw milk may re-enter the food landscape in the EU). Rural areas close to the city (or close to forms of public transport) will develop recreation and landscape maintenance as a service. Much further away from urban centres, rural business will optimise the commodity production model that allows them to be linked to the world market in raw material. They **strive to become self-sufficient**, where as little as possible inputs are used from outside the region, and as much as possible economic activity and social life is organised around locally available resources.”²

Technology and innovation are present in every aspect of life

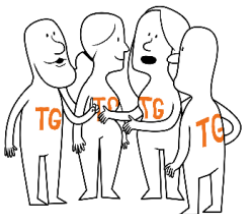
In 2030, “technology and innovation are present in every aspect of life: **drones for keeping extensive livestock, robots to work in forests and to prepare biomass**, which is then burnt in local, fully automated district heating facilities; elderly people live in robotised houses, and most of them carry chips to check and to prevent their illnesses on a real-time basis. **Driverless cars** go along roads, and apps are used for optimising transport for people and merchandises.”³

Farmers have the necessary skills to use novel ICT technologies. “The development of the Internet of Things (IoT) will bring novel equipment (sensors, farming machines, etc.), which will allow farmers to spend less time, but more efficiently, in the actual farming, producing cheaper and higher quality products and have more time to spend on the other sectors for their business like selling and marketing, etc. **Overall, the farmer of 2030 will have an integrated management system based on IoT** both for the production of his products as well as for their distribution.”⁴

“Every household and business has its own 4D printer – and a range of products (e.g. clothing, shoes, household tools, etc.) can be downloaded and produced, decreasing the dependency on driverless delivery vehicles. With strict quotas on the number of electric vehicles allowed on the tracks, there is more emphasis on local production of food and supplies.”⁵

The renaissance of non-farm businesses

Farm sector is not the sole determinant of the rural economy. Other types of rural businesses in rural areas will emerge, e.g. based on environmental values. Alongside sophisticated digital systems, a growing new business sector of products and services based on **traditional skills and crafts**, and rural makers and small-scale manufacturing are having a renaissance.



¹ Patrick Pasgang (Belgium)

² Jan Willem van der Schans (The Netherlands)

³ Miguel A. Gracia Santos (Spain)

⁴ Panos Madesis (Greece)

⁵ Jackie Brierton (Scotland)



By Blanka (to be 22 in 2030)

Effective local services

More and more round-wood is used in **forests and the energy industry**. Thanks to this in 2030 many forest owners are full-time entrepreneurs. Together they have own cooperatives with modern technologies (e.g. driverless forest machines).

In unpopulated areas, tourists can easily spot wildlife. **Tourism** flourishes, and increasing number of visitors are coming who want to enjoy and see the European rural landscape. At the same time, environmental responsibility reduces long-distance tourism, and the relative competitive position of nearby rural areas with local amenities and attractions increases.

In 2030 there are **entrepreneur-driven service centres in villages**. Village shops are back. Under the same roof there is day-care, school, services for old people, local food terminal and distant working places for experts. Businesses are dealing with products for healthcare and silver economy.



By Aron (to be 24 in 2030)

Reversing negative demographic trends

More people chose to live and work in the countryside; as it has been easier to build and move to rural areas (also due to reduced bureaucracy). **Highly-qualified young people return to their villages** and farming, and small and remote lands become a nest for innovation and development. Women are the most active entrepreneurs.

Reduced bureaucracy

By 2030, **politicians minimised bureaucracy and authorities are helping instead of controlling**. Rural business support will have no bureaucratic obstacles.

The LEADER/ Community-Led Local Development (CLLD) method becomes part of all EU funding (whether they are for social, regional or rural development), with a common set of simplified rules. The management and control of CLLD reflects the scale of projects.

New forms of business support & finance

New **start-up acceleration programmes** and incubators will train farmer 'businessmen'. "The tools available are easy to use and to manage; for instance, innovation vouchers are provided for development with web-application. Skype-type video-conferencing connections make expert counselling available, whether you run your company in the heart of the city or in the middle of nowhere. Fiber-optic based **broadband diminishes the negative impact of non-favourable locations**."⁶

Capital can be accessed, including private investing on novel agriculture start-ups. "Following global financial crash and end of capitalism 'as we knew it' in 2022, businesses have turned to local sources of finance and development. **Every community has its own credit union**, linked to national network providing business finance and support."

CAP may even be over, and areas formerly supported through CAP become now steppes and forests. Due to the lack of grants, remaining farmers produce and sell together.

"....Now Pekka understands that rural areas are the best places for businesses in 2030..."
(Marko Maki-Hakola)

"Although rural business support in 2030 will be much more reliant on connective technologies and post-cloud applications, **there will be more focus on 'localism', and people will place a high value on human contact** and relationship-building."⁷

⁶ Kary Kylkilahti (Finland)

⁷ Jackie Brierton (Scotland)

In focus: Accelerators and Digital Hubs

Business incubators & accelerators

The first part of discussion within the 2nd TG meeting focused on support tools to help businesses in developing and implementing new and creative business ideas. Incubators and accelerators, as one of the most relevant methods to boost businesses in a holistic way, have been the main focus of the presentations and discussions that followed.

Incubators and accelerators are helping start-ups, as well as already established businesses, to develop their projects.

What are business incubators and accelerators?

The term 'business incubator and accelerator' is often used to describe a wide range of organisations including technology, research and science parks, innovation centres, as well as organisations with no single physical location but providing support through a network of enterprises - so called 'incubators without walls'.

Incubators and accelerators in particular can strongly increase the possibility of **success of young businesses** and reduce their overhead costs by providing access to services and shared facilities. In most of the cases they are '**one-stop-shops**' **providing shared support services** including management assistance, consultancy for funding access and legal advice. They also offer shared office facilities, access to technical equipment and flexible leases.

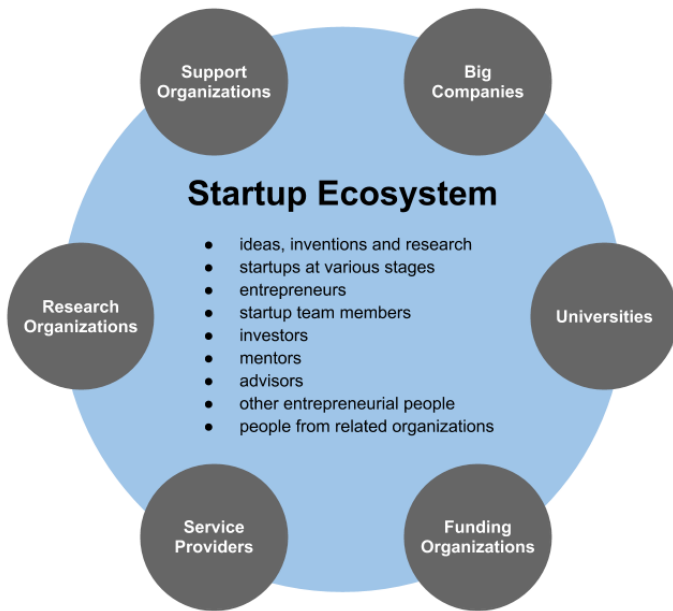
Incubators and accelerators are very similar tools for business support but with some important **differences**:

- Incubators tend to work for companies that are new or at their early stages while accelerators are active also when the core activities of the business are already set-up.
- Incubators provide start-ups with access to services and facilities for a period of time that can vary and last even for more than one year, while accelerators work with businesses for a short and precise period, normally between 3 to 6 months.
- While incubators provide only consultancy and shared facilities, the accelerators also provide financial investments and for this reason accelerators need to make a selection of the companies they work with.

What are the advantages and challenges of business accelerator and incubator approaches?

The **methodology** used by accelerators is key to their success: rarely using one-to-one traditional knowledge transfer, they engage the entrepreneurs in **networking activities and peer-to-peer** learning processes. They take the role of '**mentors**' following very closely the businesses for the whole period of consultancy.

Using their networks, they can engage with a **great variety of stakeholders** including universities and research organisations, investors and funding organisations, and other



Source: Presentation of Jan Willem van der Schans

service providers. This network is the **ecosystem** that ensures the access to knowledge, new ideas, funding and facilities. Furthermore, by simultaneously engaging a variety of businesses and providing shared services and facilities they create **complex knowledge spill overs** that could not happen if the businesses would remain 'within their own circle' of known partners.

The accelerator and incubator methodologies work both for traditional farmers and for rural businesses in general. When engaging with non-farming activities they often have the chance to connect different stakeholders, **create new networks** of partners - a community - and have an impact on the **development of the whole value chain**. Accelerators' and incubators' success often rely on their capacity to generate new ideas and enlarge the networks but this is not always an easy task to achieve.

In the case of the accelerators, the commitment to provide a financial investment put **pressure on the choice of which**

businesses to help: this choice is in some cases biased towards those start-ups and companies that present very strong and successful ideas, while the weaker ones more in need for support might be excluded.

The **time and energy necessary for businesses to bring to profit the information received** from the experts is often measured in terms of years. This fact put additional pressure on the accelerators that need to invest on businesses with a higher probability of success and shapes the incubator method of advice towards more long lasting mentoring relations with their clients.

Accelerators and incubators have the biggest impact when they **adapt to the needs** of the businesses, the geographical area and the sectors they want to work with. In rural areas they can therefore specialise their services and provide advice considering the specific conditions and challenges faced by the local rural businesses.

Rural areas specific conditions can in some cases challenge the work of accelerators and incubators: it is in fact necessary for these to adapt to the specific conditions of rural areas to be able to run smoothly, find clients and lead to successful businesses. **Distances in rural areas** can often be a barrier for business to access to services. Accelerators targeting rural areas might have a better impact if providing distance support through the internet. Networking and peer-to-peer exchange are however, very important in the methodology of these tools. For this reason, '**virtual accelerators**' could provide on-line services and concentrate the activities where the physical presence of the companies is necessary to few networking events.

Within the RDPs, **LEADER** has used a very similar methodology to provide support to rural businesses; and in the current programming period is one, if not the most, important EAFRD funded tool to support non-agriculture businesses in rural areas. Local Action Groups worked as mentors supporting new businesses and networking at local level. By creating networks of entrepreneurs LAGs were able to support the **sympiosis of different initiatives** and create networks of **entrepreneurs empowered by strong community feelings**.

Digital Hubs

*Fast broadband is like
railways and canals of the 21st
century.*



The second part of the discussion about support to help businesses to seize the opportunities of digitisation focused on the digital hubs approach. Two practical examples of Hellodigital (Scotland) and the Ludgate Hub (Ireland) have been presented and discussed.

Hellodigital (Scotland)

Hellodigital (Scotland) – already featured in the Event's Summary of the 13 October Thematic Group meeting – is a digital demonstration centre that aims to help people in Scotland to make the most out of broadband and digital technology. The centre/ digital hub connects businesses and technology.

Hellodigital offers a diverse range of showcases, master classes and events bringing together industry experts, academic leaders and the business community. Rob Clarke (Highlands and Islands Enterprise) presented the main features of the digital hub as follows:

- The hub aims to **educate** businesses and demonstrate what is possible to do with digital technology;
- The hub provides **information** focusing mainly on SMEs;
- It **inspires** businesses on what they could do and identify areas where digital connectivity may take businesses in the future.

It is important to make such hubs cross-sectoral. While Hellodigital mostly focused on the food & drink sector, it is important to extend the scope of businesses involved (e.g. land managers, forest owners can be more engaged).

One simple example of practical use of digital technology is the setting up of sensors in public bins that indicate when they need to be emptied. This makes services more effective, i.e. instead of the traditional method of emptying all bins regularly, the process is optimised and made more effective.

***The Ludgate Hub
(Ireland)***

The **Ludgate Hub** is an extraordinary example of how digitisation can truly transform a rural area. Grainne Dwyer (CEO of Ludgate Hub) presented the example during the meeting and explained how they started the project one and half a year ago with a vision to create a sustainable future in Skibbereen, a rural town on the South-West coast of Ireland.

The starting point for the project was recognising the digital divide in Ireland. While rural Ireland has twice the population of the 5 main Irish cities, fast broadband is only available in cities. It is characterised by limited cable footprint and slow upgrade from Copper to Fibre. It is crucial to have fast broadband in rural areas to develop both economic and social viability of these areas.

Through Ludgate Hub a 1st IGB rural society was created. The keys to success were:

- The Ludgate Hub managed to attract international start-ups and fostering employment through this;
- Digital Literacy of all members of the community was facilitated.
- It helped to re-brand rural Ireland (Digital Week) and as such served as a “global shop window”.

***What are the advantages
and challenges of digital
hubs?***

Questions as well as opportunities and challenges of setting-up and operating digital hubs were discussed both within the framework of presentations and in the small group discussion that followed. These can be summarised as follows:

- One of the main challenges is **engaging people locally** in the process at all levels: different industries/ sectors, local authorities and policy-makers, private investors and potential businesses.
- **Improving digital skills** is a prerequisite for the effective operation of hubs and therefore, a lot has to be invested to improve such skills in the community; or to attract people with the right skills back to rural areas. Training has to be started already at the school-level.
- Activities that are developed through the support of digital hubs need to be practical (and not overambitious). In this context it is crucial to find the right **balance between ‘aspirational and mainstream’**.
- The **basic infrastructure needs to be** in place. While finding ways to set-up the appropriate broadband access is the starting point; other infrastructure (e.g. access to transport) and **linked services** are also important in order to make digital hubs ‘future-proof’. Therefore, parallel thinking on investing in ‘service hubs’ (not necessarily only digital hubs) is important.

Rural Development Programme approaches to support rural businesses

Supporting innovative rural businesses in Austria

Rural Development Programmes provide support for rural businesses through the implementation of several Focus Areas (FA). FA 6A, is specifically expected to have an impact through facilitating diversification, creating and developing small enterprises, and ultimately in creating jobs.

One of the biggest challenges for the RDPs is to support **innovation and smart specialisation of rural businesses**. Funding pilot projects and innovative projects can be risky. One example of RDPs using a potentially powerful FA 6A strategy with a specific focus on innovation is the Austrian RDP.

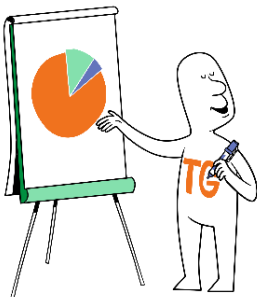
Austria has an overall good development of rural areas especially near transport routes and touristic regions. However, it has been recognised that the situation of rural SMEs could be further improved through economic diversification, development of touristic infrastructures and more cooperation within the value chains, as well as between rural and urban areas.

In order to tackle these needs FA 6A strategy will support:

- The diversification of farms into non-agricultural activities,
- The creation and development of innovative enterprises,
- The development of advisory services and activities of knowledge transfer.

With a budget of 111 million Euro, Austria aims at achieving these objectives with the use of four Measures:

- M01 - Knowledge transfer and information actions
- M02 - Advisory services, farm management and farm relief services
- M06 - Farm and business development
- M16 - Cooperation



Measure 6 will **particularly target start-up businesses** and small and young entrepreneurs in rural areas, including both agricultural and non-agriculture holdings. Where the beneficiaries are farmers the measure privileges projects of diversification to non-agriculture activities that make the most of farms' multi-functionality.

In the Austrian RDP Measure 6 also has an important role supporting innovation. M06 projects will be selected based on their degree of innovation. Examples of eligible projects are innovative products, crafts, manufacturing and services that complement the regional value chains.

*National Rural Network
in support of rural
businesses*



Networking and National Rural Networks play an important role in improving rural businesses. The example of the activities of the Finnish Rural Network (presented by Juha-Matti Markkola during the meeting) proves the benefits of the work of rural networks for rural business development.

LEADER 2030 (also features in the Event's Summary of 13 October 2016) is a process through which the **Finnish Rural Network engaged LEADER Local Action Groups (LAGs) to jointly develop the vision of LEADER post 2020**. Through the process, 'future signals' and new 'megatrends' were jointly defined with the LAGs and other stakeholders (including through the process of foresight camps). LEADER is being acknowledged in Finland as **one of the key mechanisms to support businesses at the local level**.

The Finnish NRN supports rural business development also through other mechanisms and activities, these include:

- **Road Shows, including information and discussion events with rural entrepreneurs**, addressing the question on '*How Rural Development Programme can help to develop your business?*'. These events were jointly organised with the Farmers Union and Business Federation in Finland.
- The Finnish NRN is running **thematic media campaigns** to support thematic activities, such as the one on business support and entrepreneurship.
- Through the method of the '**innovation camps**' **new ideas to develop rural areas** are created based on bottom-up needs and grass-root level stakeholder involvement. After organising a set of national and regional innovation camps with a diverse set of stakeholders, the Finnish NRN is now planning to organise **thematic innovation camps**, including the themes of 'Young entrepreneurs' and 'Circular economy'.
- The Finnish NRN is also in the process of setting up a **Thematic Group on Rural Businesses**. The aim is to shaken and stir the attitudes and possibilities of rural entrepreneurship. Through discussions, interesting and inspiring examples will be identified to foster rural business development; and new trends and signals will be spotted that might have an influence on rural businesses.

*RDP analysis by the
ENRD*

At the end of 2016, the ENRD Contact Point interviewed selected National Rural Network Support Unit and Managing Authority representatives with the aim of identifying measures that are expected to contribute to rural business development the most. These include:

- M01 & M02 – Knowledge transfer and advisory services
- M06 – Start up aid for farming and non-farming businesses
- M07 – Basic services and village renewal
- M16 - Cooperation
- M19 – LEADER

During the first quarter of 2017, the ENRD Contact Point will gather information on the use of these measures in a selected Member States. The analysis will focus on the measures above in selected Member States in order to draw lessons and recommendations.

Upcoming activities

Next steps in the work of the Thematic Group

The following activities are foreseen regarding the Thematic Group:

- ✓ **RDP analysis** to identify useful approaches to business development (see above).
- ✓ **Dedicated publications** (Projects Brochure and Rural Review) on the theme of rural businesses (content is currently being outlined);
- ✓ Further two **Thematic Group meetings** (23-24 January and May of 2017)
- ✓ A **larger seminar** (some 150 interested stakeholders) where the outcomes of the group will be fed and further ideas/ reactions on rural business support will be collected.
- ✓ **Good practices** on rural business development through RDP projects (including focus on digitisation, accelerators, and other relevant approaches and methods).